



King County

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King County Executive

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July 17, 2024

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

Dear Councilmember Upthegrove:

This letter transmits a proposed Ordinance that, if enacted, would reset the payment schedule for the Washington State Convention Center (WSCC) to the Metro Transit Department for the Convention Place property. This property was sold to the WSCC in 2017 to support the WSCC's expansion at the Summit location.

As originally structured, the payment agreement called for small payments in early years and an escalating stream of payments thereafter. This was done for two reasons. First, since the WSCC's principal revenue is a lodging tax that was expected to grow once the new facility opened, it was reasonable to tie the payments to the expected revenue stream. Second, Metro was looking for a growing source of revenue to support future operations and this structure met the agency's needs.

The COVID-19 pandemic greatly disrupted the WSCC expansion. Construction of the new building took longer than expected due to working conditions limitations necessary to preserve the health of construction workers and because of supply chain disruptions for building materials. Meanwhile, declining tourism and convention activity substantially reduced lodging tax revenue. Only in 2023 did lodging tax revenue return to pre-pandemic levels.

The WSCC has asked the County to restructure the payment stream to offset the effects of the pandemic. The revised agreement would reschedule payments by seven years. The Convention Center would continue to pay 4.25 percent interest, well above the long-term average earnings of the County's investment pool, so the ultimate payments to Metro would be significantly larger. Metro received an influx of about \$1 billion in federal funds during the pandemic, so its need for the funds has also been postponed from the original assumptions.

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The WSCC has also requested that the County provide a flexible loan from the County's investment pool, similar to what is done for County agencies and other local governments. This request will be subject to approval by the Executive Finance Committee. The loan would help facilitate the WSCC's cash management, which is complicated because of the combination of a complex debt structure and variability in lodging tax revenue. The WSCC is a King County chartered public facilities district and to facilitate this agreement, it will make the County the co-treasurer of a portion of its funds by joining the King County Investment Pool. The proposal will be for an eight-year loan at a maximum of \$20 million, with interest paid monthly at the earnings rate on the investment pool.

Thank you for your consideration of this proposed Ordinance. The proposed legislation supports the financial health of the Washington State Convention Center and provides a future funding stream for Metro operations. If your staff have questions, please contact Dwight Dively, Director, King County Office of Performance, Strategy and Budget, at 206-263-9687.

Sincerely,



for

Dow Constantine
King County Executive

Enclosure

cc: King County Councilmembers
ATTN: Stephanie Cirkovich, Chief of Staff
Melani Hay, Clerk of the Council
Karan Gill, Chief of Staff, Office of the Executive
Penny Lipsou, Council Relations Director, Office of the Executive
Dwight Dively, Director, Performance, Strategy and Budget