



King County

Metropolitan King County Council Government Accountability and Oversight Committee

STAFF REPORT

Agenda Item:	8	Name:	Nick Wagner
Proposed No.:	2010-0366	Date:	July 6, 2010
Invited:	Peggy Pahl, Legal Counsel, Prosecuting Attorney's Office Frank Finneran, Chair, WSCC Board of Directors John Christison, President, WSCC Gerry Johnson, Special Counsel to WSCC Becky Bogard, Representing the Seattle Convention and Visitors Bureau		

SUBJECT

An Ordinance related to the Washington State Convention Center, creating a public facilities district, appointing a board of directors, reporting requirements and creating a new chapter in King County Code.

SUMMARY

Proposed Ordinance 2010-0366 (pp. 7-11 of these materials) would:

1. Create a public facilities district (PFD) to acquire, own, and operate the Washington State Convention Center ("the Center") in Seattle;
2. Appoint the members of the Center's current¹ board of directors as the initial PFD board of directors; and
3. Require monthly progress reports from the PFD to the Council and the Executive until the transfer of the Center's assets to the PFD is complete.

BACKGROUND

Washington State Convention Center

The Washington State Convention Center in Seattle is a public nonprofit corporation, created by the State Legislature in 1982 and governed by a nine-member board of directors appointed by the Governor.

¹ I.e., current as of the date of transfer of the Center's assets to the PFD. RCW 36.100.020(1)(d) (as amended by Chapter 15, Laws of 2010) (p. 18 of these materials).

Initial construction of the Center was completed in 1988 and was financed through state-issued general obligation bonds, which are projected to be retired by Fiscal Year 2020. An expansion of the Center was completed in 2001 and was financed through certificates of participation, which are projected to be paid off by Fiscal Year 2029.²

The Center has three sources of revenue:

1. Operation of the Center;
2. Hotel/motel excise tax:
 - a. In Seattle: 7% of lodging charges by hotels and motels with at least 60 rooms;
 - b. In King County outside Seattle: 2.8% of lodging charges by hotels and motels with at least 60 rooms;
3. City of Seattle excise tax: in Seattle only, 2% of lodging charges by hotels and motels with at least 60 rooms.³

The Center’s tax revenue is dedicated almost entirely to the costs of building and expanding the Center, with a small portion allocated to marketing.

The Center’s Cash Flow Summary for the Fiscal Years 2005-2009 (p. 37 of these materials) shows, among other things, that the Center has consistently been producing a operating profit—one of a limited number of convention centers that can make that claim, according to the Center’s President, John Christison.⁴

Fiscal Year	Operating Revenue⁵ (millions)	Operating Costs (millions)	Operating Profit (millions)
2005	\$18.77	\$18.09	\$0.67
2006	\$24.23	\$19.85	\$4.39
2007	\$25.67	\$20.99	\$4.67
2008	\$24.99	\$23.19	\$1.80
2009	\$25.56	\$23.18	\$2.38

In addition to its own operating profit, the Center estimates and projects the following amounts of “King County tax receipts resulting from Convention Center development and operations” (p. 70 of these materials):

- 1989-2009: \$57.1 million;
- 2010-2014: \$19.5 million;

² Final Bill Report on Substitute Senate Bill 6889 (pp. 33-35 of these materials).

³ Because it is credited against the state retail sales tax, this tax does not increase the cost to guests.

⁴ See Seattle Business Magazine article at pp. 39-43 of these materials.

⁵ Includes one percent hotel/motel tax for marketing (p. 37 of these materials).

- 2015-2020: \$26.3 million.

Issues Between the Center and the State Legislature

In recent years there have been disagreements between the Center and the State Legislature about whether the Center's facilities should be further expanded and whether it was appropriate for the Legislature to divert part of the Center's revenue stream in 2008 and 2009 to help balance the state's budget.

The Center and its supporters advocate the expansion, partly on competitive grounds (to attract larger groups) and partly to even out the Center's revenue stream by allowing conventions to overlap.⁶ Following the 2001 expansion, the Center rose from being the 51st largest convention center in North America to being the 28th largest. Since then, however, it has fallen to 68th. The Center and its supporters would like to spend \$600 to \$700 million to double the Center's size.

The Center intends to finance the expansion entirely from the hotel/motel tax, rather than from the state's general fund, but the Center needs the Legislature's approval to make the investment, and there has been concern in the Legislature about making such an investment when the state is facing a large budget deficit. Instead of approving the Center's expansion, the Legislature diverted \$65 million in Fiscal Year 2008 and \$22 million in Fiscal Year 2009 from the Center's revenue stream to help balance the state budget. This diversion of funds has led to a pending lawsuit against the state by Tourism Alliance and others parties.

State Enabling Legislation

1. Transfer of Center to Newly-Created PFD

In the most recent legislative session, the State Legislature amended the state code provisions governing public facilities districts, RCW Chapter 36.100, to allow transfer of the ownership, operation, and financing of the Center to a PFD that could be formed by King County, should the county so desire.⁷ The new PFD could then decide, independently of the Legislature, whether to invest in expansion of the Center.

2. PFD Board of Directors

The new PFD would be governed by a nine-member board of directors. The initial board would be those currently serving as the Center's nine-member board of directors.⁸ The Governor would designate four of those directors to serve two-year terms as directors of the newly-formed PFD; the other five would serve four year terms. Eventually, as the

⁶ See the Seattle Business Magazine article at pp. 39-43 of these materials for a detailed discussion of the issues.

⁷ Chapter 15, Laws of 2010 (pp. 13-32 of these materials). As provided in RCW Chapter 36.100, PFDs are municipal corporations and independent taxing districts. They may be created by the county legislative authority, and their boundaries are coextensive with those of the county. PFDs are authorized to acquire, build, own, and operate convention facilities, among other kinds of facilities.

⁸ Brief profiles of the Center's current board are included at pp. 87-89 of these materials.

original directors finished their terms of office, they would be replaced by a new board of directors.

Three members of the new board would be appointed by the Governor, three by King County (appointed by the Executive, subject to confirmation by the Council), and three by the City of Seattle (appointed by the Mayor, subject to confirmation by the City Council). The legislation requires that one of the Governor's appointees and one of the county appointees be representative of the lodging industry and that one of the city's appointees be representative of organized labor.⁹ The Governor is to designate the board positions to which successors to the initial directors are to be appointed by the county and the city.

Any of the three directors appointed by the County Executive and confirmed by the Council could be removed from office "for any reason or for no reason" "by action of at least two-thirds of the members" of the County Council.¹⁰ The City of Seattle could remove any of its appointed directors in a similar manner, and the Governor could remove any of her appointed directors.

3. Transfer of Taxing Authority to New PFD

The state legislation provides for the state's and city's existing hotel/motel tax authority to be transferred to the PFD. ***There would be no new taxes and no increase in the rates of existing taxes.*** However, the PFD would be permitted to continue to impose the two percent excise tax within the City of Seattle only for the purpose of paying (or securing payment of) obligations incurred by the PFD to take care of the state's debt related to the Center.

4. Timing of, and Prerequisites for, Transfer of Center to PFD

The state legislation imposes a deadline of 30 June 2011 for transfer of the Center to the PFD. By that date, provision must have been made for the following, among other requirements listed in section 8 of the legislation (pp. 25-26 of these materials):

- Transfer to the PFD by the Center of all of its lands, facilities, and other property interests and contract rights;
- Satisfaction of all outstanding Center-related financing obligations of the state and the public nonprofit corporation that operates the Center;
- Imposition by the PFD of the hotel/motel taxes currently being imposed by the state and the City of Seattle; and
- Execution of an agreement settling the pending lawsuit by Tourism Alliance and others against the state.

⁹ This requirement would not apply to the initial board of directors.

¹⁰ See p. 19 of these materials.

PROPOSED ORDINANCE 2010-0366

Proposed Ordinance 2010-0366 (pp. 7-11 of these materials) would:

1. Create a PFD to acquire, own, and operate the Center;
2. Appoint the members of the Center’s board of directors as the initial PFD board of directors; and
3. Require monthly progress reports from the PFD to the Council and the Executive until the transfer of the Center’s assets to the PFD is complete.

FISCAL IMPACT

Since King County’s role would be limited to creation of the PFD and eventual appointment of three members of its nine-member board of directors, adoption of Proposed Ordinance 2010-0366 would have no direct fiscal impact on the county.

The county could choose to expand its role in the future—for example, if the PFD asked the county to use its power of condemnation to acquire property for expansion of the Center or if the PFD asked the county to guarantee repayment of bonds issued by the PFD in order to help the PFD secure a lower interest rate—but either of those options would require further action by the Council. They would not be authorized by Proposed Ordinance 2010-0366.

LEGAL REVIEW

Proposed Ordinance 2010-0366 has been reviewed by the Office of the Prosecuting Attorney, Civil Division.

INVITEES

Frank Finneran, Chair, WSCC Board of Directors
John Christison, President, WSCC
Gerry Johnson, Special Counsel to WSCC
Becky Bogard, on behalf of the Seattle Convention and Visitors Bureau

ATTACHMENTS

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KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

July 1, 2010

Ordinance

Proposed No. 2010-0366.1

Sponsors Drago, von Reichbauer, Phillips,
Ferguson and Hague

1 AN ORDINANCE related to the Washington State
2 Convention Center; creating a public facilities district to
3 acquire, own and operate a convention and trade center
4 transferred from the public nonprofit corporation that owns
5 the Washington State Convention Center, as authorized by
6 chapter 36.100 RCW; appointing the board of directors;
7 requiring reports concerning the district's efforts regarding
8 transfer of the Washington State Convention Center
9 property to the public facilities district; and creating a new
10 chapter in K.C.C. Title 2.

11 **PREAMBLE:**

12 In 1982, with the support of the Washington State legislature, a nonprofit
13 corporation was established to design, construct, promote and operate the
14 Washington State Convention Center. Since its first event on June 18,
15 1988, the Washington State Convention Center has operated for twenty-
16 two years to provide economic and civic benefits to the people of the state
17 of Washington. In 2010, the state Legislature enacted Substitute Senate
18 Bill 6889, which authorized King County to create a public facilities
19 district to acquire, own and operate a trade and convention center

20 transferred from a public nonprofit corporation. In addition, the bill
21 established requirements for the transfer of the property of the nonprofit
22 organization Washington State Convention Center to a newly created
23 public facilities district. One requirement is that any transfer of property
24 must occur by June 30, 2011; another is that existing state debt issued for
25 Convention Center purposes be refinanced and defeased with the debt of
26 the new public facilities district.

27 By creating the public facilities district now, the newly created district will
28 be able to begin the process of complying with the requirements
29 established by the Washington state Legislature for the transfer of the
30 Washington State Convention Center property to the public facilities
31 district prior to June 30, 2011.

32 The Washington State Convention Center has targeted November 2010 for
33 the refinancing of its debt and the transfer of the facility to the new public
34 facilities district.

35 Creating the public facilities district and the subsequent transfer of the
36 Washington State Convention Center property to the newly formed district
37 will result in continued and potentially greater economic and civic benefits
38 to the citizens of King County.

39 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

40 SECTION 1. Sections 2 through 4 of this ordinance should constitute a new
41 chapter in K.C.C. Title 2.

42 NEW SECTION. SECTION 2. A public facilities district, formally called the
43 Washington State Convention Center public facilities district, with the powers set forth in
44 chapter 36.100 RCW and other applicable law, is hereby created within King County,
45 coextensive with the boundaries of King County, to acquire, own and operate a
46 convention and trade center transferred from a public nonprofit corporation. After the
47 transfer has occurred, the public facilities district may do business as the Washington
48 State Convention Center.

49 NEW SECTION. SECTION 3. The district's initial board of directors shall
50 consist of the nine members of the board of directors who serve as of the effective date of
51 this ordinance on the board of the Washington State Convention Center public nonprofit
52 corporation. Following the expiration of the terms of the initial board of directors, three
53 members must be nominated by the county executive subject to confirmation by the
54 county legislative authority; three members must be nominated by the mayor of the city
55 of Seattle subject to confirmation by the city legislative authority; and three members
56 must be appointed by the Washington state governor. Initial board members will serve
57 two-year terms or four-year terms, as designated by the Washington governor who also
58 shall identify the board positions to which successors to initial directors are to be
59 appointed by the city of Seattle and to which successors to the initial directors are to be
60 appointed by the county. One of the governor's appointments and one of the county's
61 appointments must be representative of the lodging industry in the public facilities district
62 and one of the city's appointments must be representative of organized labor, except that
63 these requirements do not apply to the initial board of the district.

64 NEW SECTION. SECTION 4. The district shall provide the county executive
65 and county council monthly reports on the district's efforts to facilitate the transfer of the
66 Washington State Convention Center property to the district beginning August 1, 2010.
67 A final report shall be submitted indicating whether or not the transfer has occurred by
68 the transfer date in chapter 36.100 RCW. An electronic copy and paper copy of each

69 report shall be filed with the clerk of the council, who shall forward electronic copies to
70 the executive and each councilmember.

71

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Robert W. Ferguson, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: None

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CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 6889

Chapter 15, Laws of 2010

61st Legislature
2010 1st Special Session

WASHINGTON STATE CONVENTION AND TRADE CENTER--GOVERNANCE AND
FINANCING

EFFECTIVE DATE: 07/13/10 - Except sections 14 and 15, which are
contingent on section 8 transfer date.

Passed by the Senate April 1, 2010
YEAS 39 NAYS 2

BRAD OWEN

President of the Senate

Passed by the House March 22, 2010
YEAS 91 NAYS 6

FRANK CHOPP

Speaker of the House of Representatives

Approved April 9, 2010, 2:38 p.m.

CERTIFICATE

I, Thomas Hoemann, Secretary of
the Senate of the State of
Washington, do hereby certify that
the attached is **SUBSTITUTE SENATE
BILL 6889** as passed by the Senate
and the House of Representatives
on the dates hereon set forth.

THOMAS HOEMANN

Secretary

FILED

April 9, 2010

CHRISTINE GREGOIRE

Governor of the State of Washington

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 6889

AS AMENDED BY THE HOUSE

Passed Legislature - 2010 1st Special Session

State of Washington 61st Legislature 2010 1st Special Session

By Senate Ways & Means (originally sponsored by Senators McDermott, Kohl-Welles, Kline, Murray, Prentice, Keiser, McAuliffe, Kauffman, and Hewitt)

READ FIRST TIME 03/20/10.

1 AN ACT Relating to the governance and financing of the Washington
2 state convention and trade center; amending RCW 36.100.010, 36.100.020,
3 36.100.030, 36.100.040, 36.100.060, 36.100.100, and 39.94.020; adding
4 new sections to chapter 36.100 RCW; creating new sections; repealing
5 RCW 67.40.010, 67.40.025, 67.40.027, 67.40.030, 67.40.040, 67.40.045,
6 67.40.050, 67.40.055, 67.40.060, 67.40.070, 67.40.080, 67.40.090,
7 67.40.100, 67.40.105, 67.40.107, 67.40.110, 67.40.120, 67.40.130,
8 67.40.140, 67.40.150, 67.40.160, 67.40.170, 67.40.180, 67.40.190,
9 67.40.900, and 67.40.020; and providing contingent effective dates.

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

11 NEW SECTION. **Sec. 1.** (1) The legislature finds that conventions
12 and trade shows provide both direct and indirect civic and economic
13 benefits. It is the intent of the legislature to provide for the
14 transfer of the governance and financing of the state convention and
15 trade center to a public facilities district formed by a county with a
16 population of one million five hundred thousand or more to acquire,
17 own, and operate the convention and trade center. The legislature also
18 intends to replace, in connection with such transfer, the authority
19 under chapter 67.40 RCW of the state and city to impose excise taxes on

1 the sale of or charge made for the furnishing of lodging to fund the
2 state convention and trade center with authority for the public
3 facilities district to impose lodging taxes at these rates, without
4 affecting the existing authority of the state, county, cities, and
5 other municipal corporations to impose taxes on the sale or charge made
6 for the furnishing of lodging under existing caps on the aggregate rate
7 that may be charged.

8 (2) The legislature further finds that the location of the
9 convention and trade center particularly benefits and increases the
10 occupancy of larger hotels and other lodging facilities in the city in
11 which it is located and to a lesser extent in the remainder of the
12 county in which it is located. The legislature finds that imposing
13 excise taxes on the sale of or charge made for the furnishing of
14 lodging at the rates authorized in section 5 of this act is an
15 appropriate method of paying for the cost of acquiring, constructing,
16 owning, remodeling, maintaining, equipping, reequipping, repairing,
17 altering, and operating a convention and trade center.

18 **Sec. 2.** RCW 36.100.010 and 2002 c 218 s 26 are each amended to
19 read as follows:

20 (1) ((A)) One or more public facilities districts may be created in
21 any county and ((shall)) must be coextensive with the boundaries of the
22 county.

23 (2) A public facilities district ((shall-be)) is created upon
24 adoption of a resolution providing for the creation of such a district
25 by the county legislative authority in which the proposed district is
26 located.

27 (3) A public facilities district is a municipal corporation, an
28 independent taxing "authority" within the meaning of Article VII,
29 section 1 of the state Constitution, and a "taxing district" within the
30 meaning of Article VII, section 2 of the state Constitution.

31 (4) Except as provided in RCW 36.100.040 (4) and (5), no taxes
32 authorized under this chapter may be assessed or levied unless a
33 majority of the voters of the public facilities district has approved
34 such tax at a general or special election. A single ballot proposition
35 may both validate the imposition of the sales and use tax under RCW
36 82.14.048 and the excise tax under RCW 36.100.040(1).

1 (5)(a) A public facilities district (~~shall~~) constitutes a body
2 corporate and (~~shall~~) possesses all the usual powers of a corporation
3 for public purposes as well as all other powers that may now or
4 hereafter be specifically conferred by statute, including, but not
5 limited to, the authority to hire employees, staff, and services, to
6 enter into contracts, including contracts with public and private
7 parties, to acquire, own, sell, transfer, lease, and otherwise acquire
8 or dispose of property, to grant concessions under terms approved by
9 the public facilities district, and to sue and be sued.

10 (b) A public facilities district created by a county with a
11 population of one million five hundred thousand or more to acquire,
12 own, and operate a convention and trade center transferred from a
13 public nonprofit corporation may continue to contract with the Seattle-
14 King county convention and visitors' bureau or its successor in
15 interest for marketing the convention and trade center facility and
16 services.

17 (6) A public facilities district may enter into contracts with a
18 county for the purpose of exercising any powers of a community renewal
19 agency under chapter 35.81 RCW.

20 (7) The (~~county~~) legislative authority (~~or the city council~~) of
21 a city or county, the board of directors of a public nonprofit
22 corporation, or the state of Washington may transfer property to
23 (~~the~~) a public facilities district created under this chapter, with
24 or without consideration. No property that is encumbered with debt or
25 that is in need of major capital renovation may be transferred to the
26 district without the agreement of the district and revenues adequate to
27 retire the existing indebtedness.

28 (8) A public facilities district may enter into agreements with the
29 state, any municipal corporation, or any other governmental entity for
30 the design, financing, acquisition, development, construction,
31 reconstruction, lease, remodeling, alteration, maintenance, equipping,
32 reequipping, repair, operation, or management of one or more facilities
33 of the parties thereto. Agreements may provide that any party to the
34 contract designs, finances, acquires, develops, constructs,
35 reconstructs, remodels, alters, maintains, equips, reequips, repairs,
36 and operates one or more facilities for the other party or parties to
37 the contract. A public facilities district may enter into an agreement
38 with the state, any municipal corporation, or other public or private

1 entity that will assist a public facilities district in the financing
2 of all or any part of a district facility on such terms as may be
3 determined by agreement between the respective parties, including
4 without limitation by a loan, guaranty, or other financing agreement.

5 **Sec. 3.** RCW 36.100.020 and 1995 3rd sp.s. c 1 s 302 are each
6 amended to read as follows:

7 (1)(a) A public facilities district (~~shall~~) must be governed by
8 a board of directors consisting of five (~~or~~), seven, or nine members
9 as provided in this section.

10 (b) If the largest city in the county has a population that is at
11 least forty percent of the total county population, the board of
12 directors of the public facilities district (~~shall~~) must consist of
13 five members selected as follows:

14 (~~a~~) (i) Two members appointed by the county legislative
15 authority to serve for four-year staggered terms;

16 (~~b~~) (ii) Two members appointed by the city council of the
17 largest city in the county to serve for four-year staggered terms; and

18 (~~c~~) (iii) One person to serve for a four-year term who is
19 selected by the other directors.

20 (c)(i) Except as provided in (c)(ii) of this subsection (1), if the
21 largest city in the county has a population of less than forty percent
22 of the total county population, the county legislative authority
23 (~~shall~~) must establish in the resolution creating the public
24 facilities district whether the board of directors of the public
25 facilities district has either five or seven members, and the county
26 legislative authority (~~shall~~) must appoint the members of the board
27 of directors to reflect the interests of cities and towns in the
28 county, as well as the unincorporated area of the county.

29 (ii) However, if the county has a population of one million five
30 hundred thousand or more, the largest city in the county has a
31 population of less than forty percent of the total county population,
32 and the county operates under a county charter, which provides for an
33 elected county executive, the members of the board of directors must be
34 appointed as follows:

35 (A) If the public facilities district is created to construct a
36 baseball stadium as defined in RCW 82.14.0485, three members (~~shall~~)
37 must be appointed by the governor and the remaining members (~~shall~~)

1 must be appointed by the county executive subject to confirmation by
2 the county legislative authority. Of the members appointed by the
3 governor, the speaker of the house of representatives and the majority
4 leader of the senate (~~shall~~) must each recommend to the governor a
5 person to be appointed to the board; and

6 (B) If the public facilities district is created to acquire, own,
7 and operate a convention and trade center, following the expiration of
8 the terms of the initial board of directors, three members must be
9 appointed by the governor, three members must be nominated by the
10 county executive subject to confirmation by the county legislative
11 authority, and three members must be nominated by the mayor of the city
12 in which the convention and trade center is located subject to
13 confirmation by the city legislative authority. Members of the board
14 of directors may not be members of the legislative authority of the
15 county or any city within the county.

16 (d) The initial board of directors of a public facilities district
17 created in a county of one million five hundred thousand or more to
18 acquire, own, and operate a convention and trade center must be
19 comprised of the nine members of the board of the public nonprofit
20 corporation that transfers the convention and trade center to the
21 public facilities district under section 8 of this act. The governor
22 must designate which of the initial board members must serve two-year
23 terms and which must serve four-year terms and identify the board
24 positions to which successors to initial directors are to be appointed
25 by the county and the city.

26 (2) At least one member on the board of directors (~~shall~~) must be
27 representative of the lodging industry in the public facilities
28 district before the public facilities district imposes the excise tax
29 under RCW 36.100.040(1). Of the members of the board of directors of
30 a public facilities district created in a county of one million five
31 hundred thousand or more to acquire, own, and operate a convention and
32 trade center, one of the governor's appointments and one of the
33 county's appointments must be representative of the lodging industry in
34 the public facilities district and one of the city's appointments must
35 be representative of organized labor, except that these requirements do
36 not apply to the initial board of such district.

37 (3) Members of the board of directors (~~shall~~) must serve four-

1 year terms of office, except that two of the initial five board members
2 (~~or~~), three of the initial seven board members (~~shall~~), and four of
3 the initial nine board members must serve two-year terms of office.

4 (4) A vacancy (~~shall~~) must be filled in the same manner as the
5 original appointment was made and the person appointed to fill a
6 vacancy (~~shall~~) must serve for the remainder of the unexpired term of
7 the office for the position to which he or she was appointed.

8 (5) Any director may be removed from office by the person or entity
9 that appointed or confirmed such director for any reason or for no
10 reason as follows: A director appointed by the governor may be removed
11 from office by the governor(~~or~~); and any (~~other~~) director confirmed
12 by a city or county legislative authority may be removed from office by
13 action of at least two-thirds of the members of the legislative
14 authority (~~which made the appointment~~) that confirmed the director.

15 **Sec. 4.** RCW 36.100.030 and 2003 c 376 s 1 are each amended to read
16 as follows:

17 (1) A public facilities district is authorized to acquire,
18 construct, own, remodel, maintain, equip, reequip, repair, and operate
19 (a) sports facilities, entertainment facilities, convention facilities,
20 including without limitation any convention and trade center
21 transferred from a public nonprofit corporation under section 8(1) of
22 this act, or regional centers as defined in RCW 35.57.020, and (b) for
23 districts formed after January 1, 2000, recreational facilities other
24 than ski areas, together with contiguous parking facilities. The taxes
25 that are provided for in this chapter may only be imposed for these
26 purposes, including without limitation implementing any redemption,
27 prepayment, or legal defeasance of outstanding obligations under
28 section 8(3)(a) of this act.

29 (2) A public facilities district may enter into agreements under
30 chapter 39.34 RCW for the (~~joint provision and operation~~) design,
31 financing, acquisition, development, construction, reconstruction,
32 lease, remodeling, alteration, maintenance, equipping, reequipping,
33 repair, operation, or management of such facilities and may enter into
34 contracts under chapter 39.34 RCW where any party to the contract
35 provides and operates such facilities for the other party or parties to
36 the contract. A public facilities district may enter into agreements
37 under chapter 39.34 RCW that will assist a public facilities district

1 in the financing of all or any part of a district facility on such
2 terms as may be determined by agreement between the respective parties,
3 including without limitation by a loan, guaranty, or other financing
4 agreement.

5 (3) Notwithstanding the establishment of a career, civil, or merit
6 service system, a public facilities district may contract with a public
7 or private entity for the operation or management of its public
8 facilities.

9 (4) A public facilities district is authorized to use the
10 supplemental alternative public works contracting procedures set forth
11 in chapter 39.10 RCW in connection with the design, construction,
12 reconstruction, remodel, or alteration of any of its public facilities.

13 (5) A public facilities district may impose charges and fees for
14 the use of its facilities, and may accept and expend or use gifts,
15 grants, and donations.

16 **Sec. 5.** RCW 36.100.040 and 2008 c 137 s 5 are each amended to read
17 as follows:

18 (1) A public facilities district may impose an excise tax on the
19 sale of or charge made for the furnishing of lodging that is subject to
20 tax under chapter 82.08 RCW, except that no such tax may be levied on
21 any premises having fewer than forty lodging units. ~~((However))~~ Except
22 for any tax imposed under subsection (4) or (5) of this section, if a
23 public facilities district has not imposed such an excise tax prior to
24 December 31, 1995, the public facilities district may only impose the
25 excise tax if a ballot proposition authorizing the imposition of the
26 tax has been approved by a simple majority vote of voters of the public
27 facilities district voting on the proposition.

28 (2) The rate of the tax ~~((shall))~~ may not exceed two percent and
29 the proceeds of the tax ~~((shall))~~ may only be used for the acquisition,
30 design, construction, remodeling, maintenance, equipping, reequipping,
31 repairing, and operation of its public facilities. This excise tax
32 ~~((shall))~~ may not be imposed until the district has approved the
33 proposal to acquire, design, and construct the public facilities.

34 ~~((A public facilities district may not impose the tax~~
35 ~~authorized in this section if, after the tax authorized in this section~~
36 ~~was imposed, the effective combined rate of state and local excise~~
37 ~~taxes, including sales and use taxes and excise taxes on lodging,~~

1 ~~imposed on the sale of or charge made for furnishing of lodging in any~~
2 ~~jurisdiction in the public facilities district exceeds eleven and one-~~
3 ~~half percent.~~

4 ~~(4)) Except for a public facilities district created within a~~
5 ~~county with a population of one million five hundred thousand or more~~
6 ~~for the purpose of acquiring, owning, and operating a convention and~~
7 ~~trade center, a public facilities district may not impose the tax~~
8 ~~authorized in this section if, after the tax authorized in this section~~
9 ~~was imposed, the effective combined rate of state and local excise~~
10 ~~taxes, including sales and use taxes and excise taxes on lodging,~~
11 ~~imposed on the sale of or charge made for furnishing of lodging in any~~
12 ~~jurisdiction in the public facilities district exceeds eleven and one-~~
13 ~~half percent.~~

14 ~~(4) To replace the tax authorized by RCW 67.40.090, a public~~
15 ~~facilities district created within a county with a population of one~~
16 ~~million five hundred thousand or more for the purpose of acquiring,~~
17 ~~owning, and operating a convention and trade center may impose an~~
18 ~~excise tax on the sale of or charge made for the furnishing of lodging~~
19 ~~that is subject to tax under chapter 82.08 RCW, except that no such tax~~
20 ~~may be levied on any premises having fewer than sixty lodging units.~~
21 ~~The rate of the tax may not exceed seven percent within the portion of~~
22 ~~the district that corresponds to the boundaries of the largest city~~
23 ~~within the public facilities district and may not exceed 2.8 percent in~~
24 ~~the remainder of the district. The tax imposed under this subsection~~
25 ~~(4) may not be collected prior to the transfer date defined in section~~
26 ~~8 of this act.~~

27 ~~(5) To replace the tax authorized by RCW 67.40.130, a public~~
28 ~~facilities district created within a county with a population of one~~
29 ~~million five hundred thousand or more for the purpose of acquiring,~~
30 ~~owning, and operating a convention and trade center may impose an~~
31 ~~additional excise tax on the sale of or charge made for the furnishing~~
32 ~~of lodging that is subject to tax under chapter 82.08 RCW, except that~~
33 ~~no such tax may be levied on any premises having fewer than sixty~~
34 ~~lodging units. The rate of the additional excise tax may not exceed~~
35 ~~two percent and may be imposed only within the portion of the district~~
36 ~~that corresponds to the boundaries of the largest city within the~~
37 ~~public facilities district and may not be imposed in the remainder of~~
38 ~~the district. The tax imposed under this subsection (5) may not be~~

1 collected prior to the transfer date specified in section 8 of this
2 act. The tax imposed under this subsection (5) must be credited
3 against the amount of the tax otherwise due to the state from those
4 same taxpayers under chapter 82.08 RCW. The tax under this subsection
5 (5) may be imposed only for the purpose of paying or securing the
6 payment of the principal of and interest on obligations issued or
7 incurred by the public facilities district and paying annual payment
8 amounts to the state under subsection (6)(a) of this section. The
9 authority to impose the additional excise tax under this subsection (5)
10 expires on the date that is the earlier of (a) July 1, 2029, or (b) the
11 date on which all obligations issued or incurred by the public
12 facilities district to implement any redemption, prepayment, or legal
13 defeasance of outstanding obligations under section 8(3)(a) of this act
14 are no longer outstanding.

15 (6)(a) Commencing with the first full fiscal year of the state
16 after the transfer date defined in section 8 of this act and for so
17 long as a public facilities district imposes a tax under subsection (5)
18 of this section, the public facilities district must transfer to the
19 state of Washington on June 30th of each state fiscal year an annual
20 payment amount.

21 (b) For the purposes of this subsection (6), "annual payment
22 amount" means an amount equal to revenues received by the public
23 facilities district in the fiscal year from the additional excise tax
24 imposed under subsection (5) of this section plus an interest charge
25 calculated on one-half the annual payment amount times an interest rate
26 equal to the average annual rate of return for the prior calendar year
27 in the Washington state local government investment pool created in
28 chapter 43.250 RCW.

29 (c)(i) If the public facilities district in any fiscal year is
30 required to apply additional lodging excise tax revenues to the payment
31 of principal and interest on obligations it issues or incurs, and the
32 public facilities district is unable to pay all or any portion of the
33 annual payment amount to the state, the deficiency is deemed to be a
34 loan from the state to the public facilities district for the purpose
35 of assisting the district in paying such principal and interest and
36 must be repaid by the public facilities district to the state after
37 providing for the payment of the principal of and interest on
38 obligations issued or incurred by the public facilities district, all

1 on terms established by an agreement between the state treasurer and
2 the public facilities district executed prior to the transfer date.
3 Any agreement between the state treasurer and the public facilities
4 district must specify the term for the repayment of the deficiency in
5 the annual payment amount with an interest rate equal to the twenty
6 bond general obligation bond buyer index plus one percentage point.

7 (ii) Outstanding obligations to repay any loans deemed to have been
8 made to the public facilities district as provided in any such
9 agreements between the state treasurer and the public facilities
10 district survive the expiration of the additional excise tax under
11 subsection (5) of this section.

12 (iii) For the purposes of this subsection (6)(c), "additional
13 lodging excise tax revenues" mean the tax revenues received by the
14 public facilities district under subsection (5) of this section.

15 (7) A public facilities district is authorized to pledge any of its
16 revenues, including without limitation revenues from the taxes
17 authorized in this section, to pay or secure the payment of obligations
18 issued or incurred by the public facilities district, subject to the
19 terms established by the board of directors of the public facilities
20 district. So long as a pledge of the taxes authorized under this
21 section is in effect, the legislature may not withdraw or modify the
22 authority to levy and collect the taxes at the rates permitted under
23 this section and may not increase the annual payment amount to be
24 transferred to the state under subsection (6) of this section.

25 (8) The department of revenue must perform the collection of such
26 taxes on behalf of the public facilities district at no cost to the
27 district, and the state treasurer must distribute those taxes as
28 available on a monthly basis to the district or, upon the direction of
29 the district, to a fiscal agent, paying agent or trustee for
30 obligations issued or incurred by the district.

31 (9) Except as expressly provided in this chapter, all of the
32 provisions contained in RCW 82.08.050 and 82.08.060 and chapter 82.32
33 RCW have full force and application with respect to taxes imposed under
34 the provisions of this section.

35 (10) The taxes imposed in this section (~~does~~) do not apply to
36 sales of temporary medical housing exempt under RCW 82.08.997.

1 **Sec. 6.** RCW 36.100.060 and 1999 c 165 s 15 are each amended to
2 read as follows:

3 (1) To carry out the purpose of this chapter, a public facilities
4 district may issue general obligation bonds, not to exceed an amount,
5 together with any outstanding nonvoter approved general obligation
6 indebtedness, equal to one-half of one percent of the value of taxable
7 property within the district, as the term "value of taxable property"
8 is defined in RCW 39.36.015. A public facilities district additionally
9 may issue general obligation bonds for capital purposes only, together
10 with any outstanding general obligation indebtedness, not to exceed an
11 amount equal to one and one-fourth percent of the value of the taxable
12 property within the district, as the term "value of taxable property"
13 is defined in RCW 39.36.015, when authorized by the voters of the
14 public facilities district pursuant to Article VIII, section 6 of the
15 state Constitution, and to provide for the retirement thereof by excess
16 property tax levies as provided in this chapter.

17 (2) General obligation bonds may be issued with a maturity of up to
18 thirty years, and must be issued and sold in accordance with the
19 provisions of chapter 39.46 RCW. If the public facilities district is
20 formed by a county with a population of one million five hundred
21 thousand or more to acquire, own, and operate a convention and trade
22 center, general obligation bonds may be issued with a maturity of up to
23 forty years, and ((shall)) must be issued and sold in accordance with
24 the provisions of chapter 39.46 RCW. In addition to the powers vested
25 in it under RCW 39.46.030, a public facilities district created by a
26 county with a population of one million five hundred thousand or more
27 to acquire, own, and operate a convention and trade center may appoint,
28 and may specify the rights and duties of, trustees with respect to its
29 bonds, and such trustees may receive, hold, disburse, invest, and
30 reinvest funds on the district's behalf and for the protection of the
31 district's bond owners.

32 (3) The general obligation bonds may be payable from the operating
33 revenues of the public facilities district in addition to the tax
34 receipts of the district.

35 (4) The excise tax imposed pursuant to RCW 36.100.040 ((shall)) (1)
36 terminates upon final payment of all bonded indebtedness for its public
37 facilities, except that the excise tax may be reauthorized by a public

1 vote, in the same manner as originally authorized, for funding of
2 additional public facilities or a regional center.

3 **Sec. 7.** RCW 36.100.100 and 1995 c 396 s 7 are each amended to read
4 as follows:

5 The treasurer of the county in which a public facilities district
6 is located (~~shall~~) must be the ex officio treasurer of the district,
7 unless the board of directors of a public facilities district created
8 in a county of one million five hundred thousand or more designates by
9 resolution another person having experience in financial or fiscal
10 matters as the treasurer of the district. Such a treasurer possesses
11 all of the powers, responsibilities, and duties of, and is subject to
12 the same restrictions as provided by law for, a county treasurer with
13 regard to district financial matters. Such treasurer must be bonded
14 for not less than twenty-five thousand dollars.

15 NEW SECTION. **Sec. 8.** A new section is added to chapter 36.100 RCW
16 to read as follows:

17 (1) On the transfer date the board of directors of a public
18 nonprofit corporation formed under RCW 67.40.020 that owns and operates
19 a state convention and trade center must transfer all lands,
20 facilities, equipment, assets, other interests in real, personal, and
21 intangible property, and interests under contracts, leases, licenses,
22 and agreements under the control of that board of directors to a public
23 facilities district created as provided in RCW 36.100.010 by the county
24 in which the convention and trade center is located pursuant to an
25 agreement with the public facilities district, subject to the review
26 and approval of the state treasurer.

27 (2) No real estate excise tax or other excise tax may be imposed
28 with respect to the transfer of assets of the public nonprofit
29 corporation to the public facilities district.

30 (3) For the purposes of this section, "transfer date" means the
31 date on or prior to June 30, 2011, on which provision has been made for
32 all of the following, pursuant to agreements and other necessary
33 arrangements approved by the state treasurer:

34 (a) The redemption, prepayment, or legal defeasance on or prior to
35 the transfer date of all outstanding borrowings and other financing
36 obligations of the state of Washington and the public nonprofit

1 corporation with respect to the state convention and trade center,
2 including state bonds and certificates of participation and related
3 financing contracts;

4 (b) The transfer to the public facilities district on the transfer
5 date of the balances on deposit in the state convention and trade
6 center operations account, the state convention and trade center
7 account and other accounts relating to the state convention and trade
8 center, including the revenues identified under (g)(ii) of this
9 subsection (3);

10 (c) The imposition by the public facilities district of excise
11 taxes on the sale of or charge made for the furnishing of lodging under
12 RCW 36.100.040 (4) and (5) at the maximum rates permitted in those
13 subsections;

14 (d) The transfer of all other assets and liabilities and, to the
15 extent permissible by their terms, the assignment or transfer of all
16 contracts and agreements of the public nonprofit corporation from the
17 public nonprofit corporation to the public facilities district;

18 (e) The execution of an agreement settling all claims in the case
19 of Tourism Alliance, a Washington nonprofit corporation; Craig Schafer;
20 Claridge LLC, a Washington limited liability company; R.C. Hedreen
21 Corporation, a Washington corporation; and on behalf of taxpayers,
22 Andrew Olsen, Amy L. Dee, Christopher M. Dee, Clipper Navigation, Inc.,
23 a Washington corporation v. State of Washington and James L. McIntire,
24 in his official capacity as State Treasurer of the State of Washington;

25 (f) The payment or provision for payment of all fees, costs, and
26 expenses incurred by the state of Washington and the public nonprofit
27 corporation to effect such transfer;

28 (g) An agreement of the public facilities district to transfer to
29 the state on June 30, 2011, an amount equal to (i) the revenues from
30 the tax imposed under RCW 36.100.040(5) during the state fiscal year
31 ending June 30, 2011, plus (ii) the revenues from the tax imposed under
32 RCW 67.40.130 during the state fiscal year ending June 30, 2011; and

33 (h) The agreement between the state treasurer and the public
34 facilities district, referred to in section 5(6)(c)(i).

35 NEW SECTION. **Sec. 9.** A new section is added to chapter 36.100 RCW
36 to read as follows:

37 (1) Except as provided in chapters 35.101, 67.28, and 82.14 RCW,

1 after January 1, 1983, no city, town, or county in which the tax under
2 RCW 36.100.040 (4) and (5) is imposed may impose a license fee or tax
3 on the act or privilege of engaging in business to furnish lodging by
4 a hotel, rooming house, tourist court, motel, trailer camp, or similar
5 facilities in excess of the rate imposed upon other persons engaged in
6 the business of making sales at retail.

7 (2) For the purposes of this section, "sales at retail" has the
8 same meaning as provided in RCW 82.04.050.

9 NEW SECTION. **Sec. 10.** A new section is added to chapter 36.100
10 RCW to read as follows:

11 Nothing in this act may be construed to limit the authority of a
12 public nonprofit corporation under chapter 67.40 RCW prior to the
13 effective date of section 14 of this act.

14 NEW SECTION. **Sec. 11.** A new section is added to chapter 36.100
15 RCW to read as follows:

16 Bonds issued under this chapter are hereby made securities in which
17 all public officers and public bodies of the state and its political
18 subdivisions, all insurance companies, trust companies in their
19 commercial departments, savings banks, cooperative banks, banking
20 associations, investment companies, executors, trustees and other
21 fiduciaries, and all other persons whatsoever who are now or may
22 hereafter be authorized to invest in obligations of the state may
23 properly and legally invest funds, including capital in their control
24 or belonging to them. Such bonds are hereby made securities which may
25 properly and legally be deposited with and received by any state or
26 municipal officer or any agency or political subdivision of the state
27 for any purpose for which the deposit of bonds and other obligations of
28 the state are now or may hereafter be authorized by law.

29 NEW SECTION. **Sec. 12.** A new section is added to chapter 36.100
30 RCW to read as follows:

31 (1) Any county with a population of one million five hundred
32 thousand or more that creates a public facilities district pursuant to
33 this chapter to acquire, own, and operate a convention and trade center
34 transferred from a public nonprofit corporation is authorized to
35 acquire by condemnation property or property rights as may be necessary

1 to carry out the purposes of such district. If the legislative body of
2 such county chooses to exercise its authority to acquire property by
3 eminent domain on behalf of such public facilities district, it must do
4 so pursuant to the procedures set forth in chapter 8.08 RCW.

5 (2) The accomplishment of the activities authorized by this chapter
6 is declared to be a strictly public purpose of the municipality or
7 municipal entities authorized to perform the same.

8 (3) The powers and authority conferred by this section are in
9 addition and supplemental to existing powers or authority. Nothing
10 contained in this section limits any other powers or authority of any
11 agency, political subdivision, or unit of local government of this
12 state.

13 **Sec. 13.** RCW 39.94.020 and 2010 c ... (SB 6218) s 1 are each
14 amended to read as follows:

15 Unless the context clearly requires otherwise, the definitions in
16 this section apply throughout this chapter.

17 (1) "Credit enhancement" includes insurance, letters of credit,
18 lines of credit, or other similar agreements which enhance the security
19 for the payment of the state's or an other agency's obligations under
20 financing contracts.

21 (2) "Financing contract" means any contract entered into by the
22 state for itself or on behalf of an other agency which provides for the
23 use and purchase of real or personal property by the state and provides
24 for payment by the state over a term of more than one year, and which
25 provides that title to the subject property may secure performance of
26 the state or transfer to the state or an other agency by the end of the
27 term, upon exercise of an option, for a nominal amount or for a price
28 determined without reference to fair market value. Financing contracts
29 include, but are not limited to, conditional sales contracts, financing
30 leases, lease purchase contracts, or refinancing contracts, but
31 do(~~es~~) not include operating or true leases. For purposes of this
32 chapter, the term "financing contract" does not include any nonrecourse
33 financing contract or other obligation payable only from money or other
34 property received from private sources and not payable from any public
35 money or property. The term "financing contract" includes a "master
36 financing contract."

1 (3) "Master financing contract" means a financing contract which
2 provides for the use and purchase of property by the state, and which
3 may include more than one financing contract and appropriation.

4 (4) "Other agency" means any commission established under Title 15
5 RCW, a library or regional library, an educational service district,
6 the superintendent of public instruction, the school directors'
7 association, a health district, a public facilities district, or any
8 county, city, town, school district, or other municipal corporation or
9 quasi-municipal corporation.

10 (5) "State" means the state, agency, department, or instrumentality
11 of the state, the state board for community and technical colleges, and
12 any state institution of higher education.

13 (6) "State finance committee" means the state finance committee
14 under chapter 43.33 RCW.

15 (7) "Trustee" means a bank or trust company, within or without the
16 state, authorized by law to exercise trust powers.

17 NEW SECTION. **Sec. 14.** The following acts or parts of acts are
18 each repealed:

19 (1) RCW 67.40.010 (Legislative finding) and 1983 2nd ex.s. c 1 s 1
20 & 1982 c 34 s 1;

21 (2) RCW 67.40.025 (State convention and trade center operations
22 account--Operating revenues--Expenditures) and 2008 c 329 s 916, 1988
23 ex.s. c 1 s 2, 1987 1st ex.s. c 8 s 3, & 1985 c 233 s 2;

24 (3) RCW 67.40.027 (Compensation and travel expenses of board
25 members) and 1985 c 233 s 3;

26 (4) RCW 67.40.030 (General obligation bonds--Authorized--
27 Appropriation required) and 1990 c 181 s 1, 1988 ex.s. c 1 s 3, 1987
28 1st ex.s. c 3 s 12, 1985 c 233 s 1, 1983 2nd ex.s. c 1 s 3, & 1982 c 34
29 s 3;

30 (5) RCW 67.40.040 (Deposit of proceeds in state convention and
31 trade center account and appropriate subaccounts--Credit against future
32 borrowings--Use) and 2008 c 329 s 917, 2008 c 328 s 6011, 2007 c 228 s
33 106, 2005 c 518 s 936, 2003 1st sp.s. c 25 s 929, 1995 c 386 s 13, 1991
34 sp.s. c 13 s 11, 1990 c 181 s 2, 1988 ex.s. c 1 s 4, 1987 1st ex.s. c
35 8 s 4, 1985 c 57 s 66, 1983 2nd ex.s. c 1 s 4, & 1982 c 34 s 4;

36 (6) RCW 67.40.045 (Authorization to borrow from state treasury for
37 project completion costs--Limits--"Project completion" defined--

1 Legislative intent--Application) and 1995 c 386 s 14, 1993 sp.s. c 12
2 s 9, 1992 c 4 s 1, 1991 c 2 s 1, 1990 c 181 s 3, 1988 ex.s. c 1 s 9, &
3 1987 1st ex.s. c 8 s 1;

4 (7) RCW 67.40.050 (Administration of proceeds) and 1982 c 34 s 5;

5 (8) RCW 67.40.055 (Transfer of funds to account--Repayment of
6 borrowed funds with interest) and 1988 ex.s. c 1 s 5 & 1987 1st ex.s.
7 c 8 s 11;

8 (9) RCW 67.40.060 (Retirement of bonds from nondebt-limit
9 proprietary appropriated bond retirement account--Transfer from
10 accounts--Pledge and promise--Remedies of bondholders) and 2005 c 487
11 s 9, 1997 c 456 s 25, 1987 1st ex.s. c 8 s 5, 1983 2nd ex.s. c 1 s 5,
12 & 1982 c 34 s 6;

13 (10) RCW 67.40.070 (Legislature may provide additional means for
14 payment of bonds) and 1982 c 34 s 7;

15 (11) RCW 67.40.080 (Bonds legal investment for public funds) and
16 1982 c 34 s 8;

17 (12) RCW 67.40.090 (Lodging tax imposed in King county--Rates--
18 Proceeds) and 2002 c 178 s 4, 1995 c 386 s 15, 1991 c 2 s 3, 1988 ex.s.
19 c 1 s 6, 1987 1st ex.s. c 8 s 6, & 1982 c 34 s 9;

20 (13) RCW 67.40.100 (Limitation on license fees and taxes on hotels,
21 motels, rooming houses, trailer camps, etc.) and 1997 c 452 s 15, 1990
22 c 242 s 1, 1988 ex.s. c 1 s 25, & 1982 c 34 s 10;

23 (14) RCW 67.40.105 (Exemption from tax--Emergency lodging for
24 homeless persons--Conditions) and 1988 c 61 s 3;

25 (15) RCW 67.40.107 (Exemption from tax--Temporary medical housing)
26 and 2008 c 137 s 4;

27 (16) RCW 67.40.110 (Use of revenues from convention and trade
28 center facilities excise tax by cities for professional sports
29 franchise facilities limited) and 1997 c 452 s 19 & 1987 1st ex.s. c 8
30 s 8;

31 (17) RCW 67.40.120 (Contracts for marketing facility and services)
32 and 2002 c 182 s 1, 1997 c 452 s 20, 1991 c 336 s 2, & 1988 ex.s. c 1
33 s 8;

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

36 (19) RCW 67.40.140 (Convention and trade facilities--Remittance of
37 tax--Credit) and 1995 c 386 s 2;

1 (20) RCW 67.40.150 (Convention and trade facilities--Contract of
2 administration and collection to department of revenue--Disposition of
3 tax--Procedure) and 1995 c 386 s 3;

4 (21) RCW 67.40.160 (Convention and trade facilities--Tax on
5 construction--Disposition) and 1995 c 386 s 4;

6 (22) RCW 67.40.170 (Convention and trade facilities--Use of
7 collected taxes) and 1995 c 386 s 5;

8 (23) RCW 67.40.180 (Convention and trade facilities--Use of funds--
9 Acceptance by board of directors of funding commitment) and 1995 c 386
10 s 6;

11 (24) RCW 67.40.190 (Convention and trade facilities--Use of funds--
12 Encumbered revenue) and 1995 c 386 s 7; and

13 (25) RCW 67.40.900 (Severability--1982 c 34) and 1982 c 34 s 13.

14 NEW SECTION. **Sec. 15.** RCW 67.40.020 (State convention and trade
15 center--Public nonprofit corporation authorized--Board of directors--
16 Powers and duties) and 1995 c 386 s 12, 1993 c 500 s 9, 1988 ex.s. c 1
17 s 1, 1987 1st ex.s. c 8 s 2, 1984 c 210 s 1, 1983 2nd ex.s. c 1 s 2, &
18 1982 c 34 s 2 are each repealed.

19 NEW SECTION. **Sec. 16.** Section 14 of this act is effective
20 contingent upon the transfer date occurring in section 8 of this act.
21 If the transfer date occurs in section 8 of this act, section 14 of
22 this act is effective on the transfer date. For the purposes of this
23 section, "transfer date" has the same meaning as provided in section 8
24 of this act.

25 NEW SECTION. **Sec. 17.** Section 15 of this act is effective
26 contingent upon the transfer date occurring in section 8 of this act.
27 If the transfer date occurs in section 8 of this act, section 15 of
28 this act is effective thirty days after the transfer date in section 8
29 of this act. For the purposes of this section, "transfer date" has the
30 same meaning as provided in section 8 of this act.

31 NEW SECTION. **Sec. 18.** The state treasurer must provide written
32 notice of the effective dates in sections 16 and 17 of this act to the
33 department of revenue, the office of the code reviser, and others as
34 deemed appropriate by the state treasurer.

1 NEW_SECTION. **Sec. 19.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW_SECTION. **Sec. 20.** The provisions of this chapter must be
6 liberally construed to effect the policies and purposes of this
7 chapter.

 Passed by the Senate April 1, 2010.

 Passed by the House March 22, 2010.

 Approved by the Governor April 9, 2010.

 Filed in Office of Secretary of State April 9, 2010.

FINAL BILL REPORT

SSB 6889

C 15 L 10 E 1

Synopsis as Enacted

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators McDermott, Kohl-Welles, Kline, Murray, Prentice, Keiser, McAuliffe, Kauffman and Hewitt).

Senate Committee on Ways & Means

Background: The Washington State Convention and Trade Center (Center) is a public nonprofit corporation created by the Legislature in 1982. 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.

The Center receives revenue from three sources: operations of the convention and trade center; receipts from the transient rental tax, also known as hotel/motel tax; and a credit against the state retail sales tax for hotel/motel stays.

The transient rental tax applies to hotels and motels with at least 60 rooms in King County; the rate is 7 percent in Seattle and 2.8 percent in King County, outside of Seattle. Proceeds are distributed to the Center Capital (85.7 percent) and Operations (14.3 percent) Accounts. The City of Seattle imposes a 2 percent tax (local convention center tax) to the same charges for accommodations as the hotel/motel 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. PFDs are authorized to acquire, build, own, and operate sports facilities, entertainment facilities, or convention facilities or any combination

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

of such facilities, and for districts formed after January 1, 2000, recreational facilities other than ski areas together with contiguous parking facilities.

Summary: An additional 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 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. At least one of the Governor's appointments and one of the county appointments must be a representative of the lodging industry. One of the city's appointments must be a representative of organized labor. The initial board of the PFD is made up of the nine-member board of the Center. The Governor must designate which of the initial board members must serve two-year terms and which must serve four-year terms. Four of the initial nine board members must serve two-year terms of office.

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. King County may acquire property by condemnation for the purposes of the new PFD.

The 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 convention 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 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 Center is transferred to the new PFD, annual payments will be made to the state in an amount equal to the amount of the state tax credit plus an interest charge equal to the average annual return for the prior calendar year for Washington State Local Government Investment Pool. 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 was issued to redeem, prepay, or defease the state's obligations related to the 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. The interest on the loan must be equal to the 20 bond general obligation bond buyer index plus 1 percentage point. The length of the loan is not specified.

The new PFD is authorized to designate a qualified person other than the county treasurer to serve as its treasurer. This may include a fiscal agent, paying agent, or trustee for obligations issued or incurred by the district.

The securities of the new PFD are eligible investments for the state and other public entities. The new PFD is eligible to participate in the State Treasurer's Local Option Capital Asset Lending program (local government pooled financing program).

Votes on Final Passage:

First Special Session

Senate	39	1	
House	91	6	(House amended)
Senate	39	2	(Senate concurred)

Effective: July 13, 2010

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CONVENTION CENTER CASH FLOW SUMMARY

Fiscal Years Ending June 30 (Dollars in Thousands)

	2005	2006	2007	2008	2009
STATE CONVENTION CENTER FUNDS					
REVENUE SOURCES					
Hotel/Motel Tax ¹ (Excluding Marketing Tax and Including City Transient Tax)	\$37,081	\$42,772	\$48,364	\$53,076	\$49,457
Operating Revenue with Marketing Tax	18,765	24,232	25,665	24,989	25,562
Total Revenues	55,846	67,004	74,029	78,065	75,019
EXPENSES					
Debt Service	29,666	29,652	29,652	29,286	31,152
Minor Works ²	635	627	2,032	1,372	4,979
Operating Costs	18,092	19,847	20,994	23,193	23,180
Total Expense	48,393	50,126	52,678	53,851	59,311
Net Cash Flow to Convention Center	7,453	16,878	21,351	24,214	15,708
STATE GENERAL FUND					
Estimated Direct State Sales Tax on Delegate Spending	13,933	15,062	16,914	13,546	14,297
Cash Transfer from Convention Center	5,000 ³	5,150 ³	5,150 ³	12,500 ³	61,500 ³
Less Credit for City Transient Tax	(7,918)	(9,068)	(10,224)	(11,159)	(10,489)
Net Cash Flow to General Fund	11,015	11,144	11,840	14,887	65,308
TOTAL NET CASH FLOW TO STATE	\$13,468⁴	\$22,872⁴	\$28,041⁴	\$26,601⁴	\$19,516⁴

¹ A hotel/motel excise tax authorized by the state Legislature is imposed on room rates charged for lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payments for Center debt service, Certificate of Participation lease payments and for marketing expenses incurred by Seattle's Convention and Visitors Bureau.

² Minor works is appropriated by the Legislature for specific long-lived capital expenditures (e.g. roof replacement, energy-efficient lighting fixtures and freeway fire protection system).

³ Cash transfer of \$5 million in March 2005, and \$5.15 million in March 2006 and March 2007, to the state general fund as approved by the Legislature. In 2008, the Legislature transferred from the Center \$4.5 million to the Tourism Commission and \$8 million to the Washington Housing Trust account. These funds are appropriated from existing balances in the Center's capital fund. As a result, this cash transfer increases the net cash flow to the state general fund, but does not impact total net cash flow to the state for the fiscal year. \$52 million was transferred from the Center capital fund (O1V) and \$5 million from the Center operating fund (537) to the state general fund in June 2009. In addition, \$4.5 million was transferred to the Tourism Commission in fiscal year 2009.

⁴ Net cash flow to the state includes net funds minus expenditures generated by the Center and the state of Washington portion of sales tax generated from delegate spending.

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Seattle Business

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Trading Spaces

January 2010

Trade: Trading Spaces

Washington's convention business needs a larger trade center, but the state Legislature is holding up the process.

By Mike Ullmann

Photograph by Hayley Young



In the stormy fall of 2009, during the worst downturn since the Great Depression, 6,900 electrical contractors arrived at Seattle's convention center to find a brilliant September sun. The sun wasn't the only surprise. "It was a little crazy, considering the economy, but we did great," says Beth Ellis, the group's executive director for conventions. "We even had extra people register after we arrived. We exceeded our expectations."

Seattle, although a tad out of the way, remains a premier convention and meeting destination. "For us East Coasters, it is a long flight, but when everybody gets there, they want to go back [again]," says Ellis, whose National Electrical Contractors Association is based in Maryland. "Meeting close to where they live doesn't entice them. But Seattle ... Seattle is a clean city,

walkable, a very safe city that our members really enjoy."

Even in hard times, the Washington State Convention & Trade Center shines. Year in and year out, it brings in tourists and convention-goers by the tens of thousands, and direct tax revenue to the state of about \$26 million annually. "Convention centers typically are designed as loss leaders," says Kate Joncas, president of the Downtown Seattle Association. "This one actually

makes money. It's one of only four around the country that turns a profit. We really listen closely to [convention center president] John Christison, because he does an excellent job operating it."

Christison says he can't quite confirm that "one of only four" statement. "But it's true there are only a very limited number of centers that produce a profit at the operating line"-in Seattle, to the tune of \$2.4 million for the fiscal year that ended June 30, 2009. That's cause for celebration. Besides making itself a profit, the center figures that since it opened, it has brought in \$3.2 billion from out-of-state delegates, who paid \$180 million in taxes to the state's general fund. The recession drove numbers down in 2009, just as Christison warned in his previous year's annual report. But, he adds, "I remain very optimistic about our long-term future, despite the effects of the current economy. This situation is remarkably similar to the one we faced following September 11. Once again, we are well-positioned to ride out this downturn."

All well and good, but here's a catch. How did such a well-regarded center get so crosswise with the state Legislature last year that it wound up asking the governor to veto part of its budget, thus inspiring a lawsuit against the state?

Spread over the top of Interstate 5 in downtown Seattle, the state Convention & Trade Center opened in 1988, doubled its exhibit space in 2001 (just prior to the Sept. 11 attacks) and is on track this year to open four additional floors of high-quality meeting and exhibition space connected to the existing center by a skybridge over Pike Street.

That location, smack in the center of town, is one of the center's biggest draws. Its goal is to draw a particular type of business client here. "The convention center is specifically tailored to draw in very highly paid people from out of town," says Joncas. "They are very strategic in evaluating the attendees most likely to spend the most money-from engineering, medical, computer and technical fields." But the center does not have the acreage to draw the country's biggest conventions.

"It's an interesting irony. Our center is small because it is downtown, yet it serves us well because of its fantastic location surrounded by restaurants, hotels, shows," says David Blandford, public relations director for Seattle's Convention & Visitor's Bureau, which markets the convention center. Before the 2001 expansion, the center was the 51st largest in North America. It briefly became the 28th biggest, but as other cities built up their competing centers, it's fallen today back to 68th.

What Christison believes is the necessary next step for the center-and what the people who listen closely to him are pushing for hard-is to spend something in the neighborhood of \$600 million to \$700 million to double the center's size, even at a time when business is down and convention centers nationally are hurting in an industry that's almost certainly overbuilt. When the center asked the Legislature last year to OK the expansion, it heard more skepticism than support. "We were struggling with billions of dollars in deficits at the time," says state Sen. Rodney Tom, D-Bellevue and vice-chairman of the Senate Ways and Means Committee. "It's hard for us to complain about revenue if we keep giving it away."

The convention center, which is funded almost entirely by a hotel tax in Seattle, planned to use its own money for the expansion-not money from the state's general fund, and the hotel tax wouldn't need increasing-but needed the Legislature's approval to make the investment.

"What we heard was this is a bad time for the state to be making a major investment like this, when we have a \$9 billion state shortfall," Christison says ruefully. In fact, for the second year in a row, the Legislature instead purloined millions from the center's surplus funds-\$65 million in fiscal 2008 and another \$22 million in 2009-to help balance the state budget.

The argument against expanding the center goes like this: Other, bigger convention centers nationally are already hurting. Even the proposed expansion here won't make it competitive with megacenters like those in Denver and San Francisco, which boast something upward of 900,000 square feet of space. Our state convention center is already a success. Why, during a recession, spend more when it still won't be big enough to play with the big boys?

Because, Christison says, we'd be better positioned for the majority of conventions. "If you think about the industry as a triangle, the pointy part at the top is the largest exhibits that really need huge centers of a million-plus square feet. We're not there and we won't be. We don't want to be competing with Chicago or Atlanta. We want to be in the 'sweet spot,' where the majority of the business resides."

The state Convention Center this year will have something under 400,000 square feet of exhibit and meeting space. Even some "local" companies have outgrown that. "We have home-grown, fabulous international companies-Microsoft, Starbucks-and we're no longer big enough to hold their international conventions," says Joncas. Indeed, Microsoft now has its company-wide annual meetings at nearby Safeco Field, home of the Seattle Mariners.

But the real problem for the state convention center is not that it's out of space. What it's really out of is time. That part about Seattle being a desirable city? That's so true that the convention center runs out of desirable dates. "All our prime dates are booked up solid," says Christison.

This is the crux of the argument-what Joncas calls the "load in, load out" factor. A convention not only takes up its "official" days, it also fills the facility while it's moving in and moving out. "The first three or so days are getting the convention and its exhibits set up. Then you have the three days while the delegates are actually in town and the show occurs. And then you'll spend two days taking it all down again," Christison explains. The prime reason the state convention center exists is to rope those delegates in to spend out-of-town money with our in-town restaurants, hotels, shops and shows. The "load in, load out" days are dead days from that economic perspective.

Christison's expansion plans aren't primarily to lure bigger conventions here, but to get more days out of the year by building a second center kitty-corner from the existing one, on top of the existing downtown bus tunnel's Convention Place stop. "If we build a sister venue to the one we have now, about the same size, we could have one in 'show' mode while the other is moving a convention in or out. We could shuffle back and forth between the two to get maximum yield for the available days-more bang for the buck."

A sister center could also combine with the current one to create enough space to keep those "fabulous" local companies here. "Microsoft has told us in no uncertain terms that they would be thrilled if we grew because it would make their lives a lot easier," Christison says. He's under no illusion that doubling the center's space would double its return. "But it may well increase it by two-thirds. And that's a great return on the investment. That's the philosophy behind this. It's not

really a space race. We're not arguing the fact that some cities have made bad decisions in overbuilding their convention centers. But if you are a city like Seattle that has strong destination appeal, you're going to do well. We have pent-up demand-we don't have enough dates available to deal with that demand."

Christison thinks the center can prove that-to the Legislature and anybody else necessary-in two ways. One is a "lost business" study from the Convention & Visitor's Bureau that shows \$1.7 billion in missed revenue since 2004 because the center was already booked or just too small. The other is through a feasibility study delivered last February that "unequivocally confirmed the attractiveness of Seattle as a convention destination" and said the expansion would be heavily used, bringing 124,608 new visitors and 31 new out-of-town conventions annually here by 2018, for a direct economic impact of \$225 million that year. The report, by San Francisco-based Economics Research Associates, adds: "A significant portion of the spending flows into the hotel sector of the economy, and the hotel tax collections in downtown Seattle should total over \$8 million per year in stable operations."

Hotels are the other key to the convention business. Conventions need "big box" hotels, not boutique inns. Conventions lust after rooms in large blocks, preferably spread among as few hotels as possible located as close as possible to the convention center. In Seattle, the Sheraton-the city's largest-added a second tower in 2007 to total 1,258 rooms. Together with the Westin, the Renaissance and the Grand Hyatt, the city can offer more than 3,000 "big box" rooms to convention-goers.

It won't be enough if the convention center expands, however. "We'd probably be a little light in terms of hotel rooms," Christison says. "But at least one new 1,200-room convention hotel is being planned a few blocks away by R.C. Hedreen Co. That and the Sheraton would bookend the center nicely."

David Thyer, president of R.C. Hedreen, confirms that his company-which has been building hotels here for decades-plans to develop the current site of the Greyhound bus station. "We're hoping we can do it in the same time frame as the expansion of the convention center," Thyer says. "Obviously, it would be tough in the existing market to put up something of that scale."

THE FACTS ON THE CONVENTION BUSINESS

(CONVENTION CENTER ATTENDANCE)

Top 5 Washington State Convention & Trade Center Events: (Ranked by attendance)

NORTHWEST FLOWER & GARDEN SHOW:	52,690
ASSOCIATION OF PACIFIC NORTHWEST QUILTERS:	12,000
WESTERN EXHIBITORS:	10,895
WASHINGTON STATE DENTAL ASSOCIATION:	8,500
GEORGE LITTLE MANAGEMENT:	7,500

YEAR*	ATTENDANCE	TOTAL EVENTS
2009	430,771	467
2008	482,768	671
2007	398,555	601
2006	497,453	566

Source: Washington State Convention & Trade Center; *Fiscal year ends June 30.

(BY THE NUMBERS)

Number of national conventions the Convention Center hosted in 2008, along with hundreds of local shows.

47

\$2,165

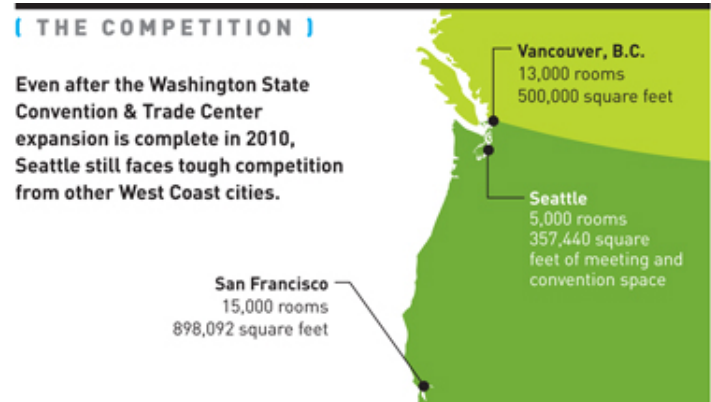
The amount spent by an average delegate attending a national or international convention with a trade show in Seattle.

Per day average added to Washington's economy by out-of-state delegates attending events at the Convention Center.

\$627,000

Source: Washington State Convention & Trade Center, 2008

Like other downtown business leaders, Thyer is puzzled by the last year's standoff with the Legislature, which ended with the state raiding the convention center funds while telling the center to redo its feasibility study on expansion. The center's board asked Gov. Chris Gregoire to veto that requirement. "The language wasn't terribly clear, and there wasn't an appropriation to cover the cost of redoing the study," says Christison.



Gregoire didn't veto that piece (and the center expects to have the revised study in hand for this year's legislative session), but she did veto the \$22 million draw from the center's funds, which also became the target of a lawsuit by a group of hotels, which argue the draw is unconstitutional. Meanwhile, the Legislature, which remains in desperate need of money, is also considering revoking a 2 percent tax credit it granted the convention center over the last expansion.

"It looks like at this point the convention center is a pretty self-sustaining business," says Sen. Tom. "Going forward, we want them to stand on their own." Overall, though, Tom says he believes the convention center and the Legislature will come to an agreement this year. "We're having very friendly conversations to work toward a mutually beneficial outcome. Obviously, the convention business is very important to our region, and downtown Seattle is a great place to come."

So let's keep it that way and get moving on a bigger convention center, says Joncas at the Downtown Association. "We have the money. This is a time when we need jobs. We need economic stimulation. Why doesn't the Legislature let us go ahead?" she asks. "To turn down construction and jobs in times like these, it's hard to believe. With this coming legislative session we're being given a second chance to get it right."

RETAIL & SERVICES

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The Seattle Times

Thursday, March 18, 2010 - Page updated at 11:57 AM

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Proposal would release convention center from state control

By Jim Brunner

Seattle Times political reporter

OLYMPIA — The Washington State Convention Center would be cut loose from state control under a proposal moving through the Legislature, likely clearing the way for an expansion sought by Seattle tourism boosters.

Under the plan, the convention center would be governed by an independent public-facilities district, much like Safeco Field.

The new entity — not the state Legislature — would get to decide whether to pursue a major expansion to the convention center aimed at attracting more out-of-state visitors to downtown Seattle.

"We would be semiautonomous," said John Christison, president of the convention center.

The plan does not call for any new taxes for the general public. The convention center would simply get more control over its main funding source — taxes on hotel rooms in Seattle and King County. That would allow planning for an expansion without interference from Olympia.

Last year, the Legislature balked at a proposed \$766 million expansion at the site of Metro King County's Convention Place Station, about a block from the current convention center. Lawmakers said they wanted more feasibility studies before giving the project a green light.

Lawmakers have raided the convention center's hotel-tax accounts of more than \$80 million over the past two years to help balance the state budget. That angered Seattle hoteliers, who sued the state to challenge the fund transfers.

Despite the dismal economy, convention-center boosters want to be able to plan for the future without interference from the Legislature.

"We think the expansion is the right thing to do. It's going to be a matter of timing and size," said Craig Shafer, president of the Tourism Alliance of King County, and owner of Hotel Andra in Seattle.

Shafer is among the plaintiffs in the hoteliers' lawsuit against the state. They argued the taxes collected by the convention center, a 7 percent tax on hotel rooms in Seattle, and 2.8 percent in the rest of King County, were supposed to be dedicated to the convention center and tourism promotion.

If the current proposal in Olympia passes, Shafer said the hoteliers will drop their lawsuit against the state.

Christison said any expansion plans would need to proceed with caution. While a project may no longer require legislative permission, financing could still prove difficult.

"It's still a major question, and we would not just run right out and expand," Christison said.

5/28/2010

Local News | Proposal would release c...

A construction project would depend largely on bonds repaid out of the hotel-tax collections, which have declined with the economy. This year, those taxes will bring in an estimated \$27.3 million, down from \$35 million in 2008.

In exchange for its newfound freedom, the convention center would give up one slice of the hotel tax money it now receives — a 2 percent sales tax on hotel rooms in Seattle, which brought in \$7.6 million last year.

The convention center also would have to refinance \$366 million in debt remaining from construction of the center's last expansion in 2001, freeing up more borrowing capacity for the state.

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The Seattle Times

Saturday, May 2, 2009 - Page updated at 03:55 AM

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State convention center expansion put on hold

By Jim Brunner
Seattle Times staff reporter

A proposed \$766 million expansion of the Washington State Convention & Trade Center (WSCTC) is on hold for now, after the Legislature balked at giving it a quick green light.

Backers of the expansion had asked for \$15 million in local hotel taxes to move ahead with the design and to secure an option on the land for the downtown Seattle project.

Instead, lawmakers offered \$10 million, with strings attached. The Legislature's capital budget makes the money available next July only if the WSCTC conducts studies on the feasibility and financing of the project and reports back by the end of the year.

Lawmakers also demanded that the state-owned WSCTC work with business and union leaders to write up a plan on how the expansion would create "full-time, stable, living-wage jobs" and "positive labor relations."

Meanwhile, lawmakers drained \$22 million from the convention center's local hotel-tax account to balance the state budget — on top of the \$65 million they diverted last year for the same purpose.

Irritated by the Legislature's actions, the convention-center board met Thursday and decided to ask Gov. Chris Gregoire to veto the \$10 million appropriation along with the study requirements, according to WSCTC President John Christison.

Christison said the convention center already has produced one feasibility study and it didn't make sense "to be forced into doing these studies with no assurance that we are going to be able to move forward."

The convention center paid \$90,000 for a feasibility report released in February, which said the expansion would be "heavily used." The report by San Francisco-based Economics Research Associates, predicted the new building would bring 30 new national conventions and 125,000 new visitors a year to downtown Seattle by 2017.

But state Sen. Rodney Tom, D-Medina, vice chairman of the Senate Ways & Means Committee, said lawmakers were skeptical.

"Too often with these studies, the outcome is dictated by who pays for the study," he said. "What we're trying to do is come in with no bias and say let's look at the real numbers."

The expansion proposal called for doubling the exhibit space at the WSCTC with a stand-alone new building atop King County Metro's Convention Place Station. The project wouldn't require new taxes. It would be paid for out of the

existing 7 percent tax on Seattle hotels (2.8 percent in the rest of King County.)

Seattle is far from alone in wanting a bigger convention center. Cities around the country are planning additions to gain an edge in the increasingly competitive market.

The amount of total convention space nationwide has nearly doubled since 1989. That glut of space has left some large centers struggling to fill its halls, even before the recession began to take its toll.

At WSCTC, the number of out-of-state visitors drawn to national conventions dropped to 130,000 last year, down from 180,000 in 2007, and the lowest number since 2002. Total attendance at the center has remained basically flat compared with the years just before the last major expansion in 2001.

Nevertheless, the expansion has been enthusiastically backed by Seattle business leaders, politicians and labor groups. Backers point out that even with the expansion, Seattle's convention center would remain relatively modest in size.

The Legislature's action disappointed WSCTC supporters.

"It is regrettable. We hope that this is just a short delay," said George Duff, interim president of the Greater Seattle Chamber of Commerce, who helped push for the original convention-center construction in the 1980s.

Christison said the expansion proposal will be back.

"We are disappointed and a little frustrated, but we are going to keep moving forward. We think it is a project worth doing," he said.

Jim Brunner: 206-515-5628 or jbrunner@seattletimes.com

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CONVENTIONS: EXPANDING OUR ECONOMY

Washington State Convention Center

Fiscal 2009 Annual Report

July 1, 2008–June 30, 2009



If you find yourself in downtown Seattle during a major convention, you are likely to see the city's sidewalks, restaurants, shops and attractions filled with badge-wearing delegates. More than 140,000 national and international guests came to the Washington State Convention Center (the Center) in fiscal 2009, spending nearly \$242 million during their brief visits. This spending not only provides significant financial benefits that reach each and every community in our state, but also leads to the creation of thousands of living-wage jobs.

I am pleased to report that the Center was presented, for the second consecutive year, with the Washington Wine Award of Distinction. This prestigious award recognizes the Center's extensive use and promotion of our state's excellent wines. Last year more than 18,000 bottles were served to convention guests, introducing Washington wines to a vast new worldwide audience.

The \$4.5 million in marketing funds provided annually by the Center to the Washington Tourism Commission enables the Commission to expand the promotion of the many wonders of our magnificent state. This additional investment will be returned with increased tourism business throughout Washington.

On behalf of the citizens of Washington, I am pleased to express my gratitude to the Center's board of directors and staff who, despite the challenging economic climate, have completed another successful year.

Sincerely,

A handwritten signature in black ink that reads "Christine O. Gregoire". The signature is written in a cursive, flowing style.

Christine O. Gregoire
Governor

The State of the Convention Center

While our state has felt the impact of the worldwide economic recession, the Washington State Convention Center has so far weathered the financial downturn with higher than anticipated revenues. A solid backlog of events and a limited number of cancellations enabled the Center to a post a \$2,382,441 positive bottom line for fiscal 2009. The board of directors heeded early indications of the financial downturn and authorized exceptional actions to offset an expected decline in revenues. These actions included reductions in utility consumption, goods and services, and a state-mandated wage and hiring freeze to bring expenses in much lower than originally budgeted.

It is important to note that even with these expense reductions, the Center did not cut back on its aggressive capital improvement program for the facility. Updates included replacing the original 20-year-old HVAC chillers, resurfacing a major portion of the expansive roof, upgrading elevators and replacing components of the grand escalators in the South Lobby. As we have consistently stressed in this report over many years, our building is our business. Keeping the facility in outstanding condition—along with retaining a dedicated staff that provides exceptional service—is the only way our Center can compete with the many newer and larger buildings in the western United States.



Looking to the future, the Center and its supporters were disappointed that approval for the expansion of the facility was not forthcoming during the previous legislative session. As requested, we have provided a new set of studies to the Legislature and look forward to receiving authorization to continue to move the expansion process forward. We believe expansion is the best possible course to maintain the Center as a viable economic development entity for the state. To meet demand in the meantime, The Conference Center will add 71,000 square feet of distinctive meeting space to the Convention Center complex. Located at Eighth and Pike, the new facility is scheduled to open in July 2010 (see page 5).

The Center will continue to manage expenses to offset what we anticipate will be a significant reduction in revenues for fiscal 2010. With the end of the recession uncertain, the recovery of our industry will be slow, and it is likely that our bottom line will be negatively impacted next year.

Sincerely,



Frank K. Finneran
Chairman and Chief Executive Officer



John Christison
President and Chief Operating Officer

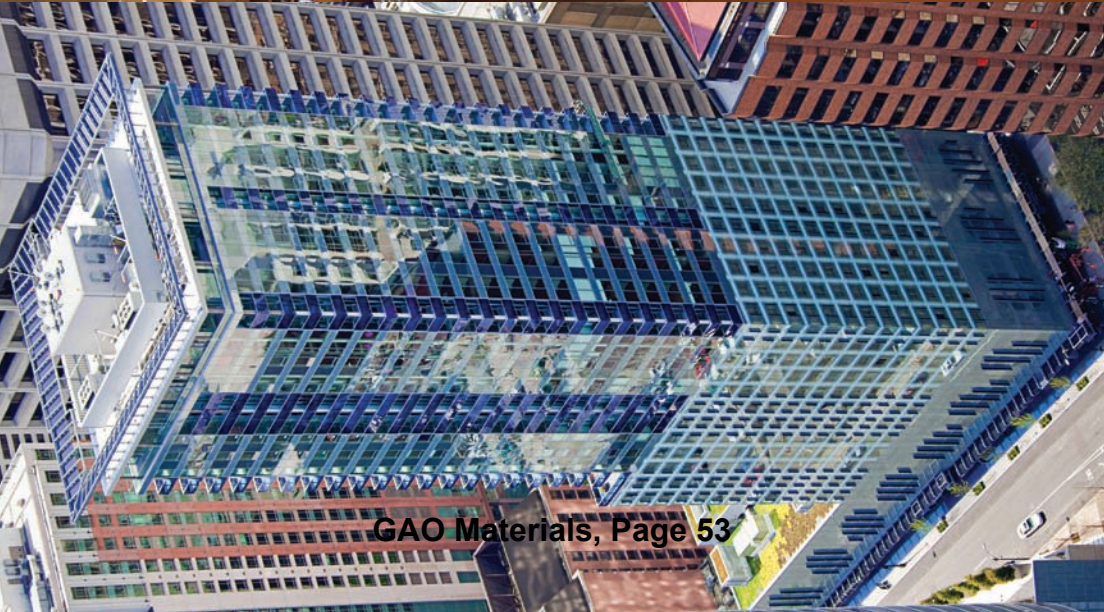
Financial Highlights

FACTS

FISCAL YEAR	2009	2008
Operating Revenue	\$ 25,562,405	\$ 24,989,171
Expenditures	\$ (23,179,964)	\$ (23,192,773)
Gain	\$ 2,382,441	\$ 1,796,398
NUMBER OF EVENTS		
National/International	51	47
Local/Regional	423	624
Total	474	671
EVENT ATTENDANCE		
National/International	140,175	129,836
Local/Regional	290,596	352,932
Total	430,771	482,768
Total Delegate Spending	\$ 241,955,908	\$ 228,855,159
Net Cash Flow to State	\$ 19,516,000	\$ 26,601,000
Impact to Local Institutions	\$ 9,884,575	\$ 9,359,337

Spending by out-of-state delegates attending events at the Center since its opening in 1988 has exceeded **\$3.4 billion.**

In fiscal 2009, spending by out-of-state delegates added an average of **\$662,893** per day to Washington's economy.

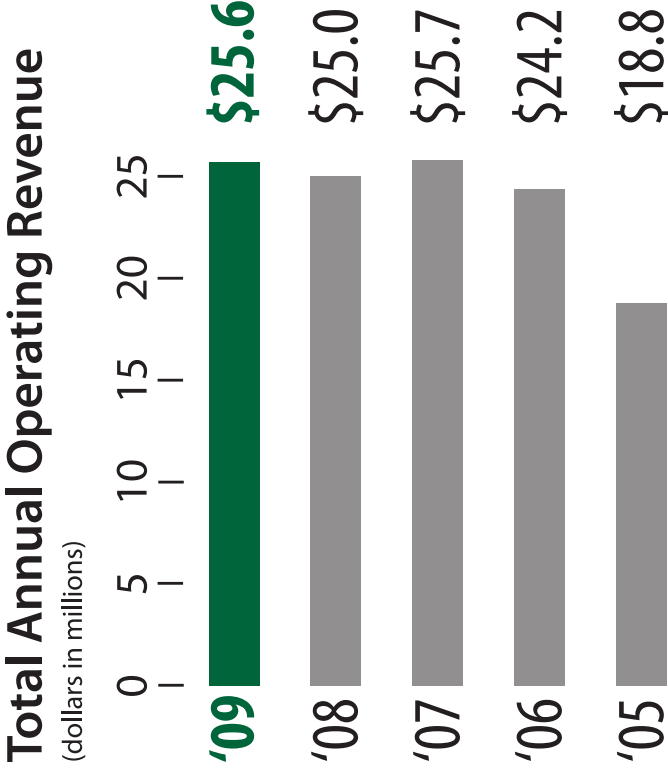


To meet increasing demand for accommodations in downtown Seattle, several hotel properties have recently opened or expanded.

Shown clockwise from far left : The Hyatt at Olive 8, the lobby of the Sheraton Seattle Hotel, and the main entrance to the Four Seasons Hotel Seattle.

Convention Center Operations

Total operating revenue for fiscal 2009 exceeded \$25.5 million, just slightly below the all-time high of \$25.7 million. Building rent, food service and facility services revenues were all higher than 2008 levels; food service led the way with an impressive net increase of \$1.1 million over the prior year's results.



BUILDING RENT The Center confirmed 474 events in fiscal 2009, drawing a total of 430,771 attendees and providing \$4,182,663 in gross building rent revenues. A total of 51 “citywide” events brought such diverse groups as the New York Life Insurance Company’s Executive Council, the American Academy of Neurology and the International Trademark Association. The Center continues to be a popular destination for meetings and maintains an exceptional return client rate. A good example of this is the American Epilepsy Society, which indicated that its events in Seattle (2002 and 2008) were such a success that it has contracted to return in 2014. Two Microsoft TechReady events drew employees from all around the world. The popular annual Northwest Flower & Garden Show—a fixture on the calendar since 1989—is one of the Center’s long standing clients. The successful OneStop sales program supports smaller local meetings and events, allowing the Center to maximize occupancy during and between large national events. OneStop staff managed a total of 351 events in fiscal 2009.

Designed and furnished to exceed LEED Silver certification, The Conference Center features 71,000 square feet of meeting, exhibit, banquet and prefunction space. The facility will open in July 2010.



Convention Center Operations (continued)

RETAIL RENT The Center's 20 retailers provide a wide variety of services to convention attendees, area businesses and residents. Occupancy remained steady with net retail rent revenue coming in at \$630,362. At the time this report was prepared, the popular Juice It Cafe was finalizing plans to relocate from its current location on Level 1 to a larger, more accessible space in the International Meeting Place on Level 2 South.

PARKING Parking is typically the first department to feel the effects of a softening economy, and revenues from the two garages saw a slight reduction from 2008 levels. Gross revenue was \$3,711,238, a decrease of just under 6 percent from the previous year. Throughout the year, the Center's main garage has a steady occupancy rate and regularly maintains a waiting list for new monthly parking applicants.

FACILITY SERVICES Three independently contracted vendors provide in-house technical services for the Center's meeting and trade show clients. These services include audio visual (Audio Visual Factory); telecommunications, connectivity and Internet (Convention Communication Provisioners, Inc.); and electrical services (Edlen Electrical Exhibition Services). Net revenues from facility services reached an all-time high of \$2,414,867 in fiscal 2009.

FOOD SERVICE Net food service revenue rebounded strongly this year, totaling \$6,330,702—a significant increase from the \$5,230,724 in net revenue recorded in 2008. Prudent managing of expenses and an expanded menu were the primary reasons for the improvement. The Center generates more food and beverage revenue, both per square foot and per delegate, than any other meeting facility in the country.

These results have been achieved and maintained by creating customized menus that exceed the expectations of clients and, whenever possible, purchasing locally sourced sustainable food and beverage items. This provides guests with the freshest products, supports local producers and cuts down on the Center's carbon footprint as shipping distances are greatly reduced. In-season fruits and vegetables come from local growers. Flour for our in-house bakery is obtained from eastern Washington. Some 95 percent of the wines served (more than 18,300 bottles last year) come from Washington state wineries. The free-range chicken and eggs served come from Washington farms. Only sustainably harvested fish that are not on the Monterey Bay Aquarium's watch list are purchased. All coffee and tea products served come from fair-trade-certified, organic, shade-grown sources. The Center and ARAMARK, its catering contractor, have been recognized locally, nationally and internationally for their industry-leading efforts to provide customers with the "greenest" possible meetings.

Rolled Washington apple
pancakes are a popular item
on the Center's extensive menu.

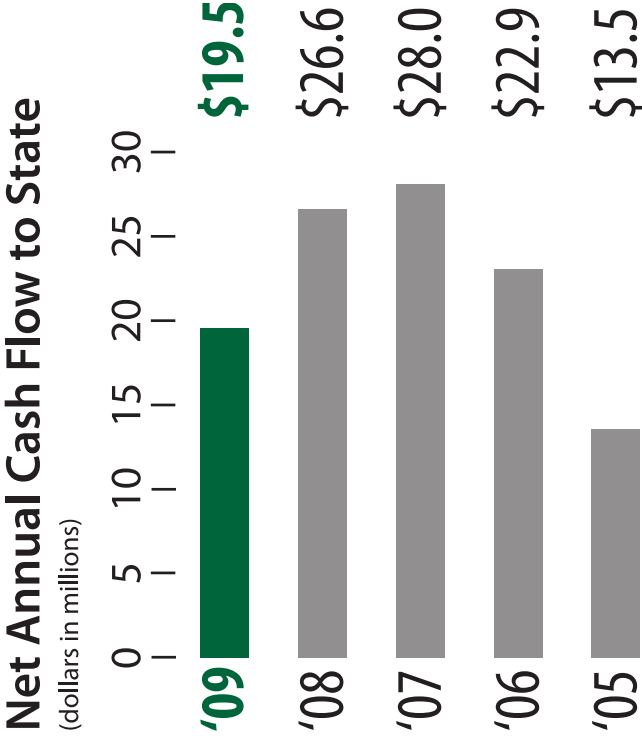


Economic Benefits

After 21 years of operation, the total cost of the Center to the citizens of our state remains \$0. The Center continues to pay dividends to residents in all areas of Washington by annually contributing a significant amount of revenue to the state's general fund and through other economic and civic benefits. In fiscal 2009, \$9.9 million was provided to the city of Seattle, King County, and a number of other regional tax-based agencies and projects from Center-related tax receipts.

The Center continues to be a major contributor to the economic well-being of the state. The significant spending by thousands of delegates who come to Washington to attend meetings and conventions provides hundreds of millions of dollars in direct economic impact each year. Hundreds of people are employed by the Center and its in-house contractors, and thousands more work in the hotels, restaurants, retail stores and travel-related businesses that serve the convention and visitor industries. Additional living-wage jobs are also created for the people who supply these businesses.

Several first-class hotels within walking distance of the Center have either opened or expanded recently in response to the lodging needs of an ever-increasing number of out-of-town guests attracted to the region and the Center.





Using locally grown produce helps the Center provide guests with the freshest products, reduce its carbon footprint and support Washington farmers like Jody Bouchey of Wapato.

Giving Back to Our Stakeholders

Adding economic vitality to the state is not the only role of the Center. The Legislature has directed that the Center provide civic benefits for the people of Washington. This important mandate is fulfilled in many ways, but primarily through extending opportunities in the hiring of employees and suppliers, as well as offering numerous outreach activities for convention guests and our stakeholders.

Another area where the Center has had a leadership role is in energy conservation and recycling. Resources have been invested into making the facility more "green."

Since December 2007, the Center has contracted with Cedar Grove Composting to haul away all of its food scraps and food-soiled paper, as well as landscape trimmings. This composting program not only keeps tons of waste out of a landfill, but is also uniquely completed by the purchase of clean compost from Cedar Grove for use in the Center's three acres of indoor and outdoor gardens. Recycling has been a standard procedure at the Center since the facility first opened.

Water usage is substantially reduced with the recent conversion of all 188 of the Center's rest room fixtures from standard to low-flow models. Automatic, touchless faucets have been installed in all rest rooms to conserve resources.

The entire contents and packaging of the Center's box lunches are now 100 percent compostable. Since the introduction of this new packaging in November 2008, customers have ordered more than 60,000 box lunches. In addition, all disposable food service items provided to customers by the catering department are now compostable. This includes plates made of sustainable bamboo, wax-free coffee cups, cutlery made from a corn-based resin, and a completely compostable water bottle. The entire water bottle (including the cap and label) will compost in 90 days or decompose in six months in a landfill—compared to some 5,000 years for a conventional petroleum-based bottle. Since their introduction, the Center has ordered more than 156,000 of these bottles—a huge, positive step in reducing waste.

The Center's art collection remains a popular attraction for convention attendees as well as the general public. More than 100 works of art are on public display daily throughout the facility, and several rotating art shows are also presented annually in partnership with area arts organizations. From October 2008 to March 2009, the Center produced *Only in Washington*, a juried exhibition of fine art photography that showcased the beauty and diversity of the state of Washington. Also on display in fiscal 2009 were exhibitions presented by the Colored Pencil Society, the World Health Organization and the City of Seattle's Arts and Cultural Affairs department.



The packaging and contents of your box lunch are 100% compostable

Please discard in receptacles marked "COMPOST" when finished

The Center continues to be an industry leader in green meetings by being the first meeting facility to provide 100 percent compostable packaging for its boxed lunches and water bottles.

Board of Directors



FROM LEFT TO RIGHT:

Karen Wong

Rick S. Bender (standing)

J. Terry McLaughlin

Deryl Brown-Archie
Vice Chair

Frank K. Finneran
Chairman and Chief Executive Officer

Susana Gonzalez-Murillo

Jerome L. Hillis

Harry G. Sladich

Robert J. Flowers
Treasurer

Executive Staff



GAO Materials, Page 63

FROM LEFT TO RIGHT:

Krista Daniel
Director of Event Services

John Christison
President and
Chief Operating Officer

Ron Yorita
Director of Operations

Ed Barnes
Vice President of Operations

Chip Firth
Director of Finance
and Administration and
Chief Financial Officer

Linda Willanger
Vice President of Administration
and Assistant General Manager

Michael McQuade
Director of Sales
and Marketing

A comprehensive set of financial statements for the 2009 annual report is available online at the Washington State Convention Center's website at www.wscce.com. To request a printed copy of the financial statements, please contact WSCC Public Relations at 206.694.5000.

CREDITS

Photography | Cover: William P. Wright; inside front cover: Office of the Governor; page 1: Jules Frazier; page 3: Hyatt at Olive 8, Sheraton Seattle Hotel, Steve Sanacore; page 5: LMN Architects; page 7: Armstrong Photography; page 9: Jules Frazier; page 11: Brian Baum; page 12: Benjamin Winters; inside back cover: Jules Frazier

Report Coordination and Layout | Brian Baum
Printing | Trojan Litho

Printed on FSC-certified paper made with 50% recycled content, including 25% post-consumer waste. Elemental chlorine free. Printed with 100% recyclable vegetable-based inks.





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Seattle, Washington 98101-2350
206.694.5000
www.wsccl.com

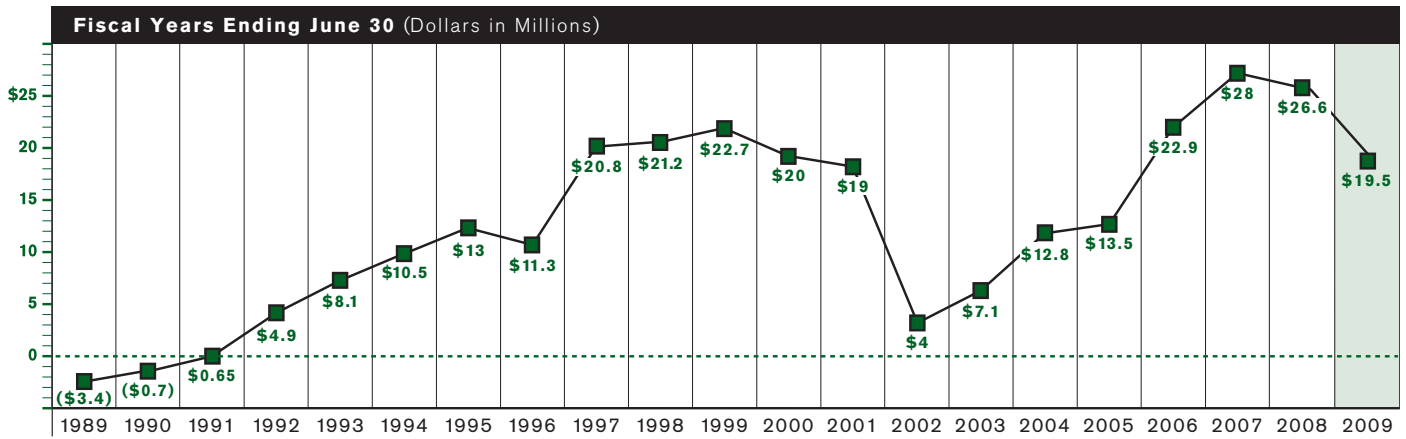
WASHINGTON STATE CONVENTION CENTER

FISCAL 2009 ANNUAL REPORT
JULY 1, 2008–JUNE 30, 2009

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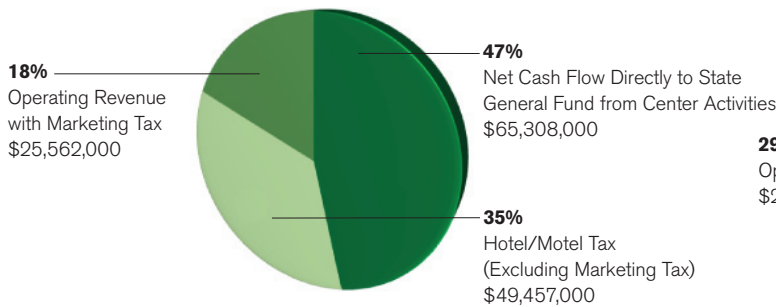
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NET ANNUAL CASH FLOW TO STATE

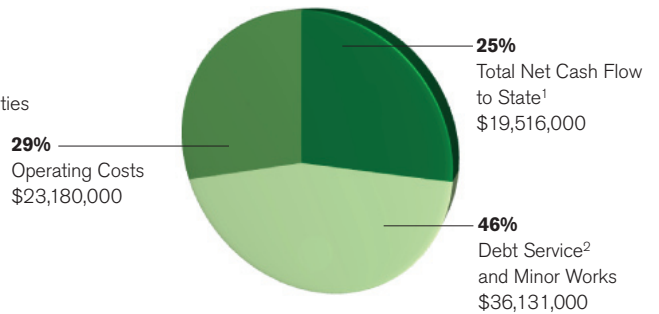


Amounts include net cash contributions to state Convention Center fund and state general fund, after deducting all operating costs and debt service payments.

SOURCES



USES



Fiscal year ended June 30, 2009

¹ Includes state general fund and state Convention Center fund.

² Includes bond principal and interest, Certificate of Participation lease payments and a legislatively-directed payment from the Convention Center account for minor works capital projects.

CONVENTION CENTER CASH FLOW SUMMARY

Fiscal Years Ending June 30 (Dollars in Thousands)

	2005	2006	2007	2008	2009
STATE CONVENTION CENTER FUNDS					
REVENUE SOURCES					
Hotel/Motel Tax ¹ (Excluding Marketing Tax and Including City Transient Tax)	\$37,081	\$42,772	\$48,364	\$53,076	\$49,457
Operating Revenue with Marketing Tax	18,765	24,232	25,665	24,989	25,562
Total Revenues	55,846	67,004	74,029	78,065	75,019
EXPENSES					
Debt Service	29,666	29,652	29,652	29,286	31,152
Minor Works ²	635	627	2,032	1,372	4,979
Operating Costs	18,092	19,847	20,994	23,193	23,180
Total Expense	48,393	50,126	52,678	53,851	59,311
Net Cash Flow to Convention Center	7,453	16,878	21,351	24,214	15,708
STATE GENERAL FUND					
Estimated Direct State Sales Tax on Delegate Spending	13,933	15,062	16,914	13,546	14,297
Cash Transfer from Convention Center	5,000 ³	5,150 ³	5,150 ³	12,500 ³	61,500 ³
Less Credit for City Transient Tax	(7,918)	(9,068)	(10,224)	(11,159)	(10,489)
Net Cash Flow to General Fund	11,015	11,144	11,840	14,887	65,308
TOTAL NET CASH FLOW TO STATE	\$13,468⁴	\$22,872⁴	\$28,041⁴	\$26,601⁴	\$19,516⁴

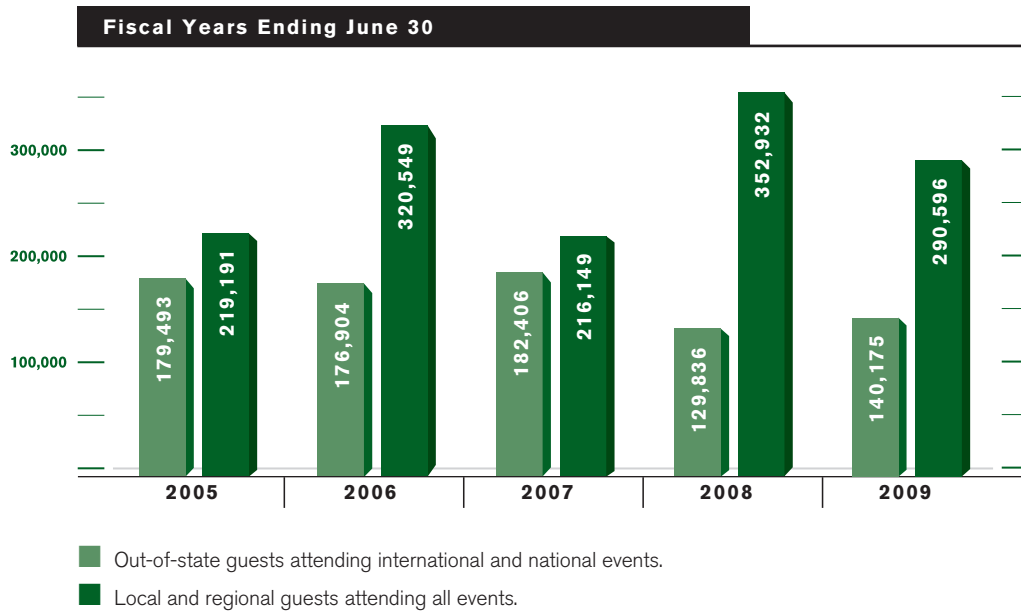
¹ A hotel/motel excise tax authorized by the state Legislature is imposed on room rates charged for lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payments for Center debt service, Certificate of Participation lease payments and for marketing expenses incurred by Seattle's Convention and Visitors Bureau.

² Minor works is appropriated by the Legislature for specific long-lived capital expenditures (e.g. roof replacement, energy-efficient lighting fixtures and freeway fire protection system).

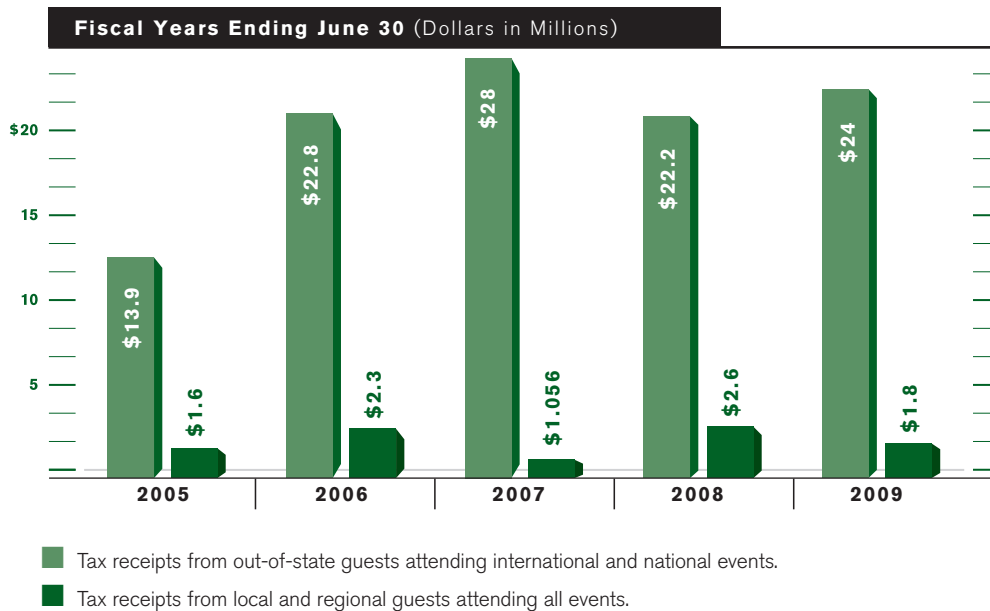
³ Cash transfer of \$5 million in March 2005, and \$5.15 million in March 2006 and March 2007, to the state general fund as approved by the Legislature. In 2008, the Legislature transferred from the Center \$4.5 million to the Tourism Commission and \$8 million to the Washington Housing Trust account. These funds are appropriated from existing balances in the Center's capital fund. As a result, this cash transfer increases the net cash flow to the state general fund, but does not impact total net cash flow to the state for the fiscal year. \$52 million was transferred from the Center capital fund (O1V) and \$5 million from the Center operating fund (537) to the state general fund in June 2009. In addition, \$4.5 million was transferred to the Tourism Commission in fiscal year 2009.

⁴ Net cash flow to the state includes net funds minus expenditures generated by the Center and the state of Washington portion of sales tax generated from delegate spending.

EVENT ATTENDANCE



ESTIMATED STATE SALES TAX RECEIPTS FROM DELEGATE SPENDING



CASH FLOW TO LOCAL INSTITUTIONS
IMPACT OF THE CONVENTION CENTER (FORECAST)

King County (1989–2020)	\$ 102,960,108
City of Seattle (1989–2020)	72,271,344
Seattle School District (1989–2020)	14,786,604
Regional Transit Authority (1997–2020)	32,417,473
Arts and Culture Organizations (1997–2012)	9,170,747
Other Property Tax Uses (2001–2020)	11,779,643
TOTAL	\$243,385,919

IMPACT OF CONVENTION CENTER ON KING COUNTY TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹	
	1989–2009	2010–14	2015–20
GENERAL COUNTY SALES TAX (0.15%)			
Construction - Original (\$114 million)	\$ 171,000		
Construction - Expansion (\$185.3 million)	277,950		
Retail Sales - Delegates	3,833,624	\$ 1,357,025	\$ 1,816,135
Hotel Rooms - Delegates	1,863,693	569,472	762,136
KINGDOME TAX (2% on lodging)²	18,726,573	3,617,218	4,840,998
METRO TRANSIT SALES TAX (0.6% on lodging and 0.9% on other spending)³	19,628,693	10,420,037	13,945,352
CRIMINAL JUSTICE SALES TAX (0.1%)⁴	10,338,775	1,362,932	2,030,695
MENTAL HEALTH TAX (0.1%)⁵	215,413	904,683	1,210,756
PROPERTY TAX (Expansion and Eagles - \$1.09772 per \$1,000)⁶	2,033,838	1,297,132	1,735,978
KING COUNTY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS	\$ 57,089,559	\$19,528,499	\$ 26,342,050
ESTIMATED CUMULATIVE TAX RECEIPTS TO KING COUNTY, FISCAL 1989–2020			\$102,960,108

¹ 2010-2020 forecasts adjusted for expansion and 2 percent annual inflation.

² Less the 70 percent used for the Arts and Culture Program.

³ 2009 Combined Metro Transit Sales Tax equal to 0.6 percent on lodging and 0.9 percent on other spending. Regional Transit Authority (Sound Transit) tax receipts are calculated on page 9, Impact of Convention Center on Regional Transit Authority.

⁴ 2008 Criminal Justice Sales Tax decreased from 0.3 percent to 0.1 percent.

⁵ The Mental Health Tax does not apply to delegate spending on lodging due to rate limit in RCW 82.14.410.

⁶ ACT Theater receives an exemption as a non-profit performance facility. Eagles Apartments received a historic preservation tax exemption through 2007.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

EXCERPT FROM KINGDOME HOTEL TAX LEGISLATION

RCW 67.28.180, AS LAST AMENDED IN 1997

“(3)(a) Taxes collected under this section in any calendar year before 2013 in excess of five million three hundred thousand dollars shall only be used as follows: (i) Seventy-five percent from January 1, 1992, through December 31, 2000, and seventy percent from January 1, 2001, through December 31, 2012, for art museums, cultural museums, heritage museums, the arts, and the performing arts. Moneys spent under this subsection (3)(a)(i) shall be used for the purposes of this subsection (3)(a)(i) in all parts of the county. (e) At least forty percent of the revenues distributed pursuant to (a)(i) of this subsection for the period January 1, 2001, through December 31, 2012, shall be deposited in an account and shall be used to establish an endowment. Principal in the account shall remain permanent and irreducible. The earnings from investments of balances in the account may only be used for the purposes of (a)(i) of this subsection.”

IMPACT OF CONVENTION CENTER ON CITY OF SEATTLE TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹	
	1989–2009	2010–14	2015–20
GENERAL SALES TAX (0.85%)			
Construction - Original (\$114 million)	\$ 969,000		
Construction - Expansion (\$185.3 million)	1,575,050		
Retail Sales - Delegate Spending	32,274,062	\$ 10,916,815	\$ 14,610,201
PROPERTY TAX (\$2.58127 per \$1,000)²			
Grand Hyatt Hotel (\$133.3 million)	2,927,257	1,826,815	2,444,865
One Convention Place Office Tower (\$104.4 million)	2,362,680	1,431,510	1,915,820
Less Taxes Paid on Previous Property Values	(508,711)	(240,595)	(321,993)
Eagles Building ³	12,683	32,453	43,432
CITY OF SEATTLE TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS			
	\$ 39,612,021	\$ 13,966,998	\$ 18,692,325
ESTIMATED CUMULATIVE TAX RECEIPTS TO CITY OF SEATTLE, FISCAL 1989–2020			\$ 72,271,344

¹ 2010-2020 forecast adjusted for expansion and 2 percent annual inflation.

² 2009 property tax rates decreased from \$2.77365 to \$2.58127.

³ ACT Theater receives an exemption as a non-profit performance facility. Eagles Apartments received a historic preservation tax exemption through 2007.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON SEATTLE SCHOOL DISTRICT TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹	
	1989–2009	2010–14	2015–20
PROPERTY TAX (\$1.71741 per \$1,000)			
Grand Hyatt Hotel (\$133.3 million)	\$2,033,823	\$1,215,445	\$ 1,626,655
One Convention Place Office Tower (\$104.4 million)	1,644,290	952,434	1,274,663
Less Taxes Paid on Previous Property Values	(357,417)	(160,076)	(214,234)
Eagles Building (\$2.3 million) ²	8,558	21,591	28,897
STATE GENERAL FUND SUPPORT FOR SEATTLE SCHOOLS³			
Sales Tax: Delegate Hotel and Retail Spending	3,418,462	1,273,713	1,704,637
Sales Tax: Construction	315,163	0	0
SEATTLE SCHOOL DISTRICT TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS			
	\$7,062,879	\$3,303,107	\$ 4,420,618
ESTIMATED CUMULATIVE TAX RECEIPTS TO THE SEATTLE SCHOOL DISTRICT, FISCAL 1989–2020			\$ 14,786,604

¹ 2010-2020 forecast adjusted for expansion and 2 percent annual inflation.

² ACT Theater receives an exemption as a non-profit performance facility. Eagles Apartments received a historic preservation tax exemption through 2007.

³ Approximately 1.865 percent of the state's general fund is used to support Seattle schools.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON REGIONAL TRANSIT AUTHORITY TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹	
	1997–2009	2010–14	2015–20
SALES TAX (0.4% - 0.9%)²			
Expansion Construction (\$185.3 million)	\$ 741,200		
Delegate Spending	11,263,102	\$ 8,729,842	\$ 11,683,329
REGIONAL TRANSIT AUTHORITY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS	\$ 12,004,302	\$ 8,729,842	\$ 11,683,329
ESTIMATED CUMULATIVE TAX RECEIPTS TO THE REGIONAL TRANSIT AUTHORITY, FISCAL 1997–2020			\$ 32,417,473

¹ 2010-2020 forecast adjusted for expansion and 2 percent annual inflation.

² Effective April 1, 2009, and additional 0.5 percent was added to the RTA tax bringing the total amount to 0.9 percent. However due to rate limit in RCW 82.14.410 the increase does not apply to delegate spending on lodging.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON ARTS AND CULTURE ORGANIZATIONS TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹	
	1997–2009 ²	2010–12	TOTAL
To Arts and Culture Organizations ^{3,4}	\$4,542,886	\$1,421,247	\$5,964,133
To Arts and Culture Endowment ⁵	2,259,116	947,498	3,206,614

CUMULATIVE TAX RECEIPTS APPLIED BY KING COUNTY TO ARTS AND CULTURE ORGANIZATIONS ⁶ **\$9,170,747**

¹ Forecasts adjusted for expansion, 2 percent annual inflation, and run until 2012 when the present statutory allocation ends.

² Revenues accrued prior to 1997 are not included in this table.

³ 75 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 1992–2000 per RCW 67.28.180 (3)(a)(i).

⁴ 70 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 2001–2012 per RCW 67.28.180 (3)(a)(i), less 40 percent used to establish the arts and culture endowment.

⁵ 40 percent of amounts distributed to arts and cultural organizations from 2001–2012 per RCW 67.28.180 (3)(e).

⁶ Amounts based on projected lodging expenditures by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON OTHER PROPERTY TAX USES

FISCAL YEARS	ACTUAL	FORECAST ¹	
	2001–2009 ²	2010–14	2015–20
State School Fund (\$1.96268 per \$1,000)	\$3,891,068	\$2,319,220	\$ 3,103,861
Port of Seattle (\$0.19700 per \$1,000)	335,980	232,787	311,544
Ferry Levy (\$0.05018 per \$1,000)	22,519	59,296	79,357
Flood Levy – King County (\$0.09123 per \$1,000)	40,942	107,803	144,275
Emergency Medical Services – EMS (\$0.27404 per \$1,000)	373,792	323,822	433,377
ESTIMATED CUMULATIVE TAX RECEIPTS FOR OTHER PROPERTY TAX USES, FISCAL 2001–2020			\$11,779,643

¹ 2010-2020 forecast adjusted for expansion and 2 percent annual inflation.

² State School Fund, Port of Seattle and Emergency Medical Services taxes from 2001. Ferry and Flood Levies were added in 2008.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

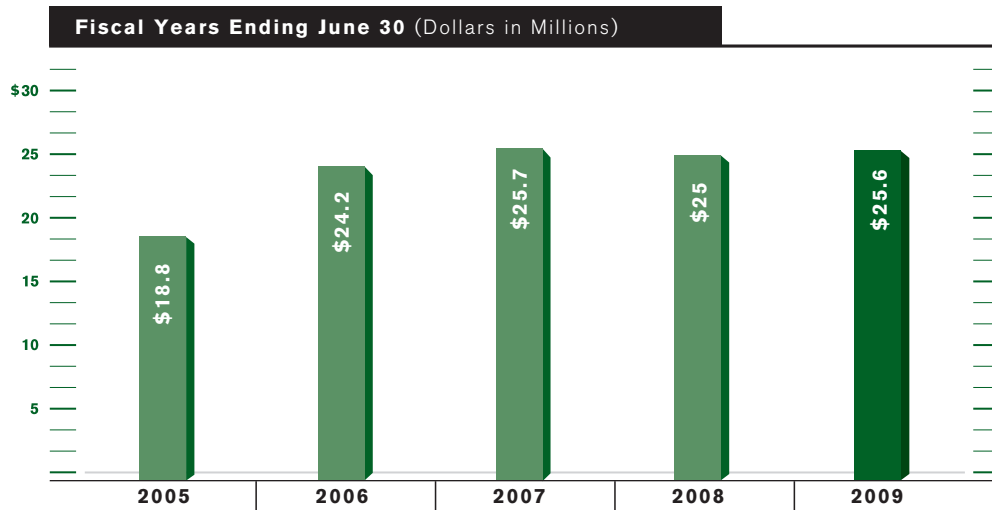
OPERATING FUND (537) REPORT

Fiscal year ended June 30, 2009

CATEGORY	2009 BUDGET	ACTUAL	VARIANCE
REVENUE			
Building Rent	\$ 4,100,000	\$ 4,679,695	\$ 579,695
Food Service	7,000,000	6,330,702	(669,298)
Parking	3,550,000	3,711,238	161,238
Facility Services	1,850,000	2,414,867	564,867
Retail	652,673	630,362	(22,311)
Marketing Hotel/Motel Tax	8,806,126	7,795,541	(1,010,585)
TOTAL	\$25,958,799	\$25,562,405	\$ (396,394)
EXPENDITURE¹			
Salaries	\$ 7,556,443	\$ 7,362,337	\$ (194,106)
Benefits	4,110,791	3,547,317	(563,474)
Marketing (SCVB only)	7,573,268	6,704,159	(869,109)
Professional Services	97,000	199,478	102,478
Goods and Services	4,334,280	3,496,199	(838,081)
Utilities	2,287,017	1,870,474	(416,543)
TOTAL	\$25,958,799	\$23,179,964	\$ (2,778,835)
NET INCOME	\$ 0	\$ 2,382,441	\$ 2,382,441

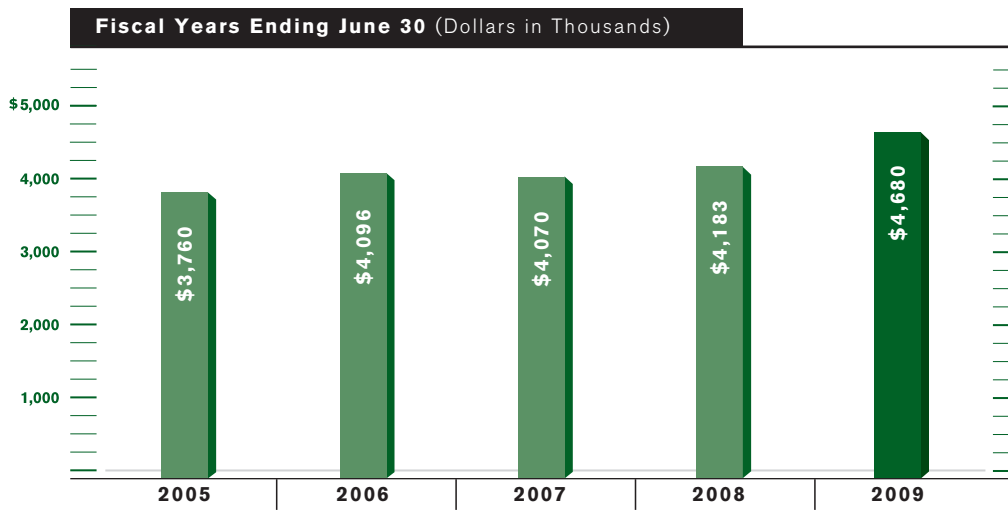
¹ Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues paid to SCVB for their services are reflected in the expenditure item. Expenditures by Center sales staff are included in various items such as Salaries, Benefits, Professional Services and Goods and Services.

OPERATING REVENUES
TOTAL OPERATING REVENUE

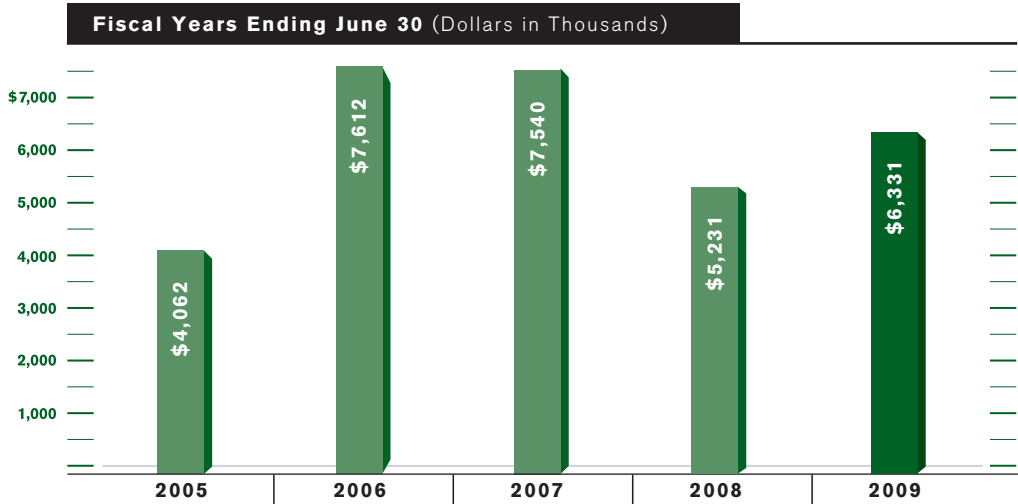


This statutory definition of operating revenue includes income from all Convention Center departments plus the 1 percent hotel tax for marketing, but excludes other hotel taxes received by the Center and direct sales taxes paid by delegates.

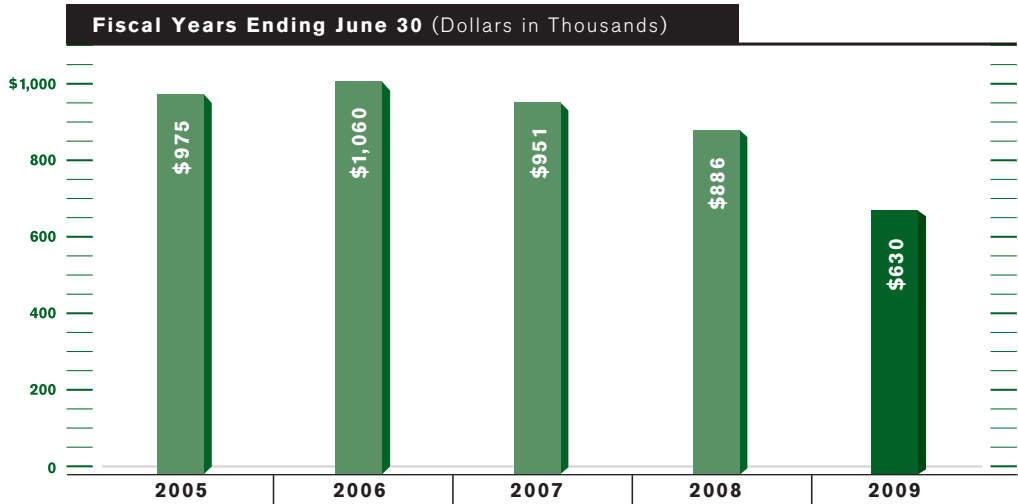
BUILDING RENT REVENUE



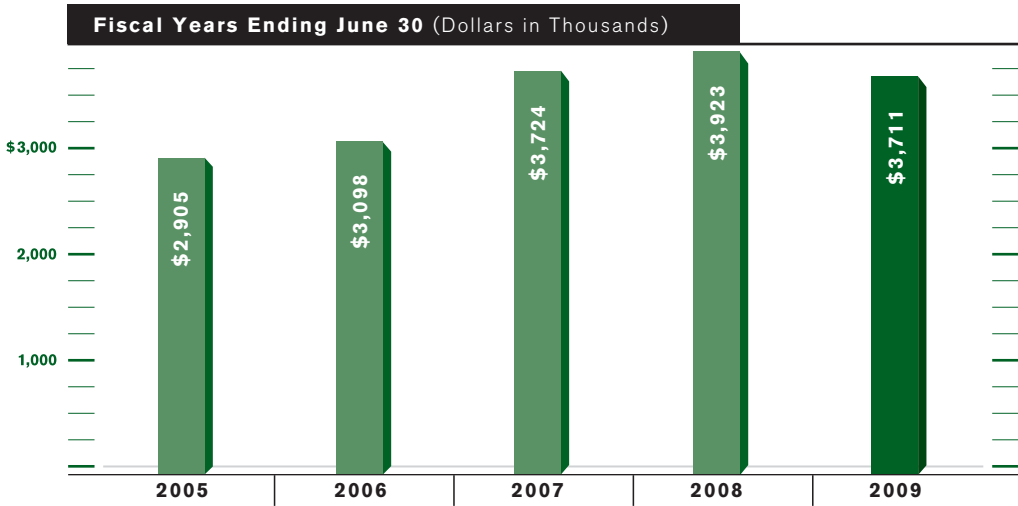
FOOD SERVICE REVENUE (NET)



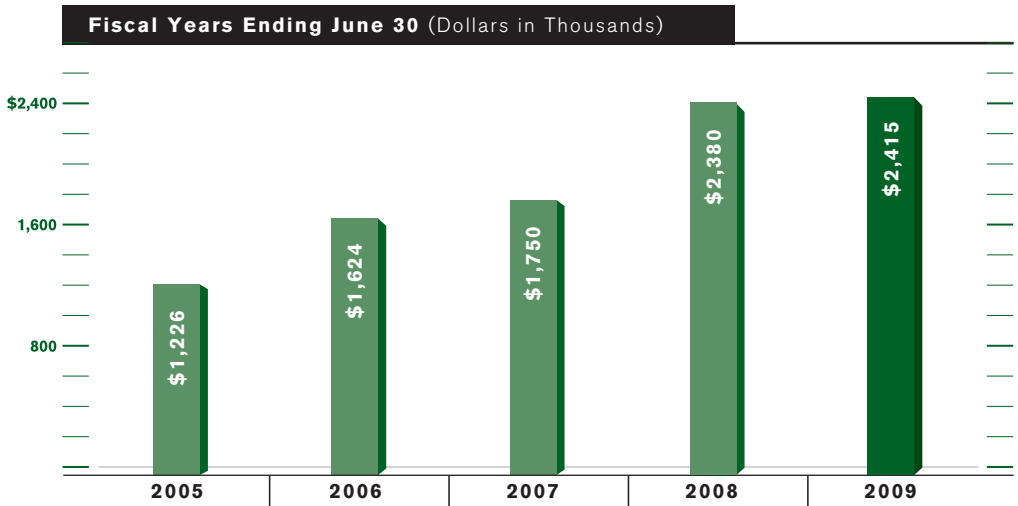
RETAIL RENT REVENUE



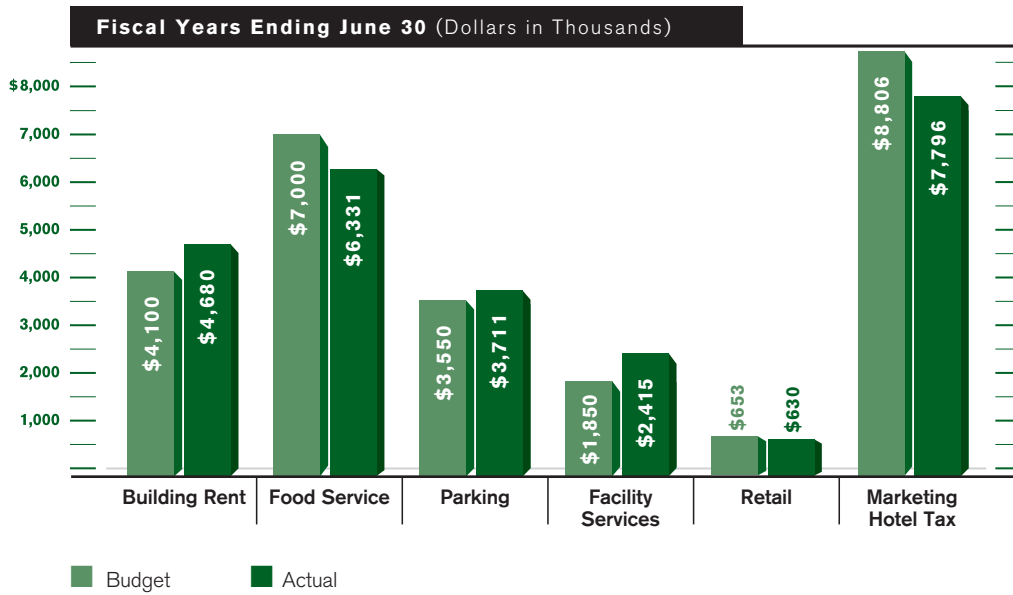
PARKING REVENUE



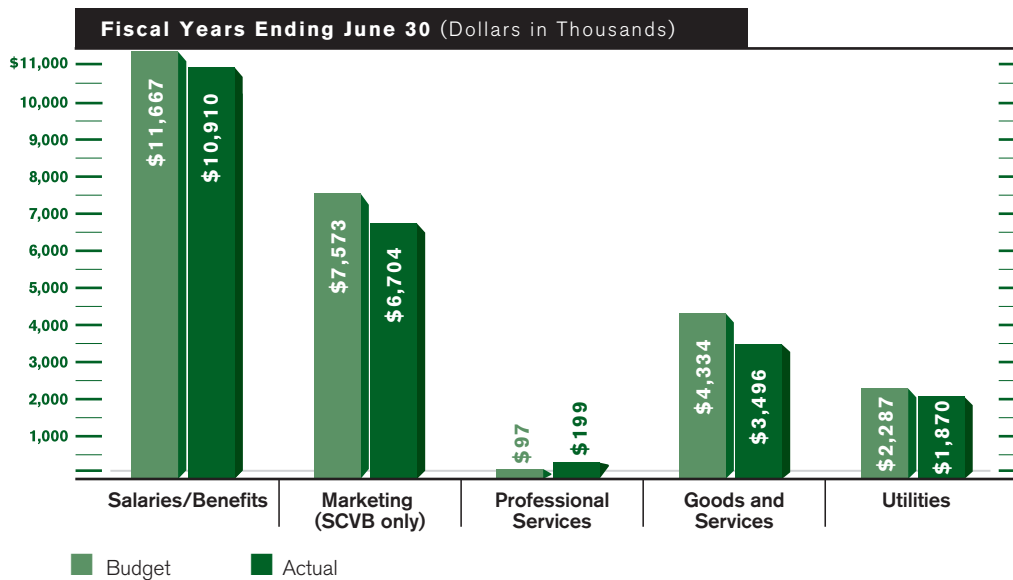
FACILITY SERVICES REVENUE



ANNUAL OPERATING REVENUES - BUDGET VS ACTUAL



ANNUAL OPERATING EXPENDITURES¹ - BUDGET VS ACTUAL



¹ Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues are reflected in the Marketing expenditure item. Expenditures by Center sales staff are included in various items such as Salaries/Benefits, Professional Services and Goods and Services.

FISCAL BUDGET NOTE: The Convention Center operates within an overall biennial budget as approved by the state Legislature and a detailed annual budget approved by the board of directors.

INCOME STATEMENT

Fiscal Year Ended June 30, 2009

BUDGET TO ACTUAL AS OF JUNE 30, 2009	BUDGET	2009	2008
TOTAL OPERATING INCOME	\$ 17,152,673	\$ 17,766,864	\$ 16,601,694
NON-OPERATING INCOME			
Hotel / Motel Tax	47,034,082	46,763,890	50,304,645
Transient Rental Tax	10,337,114	10,488,752	11,158,690
Total Hotel Room Tax	57,371,196	57,252,642	61,463,335
Contribution of Capital	0	0	0
Total Non-Operating Income	57,371,196	57,252,642	61,463,335
Total Income	74,523,869	75,019,506	78,065,029
OPERATING EXPENSES			
Personnel Costs	11,667,234	10,909,654	10,514,986
Marketing (SCVB only)	7,573,268	6,704,159	6,935,238
Professional Services	97,000	199,478	28,845
Non-Capital Equipment	45,000	44,086	64,661
Goods and Services	6,569,297	5,316,259	6,749,100
Travel	7,000	6,328	26,371
Total Operating Expenses	25,958,799	23,179,964	24,319,201
NON-OPERATING EXPENSES			
Interest Expense	0	0	0
Depreciation Expense	8,200,000	8,226,864	8,320,690
Total Non-Operating Expenses	8,200,000	8,226,864	8,320,690
BOND INTEREST EXPENSE	16,200,000	16,138,562	12,810,418
TOTAL EXPENSES	50,358,799	47,545,390	45,450,309
NET INCOME	\$ 24,165,070	\$ 27,474,116	\$ 32,614,720

COMPARATIVE BALANCE SHEET

Fiscal Year Ended June 30, 2009

ASSETS AS OF JUNE 30, 2009	2009	2008
CURRENT ASSETS		
Petty Cash	\$ 46,100	\$ 46,100
Cash and Cash Equivalents	35,203,938	79,473,116
Total Cash and Cash Equivalents	35,250,038	79,519,216
Accounts Receivable	32,331,604	4,253,659
Other Current Assets	1,441,816	1,573,832
Total Current Assets	69,023,458	85,346,707
PROPERTY, PLANT AND EQUIPMENT		
Land	77,355,416	77,355,416
Furnishings and Equipment	22,878,310	18,154,424
Less Accumulated Depreciation	(6,338,213)	(5,807,688)
Net Furnishings and Equipment	16,540,097	12,346,736
Building	379,328,224	379,328,224
Less Accumulated Depreciation	(102,550,505)	(94,964,091)
Net Building	276,777,719	284,364,133
Construction in Progress	28,530,123	20,995,000
TOTAL ASSETS	\$468,226,813	\$480,407,992
LIABILITIES AND RETAINED EARNINGS AS OF JUNE 30, 2009		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,594,875	\$ 1,328,724
Interest Payable	256,786	318,503
Other Accrued Expenses	21,739,483	19,621,086
Operating Deposits Payable	2,493,887	5,063,597
Total Current Liabilities	26,085,031	26,331,910
LONG-TERM LIABILITIES		
General Obligation Bonds	10,400,000	12,789,867
Zero Coupon Bonds	27,382,687	29,259,390
Other Long-Term Liabilities	216,907,315	191,572,509
Deferred Refunding Gain	141,603	176,987
Total Long-Term Liabilities	254,831,605	233,798,753
Total Liabilities	280,916,636	260,130,663
RETAINED EARNINGS		
Retained Earnings, Prior	221,336,060	200,162,609
Retained Earnings, Contributions Tourism	(4,500,000)	(4,500,000)
Retained Earnings, Contributed Funds	(57,000,000)	(8,000,000)
Retained Earnings, Current	27,474,117	32,614,720
Total Retained Earnings	187,310,177	220,277,329
TOTAL LIABILITIES AND RETAINED EARNINGS	\$468,226,813	\$480,407,992

SOURCES AND USES OF FUNDS

Fiscal Year Ended June 30, 2009

	OPERATIONS	CAPITAL
BEGINNING CASH BALANCE JULY 1, 2008	\$ 16,905,813	\$ 62,567,303
Fund Revenue	2,382,441	49,457,101
BALANCE SHEET ITEMS AFFECTING CASH AND NET INCOME		
Other Assets	2,465,247	(30,411,174)
Land	0	0
Buildings	0	0
Improvements	0	(4,659,180)
Furnishings and Equipment	(64,708)	0
Construction In-Process	0	(7,535,122)
Accounts Payable	259,401	6,750
Other Short-Term Liabilities	24,477	2,093,920
Operating Deposits Payable	(2,569,710)	0
Long-Term Liabilities	(18,826)	3,722,158
Bonds Payable	0	(4,266,570)
Deferred Refunding	0	(35,385)
Expansion Financing	0	21,612,649
Funds Transferred to Other Agencies	(5,000,000)	(56,500,000)
Retained Earnings Prior Year	9,541	1,049,190
Bond Debt Interest	0	(16,291,377)
Total	(4,894,578)	(91,214,141)
NET DECREASE IN CASH	(2,512,137)	(41,757,040)
CASH BALANCE AS OF JUNE 30, 2009	\$ 14,393,676	\$ 20,810,263

NOTES TO FINANCIAL STATEMENTS

**NOTE 1:
DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES**

These financial statements reflect a summary of transactions affecting the combined convention center capital fund and convention center operating fund for the capital development and operation of the Washington State Convention Center (Center).

Legislation enacted in 1982 authorized the formation of a public nonprofit corporation, an instrumentality of the state, to construct and operate a convention and trade center in the city of Seattle.

An excise tax is imposed on room rates charged by lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payment for debt service and for marketing expenses. The current rates are 7 percent within Seattle and 2.8 percent for the balance of King County.

As of January 1, 2000, 2 percent of the existing state sales tax on such larger lodgings of 60 units or more inside the Seattle city limits is being collected on behalf of the Center to pay for debt service of the expansion project. This transient lodging tax will remain in effect until 2020, when the Center debt is eliminated.

The Office of the State Treasurer acts on behalf of the Center in all activities involving management of cash and investments, including debt service on outstanding bonds.

The Center received private contributions for promotional hosting. These amounts are deposited in the Center's hosting account, under control of the board of directors, and are not included in these statements.

The Center has been designated as an enterprise fund. Such state funds are used to account for operations financed and operated in a manner similar to private business. As an enterprise fund, the Center uses the accrual method of accounting, recognizes fixed assets and prepares a balance sheet and income statement. To accomplish this accounting task, the Center utilizes an internal accounting system from which these statements are produced. This is in addition to the state-mandated accounting and payroll systems. The state auditor does not render an opinion on the results of operations reflected in our independent financial statements. The auditor does, however, audit the Center in conjunction with all other state agencies and renders an opinion, under separate cover, based on the operation as reflected in the state accounting system.

Depreciation is recorded using the straight-line method, as prescribed by the state Office of Financial Management (OFM), employing the following standards for useful lives:

Asset	Useful Life
Building and Improvements	600 months
Air Conditioning Equipment	156 months
Vehicular Equipment	120 months
Furniture and Fixtures	120 months
Communications Equipment	84 months
Data Processing Equipment	72 months
Vehicles, All Other Equipment	60 months

Depreciation is based on the capitalized building amount of \$379 million for fiscal 2009.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR FISCAL 2009

	Fiscal 2008	Additions	Deletions	Fiscal 2009
Furnishings and Equipment	\$18,154,424	\$4,841,518	\$117,632	\$22,878,310

NOTE 2: CASH AND INVESTMENTS

The Office of the State Treasurer manages Center cash and investments. Interest earned on cash in Center funds remains under the jurisdiction of the state treasurer. Interest earnings, estimated to be over \$2.5 million in fiscal 2009, are neither credited to the Convention Center funds nor available to expend.

NOTE 3: TENANT LEASING AGREEMENTS

The Center leases building space to various retail tenants. A total of 18 retail leases provided revenue of \$618,207 in fiscal 2009. Original lease contract terms will expire within one to three fiscal years for many of the retail tenants. It is not known if options to extend terms will be exercised. Based on 16 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

2010	621,315
2011	627,528
2012	633,803
2013	640,145
TOTAL	\$2,522,791

NOTE 4: REFUNDED LONG-TERM DEBT

To date, the following Center debt has been defeased through the issuance of the following advance refunding bonds:

Proprietary Bond Type	Bond Issue Refunded	Amount Refunded	Refunding Bond Debt	Refunded Debt Outstanding
G.O.	AT-6	\$ 910,000	\$ 950,000	\$ 915,000
G.O.	R-89C-AT-1	70,770,000	78,375,000	0
Zero-Coupon	AT-5	15,346,428	25,026,467	25,026,467
G.O.	R-90A, AT-3	4,910,000	4,935,000	0
G.O.	R-92A	19,565,000	19,030,000	10,720,000
G.O.	AT-6	1,075,000	1,080,000	0
G.O.	R-92C	6,255,000	6,195,000	0
G.O.	AT-8	1,795,000	1,850,000	1,335,000
TOTAL		\$120,626,428	\$137,441,467	\$37,996,467

NOTE 5: LONG-TERM DEBT AUTHORIZATION

The Center's long-term debt outstanding at June 30, 2009 consisted of the following:

Long-Term Debt Issue	Interest Rates (Percent)	Maturity Dates	Original Principal Balances	Balance Outstanding as of FYE 2008
AT-8	4.8-7.0	7/96-7/15	\$2,835,000	\$ 0
AT-6	3.75-6.375	9/93-9/11	5,520,000	795,000
AT-5	6.55-7.1	8/97-8/12	21,343,610	3,257,790
R-98A (AT-6 Refunding)	4.25-5.0	1/98-7/12	970,000	915,000
R-93A (R-89C and AT-1 Refunding)	3.5-5.75	9/93-9/07	78,375,000	0
R-97A (AT-5 Refunding)	5.825-5.875	7/15-7/19	25,026,467	25,026,467
R-2000A (R-90A and AT-3 Refunding)	4.625-5.5	1/00-1/08	4,935,000	0
R-2001A (R-92A)	4.5-9.0	9/01-9/12	19,030,000	10,720,000
R-2002A (AT-6 Refunding)	3.0-5.0	9/02-9/05	1,080,000	0
R-2002A (R-92C Refunding)	3.0-5.0	9/02-9/06	6,195,000	0
R-2004A (AT-8 Refunding)	2.0-5.0	1/04-7/15	1,850,000	1,335,000
TOTAL				\$42,049,257

Certificates of Participation	4.125-5.625	7/02-6/23	\$248,675,385	\$ 195,328,717
Accreted Interest, 0-Coupon Bonds	n/a	n/a	n/a	38,050,949
TOTAL				\$ 233,379,666

Long-term debt service requirements, payable by the Center, for the next five fiscal years and to maturity are as follows:

	Principal	Interest	Total
2010	\$ 20,738,921	\$ 12,697,500	\$ 33,436,421
2011	21,615,782	11,807,443	33,423,225
2012	22,500,512	10,857,001	33,357,513
2013	23,416,291	9,873,679	33,289,970
2014	27,965,000	6,177,509	34,142,509
Thereafter	121,141,468	77,577,228	198,718,696
TOTAL	\$237,377,974	\$128,990,360	\$366,368,334

NOTE 6: LEASE COMMITMENTS

In February 1997, the Center entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, the Center paid debt service on the \$1.3 million of city bonds outstanding at the time, with the final debt service payment made in June 2002. In accordance with the lease agreement, funds for a capital reserve account not to exceed \$500,000 with annual maximum payments of \$20,000 was set up, with the Center is responsible for all repairs and maintenance. The capital reserve account payment for fiscal 2009 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

2010	\$20,000
2011	20,000
2012	20,000
2013	20,000
TOTAL	\$80,000

NOTE 7: RISK MANAGEMENT

As a state agency, the Center is self-insured through a state risk management pool. This pool's actuarial base is independently calculated from the state's experience rates and permanent assets. The state, as required by GASB10, defines its actuarial methods and calculations in the state CAFR for all agencies and does not provide this information by agency. The Center has first dollar coverage up to a maximum of \$5 million for general liability and \$2 million for vehicle liability. The Center also purchases insurance policies outside the risk management pool to provide coverage for art collections, an umbrella policy for liability coverage above \$5 million, and liability coverage for the board of directors.

NOTE 8: EMPLOYEE PENSION PLANS

In December 1985, the board of directors adopted an Employee Pension Plan. This plan is offered to employees not covered under the Washington State Department of Retirement Systems Plan or the Convention Center Labor Council Agreement. Effective participation began with the August 10, 1986 payroll and has two elements:

1. A Convention Center basic contribution of 5 percent based on compensation; and
2. A 401(k) plan, permitting employees to defer up to 12 percent of their salary, with a 50 percent match by the Center of up to 6 percent of salary.

3. The Center's board of directors authorized a 457 deferred plan in 2008. This 457 plan does not require the Center to provide a basic contribution for its employees. The plan is open to all non-Convention Center Labor Council employees.

The Center's contributions to the plan amounted to approximately \$203,834 for fiscal 2009. Plan assets at June 30, 2009 totaled \$4.31 million.

Pension plans within the Convention Center Labor Council Agreement vary with each member union. Contributions are made in accordance with negotiated labor contracts and generally are based on the number of actual or compensated hours worked, depending on job classification. The Center's contributions to the various plans for the benefit of represented staff amounted to approximately \$621,004 for fiscal 2009.

NOTE 9: COMMITMENTS

In fiscal 2003, the state legislature transferred \$5 million for the state's general fund in each of fiscal years 2004 and 2005, which was paid out of the Center's capital fund (O1V). In addition, the 2005 state legislature transferred \$5.15 million to the state's general fund for fiscal years 2006 and 2007, which was paid out of Center's capital fund (O1V).

In 2007, the state Legislature passed bill 1276 to create the Washington Tourism Commission. To fund this commission, \$4.5 million annually will be transferred from the Center's capital fund O1V. However, before funds can be transferred, adequate cash reserves must be met; including funds for existing debt service, debt service for acquisition, design and \$6,150,000 per year for annual maintenance and facility enhancement. This amount will increase by 9 percent annually. In each of fiscal years 2008 and 2009, \$4.5 million was transferred to the Washington Tourism Commission.

In fiscal 2008, it was mandated by legislation that \$8 million be transferred to the Washington Housing Trust account from the Center's capital fund (O1V). This transfer occurred in April 2008. In addition, this legislation transferred \$52 million from the Center's capital fund (O1V) and \$5 million from the Center's operating fund (537) to the state's general fund in June 2009.

In fiscal 2007, the state Legislature authorized the purchase of the Museum of History and Industry (MOHAI) property and renovation for \$58 million, plus financing costs, to be financed with COPs. The MOHAI property is located within the existing footprint of the Center on 8th Avenue and Pike Street. This acquisition, to be known as The Conference Center, will add a total of 138,610 square feet, including 71,000 square feet of meeting and exhibition space. The completion date for the renovation of The Conference Center is June 2010.



Board of Directors

The governor appoints the nine members of the Washington State Convention Center's board of directors. The board meets six times each year on a bi-monthly basis.



Frank K. Finneran
Chairman and Chief Executive Officer

Appointed to the WSCC board of directors in 1988, Finneran served as board treasurer from 1995 until becoming chairman in 2003. He is president and chief executive officer of Frank K. Finneran & Co., consultants to the hospitality industry. Finneran has over 30 years experience in hotel management, development and consulting, including serving as manager of the Olympic and Westin Hotels in Seattle, the Plaza in New York, as managing director for the developer of the 840-room Seattle Sheraton and as chief operating officer of the Space Needle Corporation. He is twice past president of the Washington State Hotel and Motel Association and a past president of the Seattle-King County Convention and Visitors Bureau. Finneran has received numerous honors for his contributions to the hotel industry and the community, including recognition as Washington's Hotelier of the Year.



Deryl Brown-Archie
Vice Chair

Brown-Archie joined the Convention Center board in 2000 and became vice chair in 2003. She is a tribal attorney for the Muckleshoot Indian Tribe, focusing on business operations. She spent several years as corporate counsel in the insurance industry and most recently served as General Counsel for KPS Health Plans in Bremerton, Washington. Her civic involvement has included the Municipal League of King County, service as past president of the Seattle Women's Commission, and Loren Miller Bar Association. Affiliations include The Links, Inc. of Greater Seattle, the Junior League of Seattle, Association of Blacks in Healthcare, Northwest Kidney Center, NAACP, Urban League, and Washington Association of Health Care Attorneys.



Robert J. Flowers
Treasurer

Flowers' 34-year career with Washington Mutual began as a loan representative and ended with his retirement as Senior Vice President of Community Lending and Investment in January 2005. Flowers is extremely active in public and community affairs on a national, regional and local basis. He currently serves as Chair of the KCTS television board and Co-Chair of the Plymouth Housing Group capital campaign. He is Chair of the African-American Heritage Foundation, past Chair of Seattle Sports Commission and has served on several other boards and committees. Before joining Washington Mutual, Flowers worked in the Seattle Mayor's



Office and for the Washington State Multi-Service Center. He also served as a captain in the Army Signal Corps.



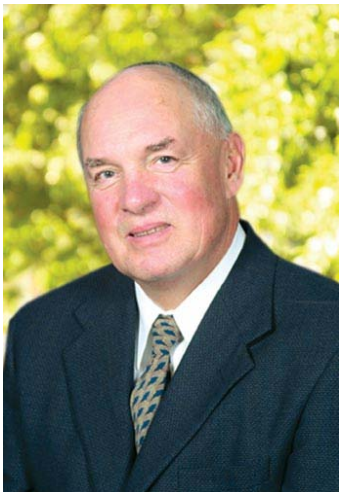
Rick S. Bender

Bender has been president of Washington State Labor Council, AFL-CIO since March 1993 and a member of the Convention Center board since 1995. He also serves as a member of the Workforce Training and Education Coordinating Board and the Washington Council on International Trade (ex officio). Bender is a former Washington state legislator, having served ten years in the House of Representatives and eight years in the Senate.



Susana Gonzalez-Murillo

Appointed to the Convention Center board in 2003, Gonzalez-Murillo is a vice president at U.S. Bank, serving as country manager for Latin America, Canada, Spain and Portugal. She has worked in the local banking industry since 1979, joining U.S. Bank's International Banking Division in 1993. She is currently the President of the U.S./Mexico Chamber of Commerce and a board member of the Centro Mexicano of the state of Washington. Gonzalez-Murillo has served as a board member of the World Trade Club in Seattle and the Mayor's Sister City Council. She has also been involved with the Hispanic Chamber of Commerce, Women in International Trade, Green River Community College's business department advisory board and is a past-president of the Northwest Letter of Credit Committee.



Jerome L. Hillis

Hillis began his career in Washington D.C. with the United States Justice Department. In January 1969, he started his own law firm and began focusing his practice on real estate, land use and environmental law. Hillis has coordinated real estate and land use issues involving numerous large development projects. He received recognition as one of the "Super Lawyers" in Washington by the publication *Washington Law and Politics*. Hillis is a past president and member of the board of trustees at Whitman College and has been active in several professional and community organizations, including the Washington State Independent College Associations, the Pacific Real Estate Institute, the Downtown Seattle Association and the Municipal League board of trustees. He has served on the Convention Center board since 2003.



J. Terry McLaughlin

Governor Locke appointed McLaughlin to the Convention Center board in March 2004. He served as Executive Vice President with the Basketball Club of Seattle for twelve years, before retiring in 2008. McLaughlin's duties with the club included managing administrative functions,



government relations, human resources, information technology, Key Arena operations, concessions and retail. Prior to joining the Sonics and Storm, he was the Deputy Director of the Seattle Center, where he was responsible for negotiating major business contracts, including the Key Arena and Benaroya Hall developments. He is a past member of the board of directors of the Seattle-King County Convention and Visitors Bureau and a current member of the board of directors for the Seattle Aquarium Society.



Harry G. Sladich

Sladich currently serves as President and CEO for the Spokane Regional Convention and Visitors Bureau, responsible for economic development and marketing of the Spokane Region as a convention and tourism destination. A native of Spokane, Washington, Sladich has been an active participant in the hospitality industry since 1979. He began his career at the former Sheraton Hotel in Spokane, now the Doubletree City Center. His marketing and management skills were honed as President and Owner of Hospitality & Services Marketing, eventually merging his business with GuestMark International In 1990. In 1999 he returned to the hotel industry as Vice President, Sales & Marketing and eventually became the Regional Operations Manager for Sterling Hospitality Management. He was named President and CEO of the Spokane Regional Convention and Visitors Bureau in 2005.



Karen Wong

Wong joined the Convention Center board in 2000. She is general counsel for United Savings and Loan Bank and co-chair of the diversity committee of Business Law Section. She is active in the community at large and in Seattle's Asian community. Wong serves on the Virginia Mason Medical Center board of governors, as president of the Robert Chinn Foundation, and as a member of the Law Fund Board. She is an active member of the Rotary Club of Seattle, Seattle Art Museum Guild, and the Rainier Club. As president of the Robert Chinn Foundation, Wong headed a capital campaign to build an Asian Resource Center for the Seattle community, which opened in the International District in September 1994.

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The Honorable Bob Ferguson
Chair, King County Council
Room 1200
C O U R T H O U S E

June 23, 2010

Dear Councilmember Ferguson

Enclosed is an ordinance concerning the Washington State Convention Center transition from a state governed public corporation to a public facilities district chartered by King County and governed by appointees from Washington State, City of Seattle, and King County. This ordinance would create the new public facilities district and would authorize the appointment of a board of directors.

This ordinance implements Substitute Senate Bill 6889, passed by the Washington State Legislature in 2010, which authorizes King County to create a public facilities district to own and operate a trade and convention center. In addition, the bill established requirements for the transfer of the property of the public non-profit corporation Washington State Convention Center to any newly created public facilities district. One requirement of the bill is that any transfer of property must occur by June 30, 2011. The Washington State legislature passed this bill to provide the Convention Center greater independence and control over its revenues, and makes possible consideration of future Convention Center expansion.

Since the Washington State Convention Center opened in 1988, it has exceeded the mandate of the Legislature to provide economic and civic benefits for the people of the state of Washington and has become an engine for economic activity for the region. Over the last 22 years, spending by out-of-state delegates attending events at the Washington State Convention Center exceeded \$3.4 billion. In 2009 alone, the Convention Center attracted more than 140,000 national and international guests who added an average of \$662,000 per day to Washington's economy. Additionally, the Convention Center hosted events for over 290,000 local and regional guests in 2009.

The Honorable Bob Ferguson

June 23, 2010

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By creating the public facilities district, we can keep supporting the work of the Convention Center, which is needed now more than ever, and facilitate the orderly transition of the organization so that it satisfies the requirements of the state enabling legislation. Creation of the district will result in continued economic and civic benefits to the citizens of King County and the state of Washington.

Sincerely,

Dow Constantine
King County Executive

Enclosure

cc: King County Councilmembers

ATTN: Tom Bristow, Chief of Staff

Anne Noris, Clerk of the Council

Fred Jarrett, Deputy County Executive, King County Executive Office (KCEO)

Sung Yang, Director of Government Relations, KCEO

Dwight Dively, Director, Office of Management and Budget & Office of Strategic
Planning and Performance Management