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SENATE BILL 6118

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State of Washington

61st Legislature

2009 Regular Session

By Senator Tom

Read first time 03/05/09. Referred to Committee on Ways & Means.

1 AN ACT Relating to lodging taxes for, and certain transfers from,  
2 the state convention and trade center account; amending RCW 67.40.045,  
3 67.40.107, 67.40.170, 67.40.190, and 67.28.181; reenacting and amending  
4 RCW 67.40.040; adding a new section to chapter 67.40 RCW; repealing RCW  
5 67.40.130 and 67.40.140; and declaring an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 67.40.040 and 2008 c 329 s 917 and 2008 c 328 s 6011  
8 are each reenacted and amended to read as follows:

9 (1) The proceeds from the sale of the bonds authorized in RCW  
10 67.40.030, proceeds of the taxes imposed under RCW 67.40.090 and  
11 (~~67.40.130~~) section 3 of this act, and all other moneys received by  
12 the state convention and trade center from any public or private source  
13 which are intended to fund the acquisition, design, construction,  
14 expansion, exterior cleanup and repair of the Eagles building,  
15 conversion of various retail and other space to meeting rooms, purchase  
16 of the land and building known as the McKay Parcel, development of low-  
17 income housing, or renovation of the center(~~, and those expenditures~~  
18 ~~authorized under RCW 67.40.170~~) shall be deposited in the state

1 convention and trade center account hereby created in the state  
2 treasury and in such subaccounts as are deemed appropriate by the  
3 directors of the corporation.

4 (2) Moneys in the account, including unanticipated revenues under  
5 RCW 43.79.270, shall be used exclusively for the following purposes in  
6 the following priority:

7 (a) For reimbursement of the state general fund under RCW  
8 67.40.060;

9 (b) After appropriation by statute:

10 (i) For payment of expenses incurred in the issuance and sale of  
11 the bonds issued under RCW 67.40.030;

12 (ii) (~~For expenditures authorized in RCW 67.40.170, and~~) During  
13 the 2007-2009 biennium, the legislature may transfer from the state  
14 convention and trade center account to the Washington housing trust  
15 account such amounts as reflect the excess fund balance in the account;  
16 and during the 2007-2009 biennium, the legislature may transfer from  
17 the state convention and trade center account to the general fund such  
18 amounts as reflect the excess fund balance in the account;

19 (iii) For acquisition, design, and construction of the state  
20 convention and trade center;

21 (iv) For debt service for the acquisition, design, and construction  
22 and retrofit of the museum of history and industry museum property or  
23 other future expansions of the convention center as approved by the  
24 legislature; and

25 (v) For reimbursement of any expenditures from the state general  
26 fund in support of the state convention and trade center; and

27 (c) For transfer to the state convention and trade center  
28 operations account.

29 (3) The corporation shall identify with specificity those  
30 facilities of the state convention and trade center that are to be  
31 financed with proceeds of general obligation bonds, the interest on  
32 which is intended to be excluded from gross income for federal income  
33 tax purposes. The corporation shall not permit the extent or manner of  
34 private business use of those bond-financed facilities to be  
35 inconsistent with treatment of such bonds as governmental bonds under  
36 applicable provisions of the internal revenue code of 1986, as amended.

37 (4) In order to ensure consistent treatment of bonds authorized  
38 under RCW 67.40.030 with applicable provisions of the Internal Revenue

1 Code of 1986, as amended, and notwithstanding RCW 43.84.092, investment  
2 earnings on bond proceeds deposited in the state convention and trade  
3 center account in the state treasury shall be retained in the account,  
4 and shall be expended by the corporation for the purposes authorized  
5 under chapter 386, Laws of 1995 and in a manner consistent with  
6 applicable provisions of the internal revenue code of 1986, as amended.

7 (5) Subject to the conditions in subsection (6) of this section,  
8 ~~((starting in fiscal year 2008))~~ and contingent on the imposition of  
9 the tax in section 3 of this act, the state treasurer shall transfer:

10 (a) The sum of four million dollars, or as much as may be available  
11 pursuant to conditions set forth in this section, from the state  
12 convention and trade center account to the tourism enterprise account,  
13 with the maximum transfer being four million dollars per fiscal year;  
14 and

15 (b) The sum of five hundred thousand dollars, or as much as may be  
16 available pursuant to conditions set forth in this section, from the  
17 state convention and trade center account to the tourism development  
18 and promotion account, with the maximum transfer being five hundred  
19 thousand dollars per fiscal year.

20 (6)(a) Funds required for debt service payments and reserves for  
21 bonds issued under RCW 67.40.030; for debt service authorized under RCW  
22 67.40.170; and for the issuance and sale of financial instruments  
23 associated with the acquisition, design, construction, and retrofit of  
24 the museum of history and industry museum property or for other future  
25 expansions of the center, as approved by the legislature, shall be  
26 maintained within the state convention and trade center account.

27 (b) ~~((No less than six million one hundred fifty thousand dollars~~  
28 ~~per year shall be retained in the state convention and trade center~~  
29 ~~account for funding capital maintenance as required by the center's~~  
30 ~~long term capital plan, facility enhancements, unanticipated~~  
31 ~~replacements, and operating reserves for the convention center~~  
32 ~~operation. This amount shall be escalated annually as follows:~~

33 ~~(i) Four percent for annual inflation for capital maintenance,~~  
34 ~~repairs, and replacement;~~

35 ~~(ii) An additional two percent for enhancement to the facility; and~~

36 ~~(iii) An additional three percent for growth in expenditure due to~~  
37 ~~aging of the facility and the need to maintain an operating reserve.~~

1       (+) Sufficient funds shall be reserved within the state  
2 convention and trade center account to fund operating appropriations  
3 for the annual operation of the convention center.

4       **Sec. 2.** RCW 67.40.045 and 1995 c 386 s 14 are each amended to read  
5 as follows:

6       (1) The director of financial management, in consultation with the  
7 chairpersons of the appropriate fiscal committees of the senate and  
8 house of representatives, may authorize temporary borrowing from the  
9 state treasury for the purpose of covering cash deficiencies in the  
10 state convention and trade center account resulting from project  
11 completion costs. Subject to the conditions and limitations provided  
12 in this section, lines of credit may be authorized at times and in  
13 amounts as the director of financial management determines are  
14 advisable to meet current and/or anticipated cash deficiencies. Each  
15 authorization shall distinctly specify the maximum amount of cash  
16 deficiency which may be incurred and the maximum time period during  
17 which the cash deficiency may continue. The total amount of borrowing  
18 outstanding at any time shall never exceed the lesser of:

19       (a) \$58,275,000; or

20       (b) An amount, as determined by the director of financial  
21 management from time to time, which is necessary to provide for payment  
22 of project completion costs.

23       (2) Unless the due date under this subsection is extended by  
24 statute, all amounts borrowed under the authority of this section shall  
25 be repaid to the state treasury by June 30, 1999, together with  
26 interest at a rate determined by the state treasurer to be equivalent  
27 to the return on investments of the state treasury during the period  
28 the amounts are borrowed. Borrowing may be authorized from any excess  
29 balances in the state treasury, except the agricultural permanent fund,  
30 the Millersylvania park permanent fund, the state university permanent  
31 fund, the normal school permanent fund, the permanent common school  
32 fund, and the scientific permanent fund.

33       (3) As used in this section, "project completion" means:

34       (a) All remaining development, construction, and administrative  
35 costs related to completion of the convention center; and

36       (b) Costs of the McKay building demolition, Eagles building

1 rehabilitation, development of low-income housing, and construction of  
2 rentable retail space and an operable parking garage.

3 (4) It is the intent of the legislature that project completion  
4 costs be paid ultimately from the following sources:

5 (a) \$29,250,000 to be received by the corporation under an  
6 agreement and settlement with Industrial Indemnity Co.;

7 (b) \$1,070,000 to be received by the corporation as a contribution  
8 from the city of Seattle;

9 (c) \$20,000,000 from additional general obligation bonds to be  
10 repaid from the special excise tax under RCW 67.40.090;

11 (d) \$4,765,000 for contingencies and project reserves from  
12 additional general obligation bonds to be repaid from the special  
13 excise tax under RCW 67.40.090;

14 (e) \$13,000,000 for conversion of various retail and other space to  
15 meeting rooms, from additional general obligation bonds to be repaid  
16 from the special excise tax under RCW 67.40.090;

17 (f) \$13,300,000 for expansion at the 900 level of the facility,  
18 from additional general obligation bonds to be repaid from the special  
19 excise tax under RCW 67.40.090;

20 (g) \$10,400,000 for purchase of the land and building known as the  
21 McKay Parcel, for development of low-income housing, for development,  
22 construction, and administrative costs related to completion of the  
23 state convention and trade center, including settlement costs related  
24 to construction litigation, and for partially refunding obligations  
25 under the parking garage revenue note issued by the corporation to  
26 Industrial Indemnity Company in connection with the agreement and  
27 settlement identified in (a) of this subsection, from additional  
28 general obligation bonds to be repaid from the special excise tax under  
29 RCW 67.40.090. All proceeds from any sale of the McKay parcel shall be  
30 deposited in the state convention and trade center account and shall  
31 not be expended without appropriation by law;

32 (h) \$300,000 for Eagles building exterior cleanup and repair, from  
33 additional general obligation bonds to be repaid from the special  
34 excise tax under RCW 67.40.090; and

35 (i) The proceeds of the sale of any properties owned by the state  
36 convention and trade center that are not planned for use for state  
37 convention and trade center operations, with the proceeds to be used

1 for development, construction, and administrative costs related to  
2 completion of the state convention and trade center, including  
3 settlement costs related to construction litigation.

4 (5) The borrowing authority provided in this section is in addition  
5 to the authority to borrow from the general fund to meet the bond  
6 retirement and interest requirements set forth in RCW 67.40.060. To  
7 the extent the specific conditions and limitations provided in this  
8 section conflict with the general conditions and limitations provided  
9 for temporary cash deficiencies in RCW 43.88.260 (section 7, chapter  
10 502, Laws of 1987), the specific conditions and limitations in this  
11 section shall govern.

12 (6) For expenditures authorized under RCW 67.40.170, the  
13 corporation may use the proceeds of the special excise tax authorized  
14 under RCW 67.40.090, the sales tax authorized under (~~RCW 67.40.130~~)  
15 section 3 of this act, contributions to the corporation from public or  
16 private participants, and investment earnings on any of the funds  
17 listed in this subsection.

18 NEW SECTION. **Sec. 3.** A new section is added to chapter 67.40 RCW  
19 to read as follows:

20 (1) The legislative authority of a city may, by resolution or  
21 ordinance for the purposes authorized under RCW 67.40.170 and  
22 67.40.190, fix and impose a sales tax on the charge for rooms to be  
23 used for lodging by transients. Such tax must be collected from the  
24 persons who are taxable by the state under RCW 67.40.090, but only  
25 those taxable persons located within the boundaries of the city  
26 imposing the tax. The rate of such tax imposed by a city is two  
27 percent of the charge for the rooms to be used for lodging by  
28 transients. The tax authorized under this section must be levied and  
29 collected in the same manner as those taxes authorized under chapter  
30 82.14 RCW. The provisions of chapter 82.32 RCW apply to this tax.

31 (2) As used in this section, the term "city" means a municipality  
32 that has within its boundaries a convention and trade facility as  
33 described in RCW 67.40.020.

34 **Sec. 4.** RCW 67.40.107 and 2008 c 137 s 4 are each amended to read  
35 as follows:

1 The tax imposed in RCW 67.40.090 and the tax authorized under ((RCW  
2 ~~67.40.130~~)) section 3 of this act do not apply to sales of temporary  
3 medical housing exempt under RCW 82.08.997.

4 **Sec. 5.** RCW 67.40.170 and 1995 c 386 s 5 are each amended to read  
5 as follows:

6 All taxes levied and collected under ((RCW ~~67.40.130~~)) section 3 of  
7 this act shall be credited to the state convention and trade center  
8 account in the state treasury and used solely by the corporation formed  
9 under RCW 67.40.020 for the purpose of paying all or any part of the  
10 cost associated with: The financing, design, acquisition,  
11 construction, equipping, operating, maintaining, and reequipping of  
12 convention center facilities related to the expansion recommended by  
13 the convention center expansion and city facilities task force created  
14 under section 148, chapter 6, Laws of 1994 sp. sess.; the acquisition,  
15 construction, and relocation costs of replacement housing; and the  
16 repayment of loans and advances from the state, including loans  
17 authorized previously under this chapter, or to pay or secure the  
18 payment of all or part of the principal of or interest on any state  
19 bonds issued for purposes authorized under this chapter.

20 **Sec. 6.** RCW 67.40.190 and 1995 c 386 s 7 are each amended to read  
21 as follows:

22 (1) Moneys received from any tax imposed under ((RCW ~~67.40.130~~))  
23 section 3 of this act shall be used for the purpose of providing funds  
24 to the corporation for the costs associated with paying all or any part  
25 of the cost associated with: The financing, design, acquisition,  
26 construction, equipping, operating, maintaining, and reequipping of  
27 convention center facilities; the acquisition, construction, and  
28 relocation costs of replacement housing; and repayment of loans and  
29 advances from the state, including loans authorized previously under  
30 this chapter, or to pay or secure the payment of all or part of the  
31 principal of or interest on any state bonds issued for purposes  
32 authorized under this chapter.

33 (2) If any of the revenue from any local sales tax authorized under  
34 ((RCW ~~67.40.130~~)) section 3 of this act shall have been encumbered or  
35 pledged by the state to secure the payment of any state bonds as  
36 authorized under RCW 67.40.030, then as long as that agreement or

1 pledge shall be in effect, the legislature shall not withdraw from the  
2 municipality the authority to levy and collect the tax (~~(or the tax~~  
3 ~~credit authorized under RCW 67.40.130 and 67.40.140))~~ under section 3  
4 of this act.

5 **Sec. 7.** RCW 67.28.181 and 2004 c 79 s 8 are each amended to read  
6 as follows:

7 (1) The legislative body of any municipality may impose an excise  
8 tax on the sale of or charge made for the furnishing of lodging that is  
9 subject to tax under chapter 82.08 RCW. The rate of tax shall not  
10 exceed the lesser of two percent or a rate that, when combined with all  
11 other taxes imposed upon sales of lodging within the municipality under  
12 this chapter and chapters 36.100, 67.40, 82.08, and 82.14 RCW, equals  
13 twelve percent. A tax under this chapter shall not be imposed in  
14 increments smaller than tenths of a percent.

15 (2) Notwithstanding subsection (1) of this section:

16 (a) If a municipality was authorized to impose taxes under this  
17 chapter or RCW 67.40.100 or both with a total rate exceeding four  
18 percent before July 27, 1997, such total authorization shall continue  
19 through January 31, 1999, and thereafter the municipality may impose a  
20 tax under this section at a rate not exceeding the rate actually  
21 imposed by the municipality on January 31, 1999.

22 (b) If a city or town, other than a municipality imposing a tax  
23 under (a) of this subsection, is located in a county that imposed taxes  
24 under this chapter with a total rate of four percent or more on January  
25 1, 1997, the city or town may not impose a tax under this section.

26 (c) If a city has a population of four hundred thousand or more and  
27 is located in a county with a population of one million or more, the  
28 rate of tax imposed under this chapter by the city shall not exceed the  
29 lesser of four percent or a rate that, when combined with all other  
30 taxes imposed upon sales of lodging in the municipality under this  
31 chapter and chapters 36.100, 67.40, 82.08, and 82.14 RCW, equals  
32 (~~fifteen~~) seventeen and two-tenths percent.

33 (d) If a municipality was authorized to impose taxes under this  
34 chapter or RCW 67.40.100, or both, at a rate equal to six percent  
35 before January 1, 1998, the municipality may impose a tax under this  
36 section at a rate not exceeding the rate actually imposed by the  
37 municipality on January 1, 1998.

1 (3) Any county ordinance or resolution adopted under this section  
2 shall contain a provision allowing a credit against the county tax for  
3 the full amount of any city or town tax imposed under this section upon  
4 the same taxable event.

5 NEW SECTION. **Sec. 8.** The following acts or parts of acts are each  
6 repealed:

7 (1) RCW 67.40.130 (Convention and trade facilities--Tax on  
8 transient lodging authorized--Rates) and 1995 c 386 s 1; and

9 (2) RCW 67.40.140 (Convention and trade facilities--Remittance of  
10 tax--Credit) and 1995 c 386 s 2.

11 NEW SECTION. **Sec. 9.** This act is necessary for the immediate  
12 preservation of the public peace, health, or safety, or support of the  
13 state government and its existing public institutions, and takes effect  
14 immediately.

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