



Gregory J. Nickels
Mayor of Seattle

July 10, 2008

The Honorable Ross Hunter
House of Representatives
333 John L. O'Brien Building
PO Box 40600
Olympia WA 98504-0600

Dear Representative ~~Hunter~~ ^{Ross}:

Thank you for agreeing to serve on the Joint Task Force to study local financing options for projects in King County. This Task Force has the opportunity to develop a comprehensive approach to such projects for the next decade and beyond.

I request the Task Force recommend that the Legislature provide the City with a local option hotel/motel tax to generate revenue to support at least \$75 million of bonds, which would be issued for capital improvements at Seattle Center, including KeyArena. Seattle Center is one of the State's largest tourist attractions and is the home to a wide array of cultural, artistic, and scientific organizations. KeyArena is the heart of the Center and hosts a wide range of athletic, music, and entertainment performances. Seattle Center and KeyArena attract many out-of-state visitors, who add money to the regional and state economies. The vast majority of the revenue from the proposed tax would come from these out-of-state visitors.

As with all capital facilities, the structures at Seattle Center need periodic rehabilitation and improvement. A recent citizen's task force recommended several major capital projects at Seattle Center. Similarly, a plan for about \$300 million of improvements to KeyArena has been developed. The City of Seattle is willing to devote \$75 million of its existing resources to these improvements in the event professional basketball returns to Seattle and believes potential new local owners would provide an additional \$150 million.

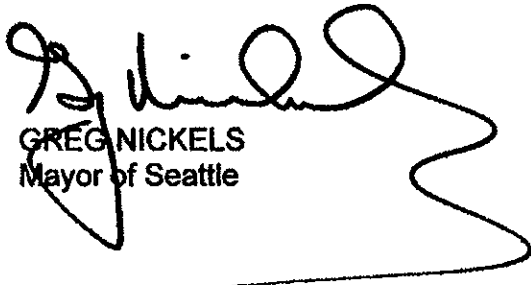
The City is not asking for any direct State funding for these projects. Indeed, the State would receive direct revenue of \$20 million from sales tax generated by the construction of the capital improvements. Instead, the City's proposal would restore our ability to impose a hotel/motel tax, which was removed when taxes were imposed to support the construction of the Washington State Convention and Trade Center. Under RCW 67.40.090, hotel/motel taxes are imposed at different rates in Seattle and the remainder of King County to pay debt service on bonds

issued for the construction and expansion of the Convention Center. The tax rate in Seattle currently is 7.0%. I understand the Office of Financial Management has determined that a 6.0% tax rate is sufficient to support the remaining bonds. The City requests that the Legislature reduce the Convention Center tax rate to 6.0% and restore the remaining authority to the City, as was originally planned.

Seattle has been precluded from imposing a hotel/motel tax by State law and thus lacks one of the revenue sources available to most cities. The proposed tax would apply only within Seattle. If the Legislature grants the authority to impose this tax by the end of 2009, the City's recent agreement with the Professional Basketball Club calls for a \$30 million additional payment if a team is not located in Seattle within five years.

I believe this is an appropriate revenue source for improvements at tourist-related facilities at Seattle Center. I request the opportunity for City staff to present our proposal to your Task Force. Thank you.

Sincerely,



GREG NICKELS
Mayor of Seattle