

SENATE BILL REPORT

SB 6457

AS PASSED SENATE, FEBRUARY 17, 1992

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

SPONSORS: Senator Cantu

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bluechel, Cantu, Hayner, M. Kreidler, Newhouse, Owen, Rinehart, L. Smith, Talmadge, West, and Williams.

Staff: Martin Chaw (786-7715)

Hearing Dates: February 5, 1992; February 6, 1992

BACKGROUND:

In 1982, a public/private partnership was created by the Legislature to construct the State Convention and Trade Center (Center). The partnership consisted of the Center (a non-profit corporation), the CHG company, and CHG's lender, Westside Federal Savings and Loan. The public corporation was responsible for constructing the upper levels of the Center which consisted of exhibit halls, meeting rooms, and lobby. The lower levels, which included the parking garage, retail space, and land were to be completed by the private partners. A \$30 million guaranty bond was provided by the Industrial Indemnity Corporation (IIC) to back the private partners. In 1984 and 1985, the CHG company declared bankruptcy and the Westside Federal Savings and Loan was placed in receivership by the Federal Savings and Loan Insurance Corporation (FSLIC). As a result of two of the three partners defaulting, the Center and the IIC entered into an agreement.

Under the terms of the agreement, the Center received \$29.2 million from the IIC and agreed to complete construction in exchange for the parking garage, lower level retail space, and private lands occupied by the Center. To pay back the \$29.2 million bond, the Center was obligated to pay the IIC net revenues from the parking garage operations of \$975,000 annually until the year 2018. Any shortfall between the annual payment and the \$975,000 was subject to 11 percent interest. As part of the exchange for private lands, the Center acquired the McKay property in trust. In 1987, the Legislature authorized a loan of \$8.5 million from the state treasury to the Center to purchase the McKay property and to complete construction of the Center with the understanding that the McKay property would be resold in 1993 and the

proceeds of which would be used to repay the state treasury plus interest.

Due to the high office vacancy rate of the buildings near the Center, the Center has not generated sufficient revenues to meet the agreed annual payment to the IIC.

SUMMARY:

The Center is authorized to issue \$2.3 million in bonds at 6.25 percent for 10 years. Proceeds are to be used with the parking revenues to meet the minimum annual \$975,000 payment. The difference between the 6.25 percent bond interest rate and the 11 percent IIC interest rate result in an approximate savings of \$2.3 million. These bonds will be repaid with hotel/motel tax revenues.

Additionally, the repayment date for the \$8.5 million loan from the State Treasurer's office is extended two years to 1995. This extension is requested to take advantage of a possible higher selling price for the McKay property.

Appropriation: none

Revenue: none

Fiscal Note: requested February 4, 1992

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

TESTIMONY FOR:

Bond sales would result in interest payment savings of \$2.3 million. Parking revenues are expected to increase once buildings near the center begin to fill up.

TESTIMONY AGAINST: None

TESTIFIED: Bud Krough, Convention Center; Vic Hawley, Convention Center