## REVISED STAFF REPORT

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| **Agenda Items:** | 7 through 10 | **Name:** | Leah Krekel-ZoppiAndrew Kim |
| **Proposed No**.: | 2019-02112019-02122019-02132019-0214 | **Date:** | June 25, 2019 |

**COMMITTEE ACTION**

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| ***Proposed Substitute Ordinances 2019-0211.2, 2019-0212.2, 2019-0213.2, and 2019-0214.2 implementing an agreement with 4Culture to support funding for the Building 4Equity program, passed out of committee on June 25, 2019 with a “Do Pass” recommendation. Ordinance 2019-0211 was amended in committee with Amendment 1 to make a clarification to specify the county policy that establishes the requirements for distributing Lodging Tax revenues. Ordinance 2019-0212 was amended in committee with Amendment 1 to make clarifications to the proposed agreement between King County and 4Culture for implementation of the Building 4Equity Program. Ordinance 2019-0213 was amended in committee with Amendment 1 to correct a grammatical error. Ordinance 2019-0214 was amended in committee with Amendment 1 to make clarifications to be consistent with the proposed agreement between King County and 4Culture for implementation of the Building 4Equity Program.*** |

**SUBJECT**

Ordinances to support implementation of 4Culture’s proposed Building 4Equity program.

**SUMMARY**

The proposed ordinances are a package of legislation that would enable 4Culture to partner with King County in using an advance on future lodging tax proceeds to fund a $20 million equity-based cultural facilities program (Building 4Equity).

The Building 4Equity package includes:

* Proposed Ordinance 2019-0211 that would create a lodging tax fund for all revenues from the lodging tax to be deposited beginning January 1, 2021,
* Proposed Ordinance 2019-0212 that would authorize execution of an agreement for implementation of the Building 4Equity Program between King County and 4Culture,
* Proposed Ordinance 2019-0213 that would authorize a supplemental appropriation of $20,000,000 to 4Culture for the Building 4Equity advance, and
* Proposed Ordinance 2019-0214 that would amend county code related to transfers of funds to 4Culture to be consistent with the Building 4Equity proposal.

The Building 4Equity program would be created and administered by 4Culture and would include $7 million in funding for organizations that received recent 4Culture capital project funding and have remaining unanticipated construction costs, $1 million in additional funds for the Preservation Action Fund, $2 million for a mentoring program for organizations serving marginalized communities, and $10 million for Cultural Facilities grants awarded through a process that prioritizes organizations serving marginalized communities.

**BACKGROUND**

**Lodging Tax**

Historically, a portion of the lodging tax collected in King County was dedicated to arts and culture to be used for art museums, cultural museums, heritage museums, the arts, and the performing arts[[1]](#footnote-1). The availability of lodging tax funding in King County has varied over time, based on the provisions of state law:

* From 2001 through 2012, 70 percent of the relevant portion of the lodging tax was to be dedicated to “art museums, cultural museums, heritage museums, the arts, and the performing arts,” with the remaining 30 percent dedicated to stadium purposes, acquisition of open space, youth sports activities, and tourism promotion.[[2]](#footnote-2)
* From 2013 through 2015, all of the relevant portion of the lodging tax was to be used to retire the debt on the Kingdome.[[3]](#footnote-3) If the Kingdome debt was retired prior to December 31, 2015, all additional revenues collected through the end of 2015 were to be dedicated to arts and cultural purposes.[[4]](#footnote-4)
* From 2016 through 2020, all of the relevant portion of the lodging tax is to be used for the football stadium and exhibition center.[[5]](#footnote-5)
* After January 1, 2021, the relevant portion of the lodging tax is to be allocated as follows:
	+ 37.5 percent to arts and cultural purposes;
	+ 37.5 percent to affordable workforce housing near transit stations or for services for homeless youth;[[6]](#footnote-6) and
	+ 25 percent for capital or operating programs that promote tourism and attract tourists to the county, including arts, heritage, and cultural events.[[7]](#footnote-7),[[8]](#footnote-8)

Between 2001 and 2012, state law required that 40 percent of the lodging tax dedicated to arts and culture be set aside into a special account[[9]](#footnote-9) that was to be used to fund cultural programs from 2012 through 2020, the time period when no lodging taxes would be available for cultural programs.

**4Culture**

The King County Council created 4Culture, King County’s Cultural Public Development Authority, in 2002[[10]](#footnote-10) to administer King County’s arts and heritage programs. 4Culture’s programs are supported primarily through the lodging tax, or the lodging tax special account from 2013-2020 (see above), and 1% for Art revenues[[11]](#footnote-11).

4Culture’s name was derived from its four cultural programs:

* **Arts.** 4Culture provides capital and operating grant funding for individual artists, groups, and community organizations.
* **Heritage.** 4Culture provides capital and operating grant funding for organizations focused on building the historical record, preserving and enhancing the character of the region, and sharing local heritage resources.
* **Preservation.** 4Culture provides project, capital, and operating support to aid in the historic preservation of buildings, neighborhoods, and landscapes. The organization also provides support for heritage tourism for King County communities.
* **Public Art.** 4Culture manages the County’s 1% for Art program, and manages arts installations throughout the county.

4Culture administers a number of grant programs serving cultural organizations, groups, public agencies, and individuals in King County. Those grant programs are categorized into the areas of support for projects, buildings and equipment, and operations. One such grant program under the buildings and equipment category is 4Culture’s Cultural Facilities grant program. The Cultural Facilities grant program provides funding for building, remodeling, and buying specialized space that houses and facilitates cultural work in King County and provides a public benefit. The Cultural Facilities grant program provides an average of approximately $1 million in total grants every two years. According to 4Culture, in 2018, Cultural Facilities grant applications totaled over $17 million in requests.

**Building 4Culture Program**

In 2015, King County and 4Culture partnered to establish an arts, cultural, heritage, and preservation capital funding program to be known as the Building for Culture program[[12]](#footnote-12). The program provided $28.5 million in bond-financed grants that was funded by using the portion of the lodging tax dedicated to paying off the Kingdome bonds, which became available to use for cultural funding because the Kingdome bonds were paid off early.

The Building 4Culture Program included three components:

* Grants to nonprofit arts, heritage and cultural organizations and eligible public agencies to fund capital costs related to acquisition, construction, or remodeling.
* Grants to owners of national-, state-, or local-designated or eligible landmark properties to fund costs related to acquisition, stabilization, rehabilitation or restoration.
* A Preservation Action Fund to provide direct funding for the acquisition, stabilization, or redevelopment of significant but endangered historic properties. This fund is managed by a Preservation Action Fund Advisory Committee representing the King County Preservation Program, 4Culture, and Washington Trust for Historic Preservation.

In concert with passage of the Building 4Culture legislation, the King County Council passed Motion 14474, which committed to collaboration between King County and 4Culture on an arts, preservation, and cultural equity program to promote "one county" and equity and social justice goals. The motion asked 4Culture to identify $1 million in funding that would go towards supporting historically underserved local arts, preservation, and cultural organizations throughout King County. In response, 4Culture developed the ongoing Community 4Culture grant program, aimed at individuals and small organizations that have not received past 4Culture funding and serve marginalized communities. 4Culture defines “marginalized communities” as people with disabilities, people with low incomes, the population in geographic areas or representative of cultures within county zip codes experiencing the most significant social inequities, residents in rural King County, or residents of Seattle neighborhoods traditionally under-represented in 4Culture funding.

**4Culture Task Force**

In March 2018, the Council made a number of structural changes[[13]](#footnote-13) to 4Culture which included a requirement for a task force to assess and report on 4Culture’s practices through an equity and social justice lens.[[14]](#footnote-14)

Twenty-six task force members were appointed by the Executive and confirmed by the Council in July 2018. The task force members included representatives of organizations supporting underrepresented populations or smaller cultural organizations in King County, as well as representatives of the King County Council, the King County Executive, 4Culture, Cultural Access Washington, and the Sound Cities Association.

On April 1, 2019, the task force issued its report, entitled King County 4Culture Task Force Report. The report included recommendations from task force members, community members, and the consultant, including a recommendation that 4Culture provide specific programs to provide a network and create a supportive community for People of Color/Native (POC/N) individuals and organizations. One component of that recommendation included assessing how POC/N organizations could participate in a long-term cohort program that supports growth and could lead to expanded participation in the facilities grant program.

**Allocation of Lodging Tax for 2021 and Beyond (Ordinance 18788)**

In September 2018, Ordinance 18788 was enacted to authorize a new funding agreement and amendment to the existing financing agreement with the Washington State Major League Baseball Stadium Public Facilities District. The ordinance also included a *Findings* section that established the council’s intent on the allocation of lodging tax that would be received after January 1, 2021.

In accordance with state law[[15]](#footnote-15), Ordinance 18788 stated the council’s intent to allocate 37.5 percent of all lodging tax received after January 1, 2021 to be transferred to 4Culture to support art museums, cultural museums, heritage museums, the arts and the performing arts. Of note, in the ordinance, the council’s intended allocation of estimated lodging tax revenues based on the August 2018 Office of Economic and Financial Analysis (OEFA) forecast (or “baseline revenues”) differed compared to the council’s intended allocation of estimated lodging tax revenues that would exceed the baseline revenues. However, the allocation for 4Culture remained unchanged at 37.5 percent for both the baseline revenues and revenues that would exceed the baseline revenues. Table 1 below shows the estimated lodging tax revenues and 4Culture’s allocation from 2021 through 2043.

**Table 1. Lodging Tax Revenue Forecast and Allocation to 4Culture (2021-2043)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Lodging Tax (based on August 2018 OEFA Forecast)** | **Arts and Heritage (4Culture) Allocation - 37.5%** |  | **Year** | **Lodging Tax (based on August 2018 OEFA Forecast)** | **Arts and Heritage (4Culture) Allocation - 37.5%** |
| 2021 | $38,672,427 |  $ 14,502,160  |  | 2033 | $57,864,528 |  $ 21,699,198  |
| 2022 | $40,136,407 |  $ 15,051,153  |  | 2034 | $59,947,651 |  $ 22,480,369  |
| 2023 | $41,086,798 |  $ 15,407,549  |  | 2035 | $62,105,766 |  $ 23,289,662  |
| 2024 | $42,305,738 |  $ 15,864,652  |  | 2036 | $64,341,574 |  $ 24,128,090  |
| 2025 | $43,318,324 |  $ 16,244,372  |  | 2037 | $66,657,870 |  $ 24,996,701  |
| 2026 | $45,316,564 |  $ 16,993,712  |  | 2038 | $69,057,554 |  $ 25,896,583  |
| 2027 | $46,800,865 |  $ 17,550,324  |  | 2039 | $71,543,626 |  $ 26,828,860  |
| 2028 | $48,485,696 |  $ 18,182,136  |  | 2040 | $74,119,196 |  $ 27,794,699  |
| 2029 | $50,231,181 |  $ 18,836,693  |  | 2041 | $76,787,487 |  $ 28,795,308  |
| 2030 | $52,039,504 |  $ 19,514,814  |  | 2042 | $79,551,837 |  $ 29,831,939  |
| 2031 | $53,912,926 |  $ 20,217,347  |  | 2043 | $82,415,703 |  $ 30,905,889  |
| 2032 | $55,853,791 |  $ 20,945,172  |  | **TOTAL** | **$1,322,553,012** | **$495,957,379** |

Related to the 4Culture allocation, Ordinance 18788 also stated the council’s intent to request the executive develop a countywide strategic arts, heritage, historic preservation, and culture plan and that the proposed strategic plan be forwarded to the council by December 31, 2019, in order to inform the budget process for the 2021 - 2022 budget.[[16]](#footnote-16)

**Building 4Equity**

In 2019, in response to interest in addressing historical inequities in cultural funding as well as requests from cultural organizations for capital facilities funding, including from organizations experiencing difficulty closing out projects due to unanticipated construction costs[[17]](#footnote-17), 4Culture began working with King County to develop the Building 4Equity program.

In May 2019, the Executive, working in concert with 4Culture, transmitted a package of proposed legislation to implement the Building 4Equity program, which would invest in cultural facilities in King County with an emphasis on racial and geographic equity. The Building 4Equity Program would be funded through an agreement with King County to use interfund borrowing to provide 4Culture an advance of funds to be repaid with future lodging tax proceeds.

The Building 4Equity proposal includes the following four proposed ordinances:

* Proposed Ordinance 2019-0211 would create a lodging tax fund for all revenues from the lodging tax to be deposited beginning January 1, 2021.
* Proposed Ordinance 2019-0212 would authorize execution of an agreement for implementation of the Building 4Equity Program between King County and 4Culture.
* Proposed Ordinance 2019-0213 would authorize a supplemental appropriation of $20,000,000 to 4Culture for the Building 4Equity advance.
* Proposed Ordinance 2019-0214 would amend county code related to transfers of funds to 4Culture to be consistent with the Building 4Equity proposal.

**ANALYSIS**

**Building 4Equity Agreement and Program (Proposed Ordinance 2019-0212)**

**Summary of the Agreement**

Proposed Ordinance 2019-0212 would authorize the Executive to enter into an Agreement for Implementation of the Building 4Equity Program by and between King County and 4Culture.

The purpose of the agreement is to set forth the terms and conditions for the County to make lodging tax advances to 4Culture for developing and funding the Building 4Equity Program. The agreement includes background, definitions, and sections specifying the purpose of the agreement, term of the agreement, the County’s responsibilities, 4Culture’s responsibilities, advances and payment terms, Building 4Equity Program administration requirements, reporting requirements, and other legal terms.

The agreement would be in place until the outstanding advance balance has been paid off, which must be no more than 12 years after the date of the last advance.

Under the agreement, the County would be responsible for establishing a Lodging Tax Fund, promptly reviewing requests for advances from 4Culture, and establishing inter-fund loans to makes advances to 4Culture when such an advance would cause a negative average cash balance in the fund. 4Culture would be responsible for soliciting and reviewing Building 4Equity project proposals and ensuring all grant agreements contain King County’s required nondiscrimination provision.

The County would provide a series of advances totaling up to $20 million to 4Culture for the Building 4Equity Program. The interest on the advances would be calculated based on the Lodging Tax Fund’s average cash balance and at the King County Investment Pool’s monthly gross earnings rate. For reference, the Investment Pool’s gross earning rate for May 2019 was 2.28 percent.[[18]](#footnote-18) The agreement allows that 4Culture’s annual payment would not be more than 15 percent of the Lodging Tax proceeds received during that year, and it also allows for 4Culture to repay the advances early. The advance and reimbursement schedule, notwithstanding those allowances, is projected to be as shown in Table 1 with advances being made each year from 2019 through 2023. Note that the companion appropriations ordinance (Proposed Ordinance 2019-0213) would appropriate the full $20 million in order to provide flexibility in implementing the program, according to Executive staff.

**Table 2. Building 4Equity Advance and Reimbursement Schedule**

|  |  |  |
| --- | --- | --- |
| Year | Advance | Reimbursement |
| 2019 | $3.8 million | - |
| 2020 | $3.2 million | - |
| 2021 | $7.0 million | $2.0 million |
| 2022 | $4.0 million | $2.0 million |
| 2023 | $2.0 million | $2.0 million |
| 2024 | - | $2.0 million |
| 2025 | - | $2.0 million |
| 2026 | - | $2.0 million |
| 2027 | - | $2.0 million |
| 2028 | - | $2.0 million |
| 2029 | - | $2.0 million |
| 2030 | - | $2.0 million |
| 2031 | - | $0.5 million |
| Total | **$20 million** | **$20.5 million** |

The agreement would require annual reports on the overall status of the Building 4Equity Program to the Office of Performance, Strategy, and Budget and the County Council, beginning in June 2020.

***Building 4Equity Program Description***

The agreement specifies that 4Culture would be responsible for creating and managing all phases of the Building 4Equity Program. 4Culture envisions the Building 4Equity program being carried out in two phases. **Phase 1** would include the following three components:

* **Responding to the impact of unanticipated construction costs:** Funding for organizations that applied for 2018 Cultural Facilities grants or that received 4Culture funding for recent capital projects and have remaining construction close-out costs.
* **Preservation Action Fund allocation:** Additional funds for the Preservation Action Fund.
* **Capital Projects Ramp-Up Initiative:** Provide an education, learning, and mentoring program for organizations that serve marginalized communities and that have not previously received substantial capital grant funding.

As described in the *Background* section of this staff report, 4Culture defines “marginalized communities” as people with disabilities, people with low incomes, the population in geographic areas or representative of cultures within county zip codes experiencing the most significant social inequities, residents in rural King County, or residents of Seattle neighborhoods traditionally under-represented in 4Culture funding.

**Phase 2** would make additional funds available for facilities grants to cultural organizations, and 4Culture would update its Cultural Facilities application and grant review process to prioritize organizations that serve marginalized communities, including organizations that participated in the Capital Projects Ramp-Up Initiative. Portions of the Phase 2 funds would be available for: creation of cultural spaces linked to transit oriented development projects, acquisition and protection of historic properties and cultural spaces, and seismic reinforcement of landmark buildings containing public assembly spaces.

4Culture intends to allocate funding for the Building 4Equity components as shown in Table 2.

**Table 3. Building 4Equity Components**

|  |  |  |
| --- | --- | --- |
| Program Phase | Component | Funding Allocation |
| Phase 1 | Responding to the impact of unanticipated construction costs | **$7 million** |
| Preservation Action Fund allocation | **$1 million** |
| Capital Projects Ramp-Up Initiative | **$2 million** |
| Phase 2 | Facilities Grant Program | **$10 million** |
|  | **TOTAL** | **$20 million** |

***Equity Strategies***

4Culture has stated that the agency intends to incorporate the following equity strategies into the Building 4Equity Program:

* **Cultural Space Contribution Requirement:** Both Phase 1 and Phase 2 Cultural Facilities grant programs would require applicants receiving large awards to provide cultural space to groups or individuals serving marginalized communities. This requirement would vary with the size of the award.
	+ Applicants receiving awards of $250,000 or above would be required to contribute a minimum of 300 hours of cultural space to marginalized communities over a three-year period.
	+ Applicants receiving awards of $500,000 or above would be required to contribute a minimum of 600 hours of cultural space to marginalized communities over a three-year period.
	+ Applicants receiving awards of $1,000,000 or above would be required to contribute a minimum of 1200 hours of cultural space to marginalized communities over a three-year period.
* **The Capital Projects Ramp-Up Initiative:** A component of Phase 1 of the Building 4Equity Program, the Ramp-Up Initiative would provide an 18 month education and mentoring program for cultural organizations and groups serving marginalized communities. The purpose of this program would be to assist these organizations in obtaining the capacity to successfully complete capital projects and compete for cultural grants. The program would include workshops, skill-building seminars, mentorships, and technical assistance.
* **Equity-focused application process:** As part of the Phase 2 Cultural Facilities grant program, 4Culture plans to use a racial equity toolkit to review and revise the Cultural Facilities grant application process. Additionally, 4Culture would require Cultural Facilities grant review panelists to participate in an orientation and anti-bias training workshop prior to serving on a panel.

As described in the *Background* section of this staff report, Ordinance 18788 which established the council’s intent on the allocation of future lodging tax proceeds, also stated council’s intent to request the executive develop a countywide strategic arts, heritage, historic preservation, and culture plan and that the proposed strategic plan be forwarded to the council by December 31, 2019, in order to inform the budget process for the 2021 - 2022 budget. 4Culture stated that they are aware of this provision and is currently working on a countywide cultural health assessment including a three-month evaluation of all funding programs to inform a 4Culture strategic plan. Their goal is that the plan be completed by Q1 2020.

**Creation of Lodging Tax Fund (Proposed Ordinance 2019-0211)**

The proposed ordinance would establish a new first-tier, special revenue fund entitled “Lodging Tax Fund” that would be managed by the Director of the Office of Performance, Strategy and Budget (PSB). All revenues from the lodging tax beginning January 1, 2021 would be deposited into this fund. The advance of funds for the Building 4Equity program, as part of the agreement between King County and 4Culture (Proposed Ordinance 2019-0212), would be disbursed from this fund.

The proposed ordinance specifies that the fund would also disburse the lodging tax revenues according to state law[[19]](#footnote-19) and “county policy”. Executive staff state that “county policy” refers to Ordinance 18788, which stated the council’s intent on the allocation of lodging tax received beginning January 1, 2021, as discussed in the Background section above. The proposed ordinance specifies that the fund would disburse the lodging tax revenues for the following:

1. Transit oriented development (TOD) projects that preserve or develop affordable workforce housing;
2. Services that support homeless youth;
3. For art museums, cultural museums, heritage museums, the arts and the performing arts; and
4. Capital or operating programs that promote tourism.

Based on staff analysis, the disbursements are consistent with Ordinance 18788.

As per King County Code[[20]](#footnote-20) and the county’s Executive Finance Committee (EFC)’s[[21]](#footnote-21) Interfund Loan Policy, a first tier fund is a fund that is invested for its own benefit, meaning that it can accrue interest via the county’s investment pool and the share of the interest accrued can be used for its specified purposes.

As per the county’s 2018 Comprehensive Financial Management Policies (CFMP)[[22]](#footnote-22), a special revenue fund is used to account for the proceeds of specific revenue sources (in this case the lodging tax) that are restricted or committed to expenditures for specified purposes which would include debt service. The CFMP also recommends that special revenue funds maintain a Rainy Day Reserve equal to 30 to 60 days of expenditures and requests to draw down the reserve would require council approval.

**Supplemental Budget Appropriation (Proposed Ordinance 2019-0213)**

|  |  |
| --- | --- |
| **Building 4Equity Advance (NEW)** | **$20,000,000** |
| **2019 – 2020 Adopted Budget:** | **N/A** |
| **Supplemental Appropriations to Date:** | **N/A** |
| **Total Appropriation to Date:** | **N/A** |

The proposed ordinance would appropriate $20 million to the newly created Building 4Equity Advance appropriation unit which would be part of the newly created Lodging Tax Fund (Proposed Ordinance 2019-0211). This appropriation would correspond to the advance of funds for the Building 4Equity program, as part of the agreement between King County and 4Culture (Proposed Ordinance 2019-0212).

**Interfund Loan**

Given that lodging tax revenues for the Lodging Tax Fund would not be received until 2021, a disbursement from this fund to 4Culture would establish a negative cash balance in the fund, should the council approve this proposed ordinance for appropriation authority. As per the county’s EFC’s Interfund Loan Policy, it is required that a projection of a future negative cash balance to a fund lasting longer than sixty days requires an interfund loan request to the EFC. The advance of future lodging tax proceeds, as discussed in the agreement between King County and 4Culture, would be partly funded by this interfund loan request to the EFC.

Executive staff state that based on cash flow projections, the anticipated one-time interfund loan request would be in the range of $8 to $10 million. Executive staff also state that they plan to make the interfund loan request to the EFC at either the June 20th or July 18th EFC monthly meeting, pending approval of this proposed ordinance and its related ordinances for the Building 4Equity Program. Executive staff state that should the EFC not approve the interfund loan request, the executive would work with the EFC to address any issues of concern to request another loan and/or pursue other financing mechanisms to meet the terms of the agreement between King County and 4Culture.

**Appropriation Authority of $20 million**

According to the Building 4Equity Advance disbursement schedule in the agreement between King County and 4Culture (see Table 2 above), $7 million is estimated to be advanced to 4Culture for the 2019-2020 biennium. However, the proposed ordinance would appropriate $20 million for the 2019-2020 biennium budget. Executive staff state that the proposed ordinance includes the entire $20 million of appropriation authority to provide flexibility in case the program is implemented faster than anticipated and a higher advance amount would be needed for the 2019-2020 biennium. The Building 4Equity Advance disbursement schedule in the agreement is an estimated schedule, and the agreement does provide the flexibility for the schedule to be modified.

Executive staff also state that the proposed ordinance includes $20 million of appropriation authority to reflect the total commitment of the agreement which includes a $20 million advance of future lodging tax proceeds for the Building 4Equity program. Executive staff state that this is the executive’s preferred approach and also the preferred approach of the 4Culture Board. Lastly, executive staff expect that any amount not spent in the 2019-2020 biennium budget would need to be reappropriated with council approval for the 2021-2022 biennium budget.

|  |  |
| --- | --- |
| **Cultural Development Authority** | **$20,000,000** |
| **2019 – 2020 Adopted Budget:** | **$7,753,000** |
| **Supplemental Appropriations to Date:** | **$0** |
| **Total Appropriation to Date:** | **$7,753,000** |

The proposed ordinance would also appropriate $20 million to the Cultural Development Authority (4Culture) appropriation unit which is part of the Arts and Cultural Development Fund. This fund is used to receive and transfer a variety of revenues including public art revenues and lodging tax revenues from 2001 through 2012 from the county to 4Culture.

This fund differs from the newly proposed Lodging Tax Fund in that this fund provides disbursements to 4Culture only and the Lodging Tax Fund provides disbursements for all lodging tax allocations beginning January 1, 2021. Since council appropriation authority is required for all county funds, council’s appropriation authority for the $20 million advance would be needed for both funds (also referred to as “double budgeting”).

**4Culture Funds Transfers Code Change (Proposed Ordinance 2019-0214)**

King County Code Section 2.49.170 includes provisions related to transfer of funds between King County and 4Culture and the council’s role in approving the 4Culture budget. Proposed Ordinance 2019-0214 would amend provisions of this section of King County Code to memorialize the agreement between King County and 4Culture for the Building 4Equity program. The proposed ordinance would make the following two underlined changes:

1. Lodging tax proceeds designated for 4Culture shall be transferred to 4Culture within 10 business days of receipt from the state based on council appropriation, unless otherwise agreed to by King County and 4Culture; and
2. 4Culture shall transfer back to King County sufficient lodging tax proceeds to allow the county to make required payments on any outstanding bonds and other debt obligations.

The first change would allow King County Code Section 2.49.170 to be consistent with the reimbursement schedule included in the agreement between King County and 4Culture (see Table 2 above). The second change would expand 4Culture’s obligations to the county by including “other debt obligations” which refers to the $20 million advance of future lodging tax proceeds.

**Timing**

4Culture has expressed a preference to move expeditiously in implementing the Building 4Equity Program, should it be approved, because of the large number of cultural organizations that applied for the Cultural Facilities grant program in 2018 that were unable to be fulfilled within 4Culture’s available funding. Successful applicants would have received grant awards in April 2019 but, given the scarcity of available funds compared to the total grant funds requested, many cultural organizations that were able to wait deferred their applications in the hopes of competing for Phase 1 Building 4Equity Cultural Facilities grants in mid-2019.

Additionally, 4Culture envisions the Capital Programs Ramp-Up Initiative being an eighteen month education and mentoring program that would require additional lead time to design and would proceed Phase 2 of the Cultural Facilities grants so that Ramp-Up participants could build organizational capacity to successfully compete for Phase 2 grants in 2021.

**FOLLOW-UP**

During discussion of this item at the June 11, 2019 Budget and Fiscal Management Committee, Councilmembers asked questions about the design of the Building 4Equity program, the rationale for the funding allocations in the program, and the eligibility for Phase 1 of the program. 4Culture provided responses to those questions, which are Attachments 13 and 14 of this staff report, and provided to Councilmembers a list of organizations eligible for Building 4Equity Phase 1 grants.

**AMENDMENTS**

Amendment 1 to Proposed Ordinance 2019-0211 would make a clarification to specify the county policy that establishes the requirements for distributing Lodging Tax revenues.

Amendment 1 to Proposed Ordinance 2019-0212 would make minor, non-substantive clarifications to the proposed agreement between King County and 4Culture for implementation of the Building 4Equity Program.

Amendment 1 to Proposed Ordinance 2019-0213 would correct a grammatical error.

Amendment 1 to Proposed Ordinance 2019-0214 would make clarifications to be consistent with the proposed agreement between King County and 4Culture for implementation of the Building 4Equity Program.

1. RCW 67.28.180 [↑](#footnote-ref-1)
2. RCW 67.28.180(3)(a) [↑](#footnote-ref-2)
3. Although the Kingdome was demolished in 2000, the County held approximately $80 million in debt on it at the time, most of that for roof repairs after a ceiling tile collapse in 1994. [↑](#footnote-ref-3)
4. RCW 67.28.180(3)(b) [↑](#footnote-ref-4)
5. RCW 67.28.180(3)(c) [↑](#footnote-ref-5)
6. Motion 14687 authorized a Transit-Oriented Development housing program to be funded through the issuance of $87 million in bonds to be repaid from this portion of the lodging tax beginning in 2021. [↑](#footnote-ref-6)
7. RCW 67.28.180(3)(d), RCW 67.28.180(3)(h)(ii) [↑](#footnote-ref-7)
8. Ordinance 18788, authorizing a new funding agreement and amendment to the existing financing agreement with the Washington State Major League Baseball Stadium Public Facilities District, also established policy intent on the allocation of lodging tax that would be received after January 1, 2021. [↑](#footnote-ref-8)
9. SESSB 6049 [↑](#footnote-ref-9)
10. Ordinance 14482 [↑](#footnote-ref-10)
11. Funding from the capital budgets of county construction projects that is required to be dedicated for public art. [↑](#footnote-ref-11)
12. Motion 14406, Ordinances 18179, 18180, and 18181 [↑](#footnote-ref-12)
13. Ordinance 18684 [↑](#footnote-ref-13)
14. Ordinance 18684, Section 19 [↑](#footnote-ref-14)
15. RCW 67.28.180(3)(d)(i) [↑](#footnote-ref-15)
16. Ordinance 18788 Section 1.E. [↑](#footnote-ref-16)
17. In major US cities have increased an average of approximately 30% since 2012, according to *Quarterly Construction Cost Report for North America* released by Rider Levett Bucknall in November 2018 [↑](#footnote-ref-17)
18. King County Investment Pool website. URL: <https://www.kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx>. Accessed June 4, 2019. [↑](#footnote-ref-18)
19. RCW 67.28.180(3)(d), RCW 67.28.180(3)(h)(ii) [↑](#footnote-ref-19)
20. King County Code 4A.10.280 [↑](#footnote-ref-20)
21. As per King County Code 4.24.010 and Executive Order 1008, the Executive Finance Committee is currently comprised of the Chair of the Budget and Fiscal Management Committee, the Director of Performance, Strategy and Budget (or Budget Director), the Director of the Department of Executive Services, and the Division Director of the Finance and Business Operations Division. [↑](#footnote-ref-21)
22. Motion 15250 [↑](#footnote-ref-22)