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**Finance Committee**

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**HB 3027**

**Brief Description:** Regarding the governance and financing of the Washington state convention and trade center.

**Sponsors:** Representatives Ormsby, White and Kenney.

**Brief Summary of Bill**

- Creates a new public facility district in King County to take over the Washington State Convention and Trade Center.

**Hearing Date:** 2/3/10

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

**Background:**

The Washington State Convention and Trade Center (Center) is a public nonprofit corporation created by the Legislature in 1982 for the purpose of constructing and operating a nationally-competitive convention and trade facility in the City of Seattle. The Center is governed by a nine-member board of directors appointed by the Governor. Initial construction of the Center facility was completed in 1988 and financed through state-issued general obligation bonds, which are projected to be retired by Fiscal Year 2020. Expansion of the Center, authorized by the Legislature in the 1995-97 biennium, was completed in Fiscal Year 2002 and financed through the use of Certificates of Participation, which are expected to be paid off by Fiscal Year 2029.

A state "convention center" tax applies to lodging within King County. This special sales and use tax applies only to the sale of lodging in hotels, motels, and similar facilities in King County with at least 60 units. The tax applies only when a lodging unit is used for a continuous period of less than one month (longer use is considered as a rental of real property, rather than a "license" to use the property). The tax rate is 7 percent within the city of Seattle and 2.8 percent throughout the remainder of King County. The rates will drop to 6 percent and 2.4 percent, respectively, when the bonds to finance construction or expansion of the Center are retired. All

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proceeds of the convention center tax are devoted to the state convention center facility located in Seattle. Receipts are deposited into two accounts within the state treasury: (1) the State Convention and Trade Center Account (used for acquisition, design, and construction of facilities and retirement of bonds), and (2) the State Convention and Trade Center Operations Account.

The City of Seattle imposes a 2 percent tax (local convention center tax) to the same charges for accommodations as the state convention center tax. The 2 percent tax is credited against the state retail sales tax, so that it does not increase the cost of room rentals to customers. All of the revenues are deposited in the State Convention and Trade Center Account and are dedicated to costs of expanding the convention center. Thus, the effect of this tax is to shift funds from the State General Fund to the State Convention and Trade Center Account within the State Treasury.

Public facilities districts (PFD) are municipal corporations and independent taxing districts. A PFD may be created by resolution of the county legislative authority and their boundaries are coextensive with those of the county. Public facilities districts are authorized to acquire, build, own, and operate sports facilities, entertainment facilities, or convention facilities or any combination of such facilities, and for districts formed after January 1, 2000, recreational facilities other than ski areas together with contiguous parking facilities.

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

An additional public facility district (PFD) in King County may be created for the purpose of acquiring and operating the convention and trade center transferred from the public nonprofit corporation that operates the Washington State Convention and Trade Center (Center). The new PFD is governed by a nine-member board of directors. Three members are appointed by the Governor, three by King County, and three by the City of Seattle. The initial board of the PFD is made up of the nine member board of the Center. Terms are for four years except the Governor will designate four positions to serve two year terms during the initial period. The Governor will designate which positions are to be appointed by the county and the city. At least one of the Governor's appointments and one of the county appointments must be a representative of the lodging industry.

A PFD created for the purpose of acquiring and operating the Center may contract with the Seattle-King County Convention and Visitors' Bureau to market the convention center. The new PFD has the authority to acquire property by condemnation.

The convention and trade center will be transferred to the new PFD when provisions are made for all of the debt and certificate of participation obligations of the state on the convention center to be redeemed, prepaid, or defeased; for the balance in the state convention and trade center operations account, the state convention and trade center account, and other accounts related to the convention center are transferred to the new PFD; for the imposition of lodging taxes by the new PFD; for transfer of the assets and liabilities of the public nonprofit corporation to the new PFD; for the execution of a settlement agreement of the court case related to the conventions center funds; for payment of fees, costs, and expenses related to the transfer; and for payment of an amount to the state equal to the value of the 2 percent sales tax credit for Fiscal Year 2011.

The new PFD is authorized to impose lodging taxes on hotels, motels, and similar facilities with at least 60 units. The rate is 7 percent in the City of Seattle and 2.8 percent in the rest of King

County. In addition, the new PFD may impose a 2 percent lodging tax in Seattle that credits against the state sales tax rate.

Starting in the first full fiscal year after the convention center is transferred the new PFD, annual payments will be made to the state in an amount equal to the amount of the state tax credit. The 2 percent tax may be imposed only for paying the debt of the PFD and making the annual payment to the state. The 2 percent tax ends on the earlier of July 1, 2029 or the date the debt that was issued to redeem, prepay, or defease the state's obligations related to the convention and trade center. If the new PFD is not able to make the annual payment due to insufficient tax revenue to pay debt, then any deficiency will be considered a loan from the state and principal and interest must be paid on the loan.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.