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**Finance Committee**

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**HB 2264**

**Brief Description:** Concerning public facilities.

**Sponsors:** Representatives Pettigrew and Jarrett.

**Brief Summary of Bill**

- Provides authority and financing for the construction of a regional center, funding for the arts and cultural activities and the costs of modernization, improvements, renovations, or replacement of major public sports facilities, all in King County.

**Hearing Date:** 2/26/07

**Staff:** Rick Peterson (786-7150).

**Background:**

*Sales & Use Tax.* Retail sales and use taxes are imposed by the state, cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 1.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

*Local Hotel-Motel Tax.* A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Cities and counties are authorized to levy a basic, or "state-shared," hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer. The latter type are often referred to as "special" hotel-motel taxes.

Since 1975, a county basic hotel-motel tax must allow a credit for the amount of any tax levied by the cities within the county, thus precluding both the city and county tax from applying to the

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same lodging transaction. Except for the city of Bellevue, cities in King County cannot impose a basic hotel-motel tax until January 1, 2021.

Beginning in 1987, the hotel-motel tax in King County not only applied to servicing the debt on the Kingdome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Currently, 70 percent of the excess revenue is dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be spent. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the Kingdome debt, then to the acquisition of open space lands, youth sports activities, and tourism promotion. This continues until 2013, then the full portion of the local 2 percent hotel-motel tax in King County is dedicated to retiring the remaining debt on the Kingdome and the debt on Qwest field.

*Rental Car Tax.* The rental of a passenger vehicle from a rental car company to customers, without drivers, for a period that does not exceed 30 consecutive days is subject the state and local retail sales tax. In addition, the state imposes a 5.9 percent rental car tax. The receipts of the state rental car tax are deposited into the multi-modal transportation account. A county is also authorized to impose an additional car rental tax of 1 percent. After the state's administrative costs are deducted, the local receipts are distributed to the appropriate counties and may only be used for the construction or operation of public sports stadiums (75 percent), or for youth or amateur sports activities or facilities (25 percent). There are currently four counties (Franklin, King, Pierce and Spokane) levying this 1 percent tax. King County imposes an additional 2 percent rental car tax to finance the construction of Safeco Field.

**4Culture.** Established in January 2003, 4Culture is King County's cultural services agency. It continues the work of the King County Arts Commission, Public Art Commission, and the heritage programs of the Landmarks Commission. 4Culture is a tax-exempt public corporation, with a 15 member Board of Directors, who are nominated by the King County Executive and confirmed by the Metropolitan King County Council. 4 Culture receives a portion of the hotel-motel tax revenues to provide funding to support the visual and performing arts, public art, heritage programs, and historic preservation.

**Safeco Field.** 1995, state and local financing was authorized for the construction of a new baseball stadium in King County. It is currently known as Safeco Field.

### State Contribution

*Retail Sales & Use Tax.* An additional local retail sales and use tax at a rate of .017 percent was authorized. This local sales and use tax is credited against the state sales and use tax (6.5 percent) so the consumers do not experience a tax increase. The local option sales and use tax and the credit against the state sales and use tax expire when the bonds are retired, but no later than 20 years after the bonds are issued. The tax may not be imposed after January 1, 2016.

*Lottery.* Beginning in 1996, \$3 million of the lottery revenue was dedicated to baseball stadium bond retirement. Each year that amount increased by 4 percent. In addition, the State Lottery Commission was directed to conduct two to four games with sports themes per year.

*License Plates.* Special stadium license plates were authorized, with the revenue being dedicated to baseball stadium bond retirement. The special license plate fee is \$30.

*Retail Sales Tax Deferral.* Retail sales tax was deferred on the construction of the facility. This includes labor and services, material and supplies, and rental of equipment. The sales tax must be repaid over a 10 year period. Interest is not charged on the repayment.

### Local Funding

*Restaurant Tax.* King County was authorized to impose an additional sales and use tax of 0.5 percent on food and beverage sales at restaurants, taverns, and bars. Food and beverage sales at grocery stores, mini-markets, and convenience stores were not included. The tax is used to repay the bonds issued for construction of the facility .

*Car Rental Tax.* King County was authorized to impose an additional sales and use tax on car rentals at a rate not to exceed 2 percent. The tax is used to repay the bonds issued for construction of the facility.

*Admissions tax.* A 5 percent tax on admission charges was authorized for the purpose of baseball stadium bond retirement; however, excess revenues may be used to pay unanticipated capital costs excluding any cost overruns on initial construction.

The Mariners were required to contribute at least \$45 million to the construction cost. A leasehold excise tax exemption was granted for public or entertainment areas of the baseball stadium.

In 1997, King County issued \$336 million of limited tax general obligation funds to provide the funding for Safeco Field. Due to early retirement the bonds are expected to be repaid by the end of 2011. The 0.017 percent sales tax, the 2 percent car rental tax, and the 0.5 percent restaurant tax will end when the bonds are repaid.

**Qwest Field & Exhibition Center.** In 1997, state and local financing was authorized for a new football stadium and exhibition center in King County. It is currently known as Qwest Stadium.

### State Contribution

*Retail Sales & Use Tax.* King County was authorized to impose a sales and use tax at a rate of 0.016 percent. This tax is credited against the state sales and use tax. The revenues will be used to retire the bonds issued for the stadium and convention center construction. The tax and credit expire when the bonds are retired, but no later than 23 years after the tax is first collected.

*Retail Sales Tax Deferral.* Retail sales tax was deferred on the construction of the facility. This includes labor and services, material and supplies, and rental of equipment. The sales tax must be repaid over a 10 year period and the repayments will be deposited into the stadium and exhibition center account and used to repay construction bonds.

State sales and use tax exemption was provided for vehicle parking fees charged at the stadium and exhibition center.

*Lottery.* Since 1998, \$6 million in lottery revenues is distributed to the stadium and exhibition center account each year. The amount of the distribution increases annually at 4 percent. The distributions expire when the bonds are retired, or 2021, whichever is earlier. The Lottery Commission was authorized to conduct new games. The operators of Qwest Field must promote

the lottery with in-kind advertising, sponsorship, or prize promotions valued at \$1 million annually.

Leasehold excise tax exemptions were provided for public or entertainment areas in the facility. \$300 million in state-issued general obligation bonds were authorized.

#### Local funding

*Admissions & Vehicle tax.* A 10 percent tax was authorized on admission charges to events in the stadium and exhibition center. A 10 percent tax on vehicle parking at the new facility was also authorized. Revenues from these taxes go first to retire the bonds, then into an account for future repairs and improvements.

*Hotel-Motel Tax.* King County's share of the basic 2 percent hotel-motel tax is extended to 2020. The revenues may be used for Kingdome repairs and debt until 2015, then for bond payments for the new stadium and exhibition center through 2020.

The Seattle Seahawks had to contribute at least \$100 million to the construction and \$10 million to the youth athletic facility grant account.

The total public share of construction costs of the stadium and exhibition center was limited to \$300 million. The tax revenues are used to repay the construction debt. After provisions for reserves are met excess revenue is deposited in the youth athletic facility grant account.

#### **Summary of Bill:**

The bill provides authority and financing for the construction of a regional center in King County, funding for the arts and cultural activities and the costs of modernization, improvements, renovations, or replacement of major public sports facilities.

More than one public facility district may be created in a county. The scope and authority of a public facility district is defined by the county. Public facility districts may contract with a prospective tenant for site acquisition, development, design, construction, lease, or management of the facility.

King County may extend the 0.017 percent sales tax credit that is currently being used to pay the bonds for Safeco Field at the time those bonds are paid off, which is expected to be in 2012. They may also extend the current 0.016 percent sales tax credit that is currently being used to pay the bonds on Qwest Field once those bonds are paid off, which is expected to be in 2021.

King County may extend the 0.5 percent King County food and beverage tax from the time the Safeco Field bonds are paid off until December 31, 2015. Currently this tax would expire when the Safeco Field bonds are paid off.

King County may extend the 2 percent rental car tax dedicated to Safeco Field from the time the Safeco Field bonds are paid off until December 31, 2015. The 1 percent rental car tax in King County that is currently being used to pay off the Kingdome repairs is extended beginning in 2016. Seventy-five percent of these revenues will go towards the new regional center.

Beginning January 1, 2021, the hotel-motel tax that is credited against the state portion of the sales tax, which is currently being used for Kingdome repairs and the Qwest field bonds, is

extended. Fifty percent of the revenues from the hotel-motel tax will go toward paying the bonds on the regional center, and 50 percent of the revenue will be used by the county to fund cultural activities and facilities in all parts of the county.

The arts endowment fund is converted to a reserve account. The principal of the account and earnings from investments may only be used for art museums, cultural museums, heritage museums, heritage and preservation programs, the arts, and the performing arts.

The site acquisition, development, and construction activities of the regional center is exempted from retail sales and use taxes, real estate excise tax, and the leasehold excise tax.

The tax revenues are first used to fund arts and cultural activities, from 2013 through 2020, and to fund modernization and improvements to major sports public facilities within the county. The excess revenues and bond proceeds are deposited in a segregated fund called the "Regional Center Account" within the county treasury. These revenues are used to construct a regional center. On or before June 30 of each year, the treasurer must accumulate in the account enough funds for paying the principal and interest on the bonds for the upcoming year.

**Appropriation:** None.

**Fiscal Note:** Requested on February 19, 2007.

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