

# SENATE BILL REPORT

## SB 5999

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As Reported By Senate Committee On:  
Ways & Means, March 31, 1997

**Title:** An act relating to a mechanism for financing stadium and exhibition centers and education technology grants.

**Brief Description:** Financing a stadium and exhibition center and technology grants.

**Sponsors:** Senators Deccio and Kohl; by request of Governor Locke.

**Brief History:**

**Committee Activity:** Ways & Means: 3/3/97, 3/31/97 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5999 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Bauer, Kohl, Long, Loveland, Schow, Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

**Staff:** David Schumacher (786-7474)

**Background:** A public facilities district may be created in any county by the county legislative authority. A public facilities district is authorized to acquire, construct, own, remodel, maintain, equip, reequip, repair, and operate sports facilities, entertainment facilities, and convention facilities. Currently there are two public facility districts; one in Spokane County for a sports and entertainment arena and one in King County for the new baseball stadium.

Sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 percent and 8.6 percent, depending upon location.

The State Lottery Commission administers several games of chance that are collectively called the State Lottery. The commission is directed by statute to operate the lottery to "produce the maximum amount of net revenues for the state consonant with the dignity of the state and the general welfare of the people."

Cities and counties may impose a tax of up to 5 percent on admissions to events except elementary and secondary school events. The county tax may not apply within cities that impose the tax.

A special 2 percent sales tax on hotel-motel room rentals was authorized in 1967 for King County to build the Kingdome. The tax is credited against the state sales tax; therefore, the

total amount of tax paid by the consumer is not increased as a result of the basic hotel-motel tax. In King County, this tax is scheduled to expire in 2012. At that time, cities in King County will be able to levy their own hotel-motel tax.

Property owned by federal, state, or local governments is exempt from the property tax. However, private lessees of government property are subject to the leasehold excise tax. The purpose of the tax is to impose a tax burden on persons using publicly-owned, tax-exempt property similar to the property tax that they would pay if they owned the property. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.

**Summary of Substitute Bill:** A state, local and private financing package is provided for the construction of a multi-use stadium and exhibition facility.

**Public Facility District.** A new Public Facility District (PFD) is created in King County to determine the site, make the final design and specification determinations and structure the financing for the stadium and exhibition center. The PFD is governed by a board of five members appointed by the Governor with one appointee recommended by the Speaker of the House and one by the Majority Leader of the Senate. The PFD may accept the Kingdome property but not its outstanding debt.

**Revenue Sources.** State Sources: The county may impose a sales and use tax at a rate of .016 percent beginning January 1, 1998. This tax is credited against the state sales and use tax; therefore, consumers will not see an increase in tax. The tax and credit expire when the bonds are retired, but not later than 23 years after the tax is first collected.

The Lottery Commission is directed to conduct games with themes related to the activities at the stadium and exhibition center. The operator of the stadium must provide the commission with in-kind advertising, sponsorship or prize promotions valued at \$1 million annually. The Lottery Commission must distribute \$6 million in 1998 to the stadium and exhibition center account. The amount of the distribution increases by 4 percent each year. The distributions end when the bonds are retired, but no later than 2020.

A new statewide 5 percent tax on instate sales at wholesale of sports licenced goods is authorized.

Local Taxes: King County may impose a 10 percent tax on the admissions to events in the new stadium and exhibition center and a 10 percent tax on parking at the new facility. After the bonds are retired, these revenues may be used to fund repair, reequipping and capital improvement of the facilities.

Other Provisions: A retail sales tax deferral is provided on the costs of constructing the facility. The deferral applies to labor and services, material and supplies, rental of equipment, and other retail transactions.

A leasehold excise tax exemption is provided for public or entertainment areas in the facility. The exemption does not apply to the private offices or locker rooms.

Before bonds may be sold, the PFD must certify (1) that the team will play its home games in the new stadium for the life of the bonds, (2) the team is responsible for cost overruns,

(3) the team has committed at least \$100 million through personal seat licenses (PSLs) or equity toward the cost of the stadium, (4) that 7 percent of the seats are "affordable," (5) one luxury box will be made available as a free upgrade to purchasers of certain tickets and (6) that if the team is sold, at 25 percent of the profit goes to the retirement of the public debt of the stadium.

Alternative public works methods are authorized for this project.

The state will not make additional contributions based on revised cost or revenue estimates, cost overruns, unforeseen circumstances or any other reasons. The total public share of the stadium is capped at \$325 million.

**Kingdome Debt.** The expiration of the current 2 percent hotel-motel tax in King County is extended from 2012 to 2015 and the revenues may be used to refinance the Kingdome debt, in addition the current county imposed 1 percent car rental tax may also be used to refinance that debt.

**Extra Revenue.** Any revenue in excess of that needed for bond payments is used for playfields.

**Substitute Bill Compared to Original Bill:** The substitute bill removed the car rental tax, and reduced the sports licensed goods tax. The admission tax was increased to 10 percent. The sales tax exemption was made into a deferral.

The state sells the bonds. The total state share of the project is capped at \$325 million.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill shall be submitted to the voters at a special election on June 3, 1997.

**Testimony For:** The Seahawks are important to the quality of life in this state. This package allows only those who are sports fans to pay the costs.

**Testimony Against:** The car rental tax in Seattle is already much too high. A different revenue source is needed. The 10 percent wholesale tax is unfair. The state has no business getting involved in a private business.

**Testified:** PRO: Senator Deccio; Senator Kohl; Marty Brown, Governor's Office; Mark Johnson, Save Our Seahawks; Bert Kolde, Bob Whitsitt; Doug Mendoza, Carolyn Holmes, Richard Leigh, Football NW; Vinnie Richichi, KJR Radio; Kit Hawkins, Restaurant Association; CON: Lisa Vriguen, CAPS; Gordon Walgren; Chad Harkens; Rick Lucas; Scott Yuguchi; Chris Clifford, Hersey's Sports Bar; Jeffery Miskin, NBA; Paul Kelley, Nike; V. Ray Stubbins, A to B Auto Rental; Chris Van Dyke, Citizens for More Important Things; Jan Gee, WA Retail Association.