

# HOUSE BILL REPORT

## SB 6457

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*As Passed House  
March 4, 1992*

**Title:** An act relating to the state convention and trade center.

**Brief Description:** Refunding construction obligations for the state convention and trade center.

**Sponsor(s):** Senator Cantu.

**Brief History:**

Reported by House Committee on:  
Capital Facilities & Financing, February 25, 1992, DP;  
Passed House, March 4, 1992, 90-5.

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**HOUSE COMMITTEE ON  
CAPITAL FACILITIES & FINANCING**

**Majority Report:** *Do pass.* Signed by 12 members:  
Representatives H. Sommers, Chair; Rasmussen, Vice Chair;  
Schmidt, Ranking Minority Member; Neher, Assistant Ranking  
Minority Member; Brough; Casada; Fraser; Jacobsen; Ogden;  
Peery; Silver; and Wang.

**Minority Report:** *Do not pass.* Signed by 1 member:  
Representative Heavey.

**Staff:** Bill Robinson (786-7140).

**Background:** In 1982, the Legislature created a public non-profit corporation to build and operate a state convention and trade center. The convention center was to be a joint public/private partnership located over the I-5 freeway in downtown Seattle. The partnership consisted of the Washington State Convention and Trade Center which is the non-profit public corporation, the CHG company and CHG's lender, Westside Federal Savings and Loan. The lower levels of the building, which consisted of the land, parking lot, and retail space were to be owned and developed by the private party and the upper levels containing the exhibit halls, meeting rooms, and lobby were to owned and developed by the public corporation. The private developer, CHG, had the obligation to pay all the costs of the lower portions of the building. This obligation was shared by CHG's lender, Westside Federal Savings and Loan, and was backed by a

financial guaranty bond of \$30 million provided by Industrial Indemnity Company (IIC).

In 1984, CHG filed for bankruptcy and Westside Federal Savings and Loan acquired the land, which CHG had owned, and assumed responsibility for construction of the parking and retail portions of the convention center. In 1985, Westside closed its doors and was placed in receivership by the Federal Savings and Loan Insurance Corporation (FSLIC). As a result of two of the three partners defaulting, the convention center and the bonding company entered into an agreement. Under the agreement, construction was allowed to continue until a final agreement on the major business disputes between the federal receiver, the bonding company, and the convention center was reached in early 1987.

Under the agreement the state received:

1. All private land occupied by the convention center;
2. The retail space;
3. The parking garage;
4. The adjacent Eagles Building; and
5. \$29.2 million in cash from the IIC.

In exchange the state agreed to:

1. Complete construction of the convention center;
2. Pay \$5 million to the receiver (FSLIC);
3. Satisfy the outstanding title claims of approximately \$1 million; and
4. To make payments from parking revenues for the next 30-year period to IIC totaling \$29.2 million.

The remaining private property, the McKay Building, was placed in trust with the state, with the obligation to sell it and divide the proceeds equally between FSLIC and IIC.

PURPOSE OF THE BILL:

Parking Revenues to IIC.

In exchange for the cash settlement of \$29,250,000 paid by IIC to complete construction of the convention center, the Washington State Convention and Trade Center issued a revenue note to IIC requiring the convention center to pay \$975,000 from parking revenues for each of the next 30 years. If the amount of net revenues in any year is less than \$975,000, the convention center is obligated to pay 11 percent interest on the shortfall.

Early projections indicated that there would be sufficient annual parking revenues to make payment on the revenue note. But due to the high vacancy rate in downtown Seattle, the parking revenues have been insufficient to make the annual payments of \$975,000. The accumulated shortfall from the first three years of operation is projected to total one full payment, approximately \$970,000 by February 1, 1992. Projections of future garage revenues show that interest payments to IIC on the shortfall will total \$3,349,000 over the next six years. Present favorable interest rates provide the opportunity to issue general obligation bonds to refund the revenue note with IIC. A \$2.3 million bond issue could be used to pay the shortfall plus interest and prepay the next two installments due to IIC. The refinancing is estimated to result in a net savings of \$2.4 million to the Washington State Convention Center.

Extend Date for Repayment of the Temporary Borrowing for the McKay Building.

In 1987, the Legislature authorized the convention center to temporarily borrow funds from the state treasury to complete construction of the center and purchase the McKay Building. The loan was authorized until bonds could be sold at a favorable interest rate. Because the convention center intends to promptly re-sell the McKay Building, the treasurer advised that the \$8.9 million purchase be financed with temporary borrowing rather than bonds. So, the convention center now owns the McKay parcel and owes the treasury \$8.9 million plus interest.

The convention center is seeking to sell the McKay property but is concerned that they will be unable to secure the best price for the property. In 1991, the Legislature extended the repayment date from 1991 to 1993 because the market conditions in Seattle were not conducive to the sale of the property. Since that time the market conditions in downtown Seattle have not improved and the convention center is requesting another two-year extension on the repayment date.

**Summary of Bill:** The date by which temporary borrowing from the state treasury for capital projects must be repaid is changed from June 30, 1993 to June 30, 1995 and the authorized use of Washington State Convention and Trade Center bonds is expanded to include refunding obligations of the parking garage revenue note issued to IIC. An amount of \$2.3 million is appropriated from the state convention and trade center account for refunding the obligations of the parking garage revenue note issued to IIC.

**Fiscal Note:** Requested February 27, 1992.

**Appropriation:** An amount of \$2.3 million is appropriated from the state convention and trade center account to refund the parking revenue note.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** None.

**Testimony Against:** None.

**Witnesses:** None.