



Update on the Washington State Convention Center Addition Project

In November 2016, we published a report on the proposal by the Washington State Convention Center Public Facilities District (PFD) to construct an additional building (the Addition), which would roughly double the amount of space available to host conventions. The PFD broke ground on the new building in July 2018, and at this point the project is approximately 40 percent complete. However, as we explain below, the Covid-19 pandemic has upended the PFD's plan for financing the remainder of the work.

Our 2016 report is reproduced beginning on the fourth page of this document. Key events since we published that report include:

February 2017. The SEPA Final Environmental Impact Statement (EIS) for the project is published.

June 2017. The King County Council approves the sale of four acres of Metro's Convention Place Station to WSCC for \$161.01 million. At closing on July 25, the PFD pays \$20 million to the County and signs a 30-year, \$141.01 million promissory note for the remainder of the purchase price. For the first six years, this note is interest only at 1 percent with annual payments of \$1.41 million. For the remaining 25 years, the PFD will make payments of interest (at the rate of 4.25 percent) and principal, with an annual escalation for inflation.

July 2017. The PFD receives approval from the City's Landmarks Preservation Board to add exterior lighting to two adjacent landmark buildings.

November 2017. The Seattle Design Commission completes a two-year review of the project and approves it.

December 2017. Preliminary construction for the traction power substation for King County begins.

March 2018. The Legislature enacts a bill extending the lodging tax to premises with fewer than 60 units and to short-term rentals such as Airbnb. All proceeds from short-term rental properties within the City of Seattle go to the City. The remainder of new proceeds are divided evenly between the County and the PFD. (In 2019, the PFD received \$1.75 million of tax on these properties.)

March 2018. The NEPA Final Environmental Impact Statement and Record of Decision for the project are published.

May 2018. The Seattle City Council approves five below-grade street and alley vacations necessary for the project. The PFD commits to a \$93 million package of public benefits for the community.

June 2018. The City issues the three Master Use Permits required for the project.

July 2018. Construction begins on the project.

August 2018. The PFD raises \$1.085 billion for the Addition by issuing revenue bonds backed by the existing lodging tax.

Spring 2019. The PFD signs a purchase and sales agreement with Hudson Pacific Properties to purchase the 16-story co-development office building site to rise on the block bounded by Terry Avenue, Howell Street, Boren Avenue and Olive Way. Separately, the PFD enters into an option agreement with a local investor group to purchase the 29-story co-development apartment building site to rise on the block bounded by Ninth Avenue, Howell Street, Terry Avenue and Olive Way. The PFD's new loading dock to serve the Addition is beneath the co-development projects.

June 2019. The PFD and the Washington State Department of Transportation sign a lease providing air and ground rights to enable the Addition to extend over and under the I-5 express lane ramp to Pike Street.

Covid-19

The PFD's year-end financial statements for 2019 put the budget for the project at \$1.9 billion (including the public benefits for the community). To complete the project, the PFD at that point projected that it would issue another \$235.5 million in bonds in late 2020 or early 2021 and that the remaining project costs would come from the PFD's cash surplus, investment earnings and other sources.

The Covid-19 pandemic has upset these financing plans.

When the virus struck, the project was approximately 30 percent complete. Under Gov. Inslee's March 23 Stay Home, Stay Healthy Proclamation, the PFD suspended convention operations in its existing facility on March 24. To conserve cash, the PFD furloughed and laid off staff. Work on the Addition continued, as the project qualified for a construction-related exception under the governor's Proclamation.

On September 28, following the governor's relaxation of restrictions regarding business meetings, the PFD announced that it would reopen for small group events (no more than 200 attendees and no more than 30 percent of room capacity). It is unclear at the present time when the facility will be able to return to full operations. It is also unclear how long it will take for the demand for events at the center to return to pre-pandemic levels. Because of this curtailment of operations, the PFD's ability to provide further funding for the project from its own resources is not as great as had been assumed at the time the project broke ground.

The pandemic has also affected revenue from the existing lodging tax, which is collected by the state's Department of Revenue. For the six-month period from April through September 2020, collections were \$10.1 million, which is 20.8 percent of 2019 collections for the same period. Part of this shortfall is due to the two-month tax filing deferral proclaimed by Gov. Inslee. The September 2020 forecast from the state shows a recovery back to FY 2019 numbers by FY 2022 (which begins in July 2021). In the current environment, however, forecasts of lodging tax revenues are subject to a high degree of uncertainty. Because of this uncertainty, the PFD is unable to issue additional bonds backed solely by lodging tax revenues.

To maintain the existing schedule, the PFD estimates that it needs \$300–\$350 million in additional financing.

Without this additional funding, the PFD will be forced to begin suspending work on the project at the end of 2020. As most of the materials for the project have been ordered, the bulk of expenditures postponed by suspending the project would be construction labor. The most recent employment forecast by the state Economic and Revenue Forecast Council has 14,700 fewer construction

jobs in 2021 and 14,400 fewer construction jobs in 2022 statewide, than had been the case in the forecast prepared in February 2020, prior to the pandemic. Overall, the project is expected to provide 6,000 job-years of employment for construction workers. Over a third of this employment would be postponed in the event of a project shutdown.

Project managers estimate that a two- to four-year suspension would increase costs by \$200 million to \$300 million.

The PFD cites three significant benefits to avoiding suspension of construction:

The first benefit is saving the \$200 million to \$300 million increase in project costs that would result from suspending the project.

The second benefit is the positive impact on construction employment in 2021 and 2022, two years in which the economy will be weak. Each of these jobs would generate an additional two jobs elsewhere in the state economy. The construction jobs would generate about \$24 million in direct and indirect sales tax revenue to the state, county and city. This is in addition to the approximately \$63 million in sales tax the project will generate during 2021 and 2022 .

The third benefit is enhancement of WSCC's ability to win business. As our 2016 report notes, WSCC has in the past turned away a considerable amount of business either because the existing facility was too small or because the desired date was unavailable. The Addition will allow WSCC to host larger events and to host several events at the same time. Moreover, some events may be drawn to WSCC simply because of the attractiveness and layout of the new facility. The consultancy ECONorthwest has estimated that, when completed and operating normally, the new facility will generate 2,300 new, direct jobs on site and in hospitality-related businesses, and an additional 1,600 indirect jobs created across the region. The facility will increase year-round demand for hotels, restaurants, stores and entertainment venues throughout the region. The estimated \$260 million increase in annual visitor spending will provide \$19 million in sales tax revenue to state and local governments conventioner spending.

Additional benefits to completing the project on schedule include:

- Continuation of the apprenticeship program, which is estimated to train 900 construction apprentices through the life of the project.
- Fulfillment of existing contracts with women- and minority-owned business enterprises (WMBE). More than 100 WMBE firms have been awarded nearly \$110 million in work on the project.
- Continuation of the partnership with What's Next Washington, which works with formerly incarcerated individuals to break down barriers to employment opportunities.
- Completion of the streetscape, landscaping, plazas and pedestrian amenities that surround the project blocks and create missing connections between Capitol Hill and the Pike Place Market.
- Completion of an approximately \$6.5 million investment in public art, including more than a dozen artworks by artists of color.
- Completion of public benefits funding, including for the Olive Way Safety Improvements and the Terry Avenue Promenade.



Washington State Convention Center Addition Project

- In 1988, the State opened the Washington State Convention and Trade Center in downtown Seattle. In 2010, the State transferred ownership of the center to a newly created Public Facilities District (PFD), and the center was renamed the Washington State Convention Center (WSCC).
- WSCC intends to construct an additional convention building (the Addition), which would roughly double the amount of space available to host conventions.
- The project would span three blocks in downtown Seattle near the current center; it includes private sector co-development of 400 units of housing and an office building above an underground portion of the Addition.
- Between 2011 and 2015, WSCC turned away 329 possible events due to the unavailability of space on desired dates in the 2011–2020 booking period.
- The plan includes 700 to 800 new parking spaces to serve the Addition as well as the co-development.
- The Addition will feature a 21st Century design at the nexus of four surrounding neighborhoods.
- WSCC projects that the Addition will generate 2,300 new jobs at the convention center and in the local hospitality industry, 1,600 indirect jobs, \$200 million in out-of-state visitor spending annually, and \$35 million in local annual spending.
- The PFD levies a 7 percent excise tax on hotel rooms within the City of Seattle and a 2.8 percent excise tax on hotel rooms in the balance of King County.
- Funds to build the Addition will come from WSCC cash reserves and bonds backed by hotel room tax revenues, plus the proceeds of sale of the co-development projects to private developers.
- The ability to levy the hotel room tax was given to the PFD by the Legislature; revenues from the tax can only be used for building and operating a convention center, and for promoting local tourism, primarily through Visit Seattle.
- The scale of the project requires temporary street closures during construction and permanent alley and below-grade street vacations, which must undergo public review by the City of Seattle.
- As conditions for alley and street vacations and for permitting as a Planned Community Development, the City of Seattle will require the project to provide public benefits (beyond convention space) such as subsidized housing.
- Construction will close Convention Place Station 18–24 months earlier than King County Metro originally planned, diverting buses from the Downtown Seattle Transit Tunnel to city streets during that period.
- The number of convention-related hotel bookings increased significantly following the convention center's 2002 expansion.
- The Addition appears to be a good deal for the city and its residents.

Overview

The 1982 Legislature passed a bill (Substitute House Bill 1015) authorizing the governor to form a public nonprofit corporation to construct and operate a state convention and trade center in Seattle. The bill began with the declaration: “the convention and trade show business will provide both direct and indirect civic and economic benefits to the people of the state of Washington.”

As construction of such a center in the city of Seattle would particularly benefit larger hotels in Seattle and King County, the Legislature found that a tax on hotel guests in Seattle, and at a lower rate elsewhere in King County, would be “an appropriate method of paying for a substantial part of the cost of constructing, maintaining, and operating a state convention and trade center.” The bill imposed taxes, initially at rates of 3 percent in the city of Seattle and 2 percent in King County outside the city limits.

Construction on the Washington State Convention and Trade Center began in 1985, and the facility opened for business in 1988.

In 2001, the convention center opened a second building, directly to the north of the first. The new building, which is connected to the original building by an arched glass-canopied bridge across Pike Street, more than doubled the amount of exhibition space. In 2010, the convention center opened a conference

center at the northeast corner of 8th and Pike, in space that had initially been intended as a temporary home for the Museum of History and Industry.

The convention center’s legal status changed in 2010. In April, the Legislature passed Substitute Senate Bill 6889 authorizing King County to create a public facilities district (coterminous with the county) to which the center’s properties would be transferred. The County Council passed an ordinance creating such a district in July. In November, the PFD issued \$314.7 million in bonds; \$270.9 million of the proceeds were given to the state to defease outstanding state convention center debt. Transfer of convention center ownership and operations from the old public nonprofit corporation to the new Washington Convention Center Public Facilities District was completed on November 30.

Since 2009, convention center management has pursued an interest in expanding its facilities through construction of a new building on a three-block site bounded by Pine Street, Boren Avenue, Howell Street and 9th Avenue, which includes King County Metro’s Convention Place Station (CPS). WSCC is currently in discussions with King County regarding acquiring CPS and with the City of Seattle and other jurisdictions regarding entitlements, environmental and traffic impacts during construction,

Public Facilities District

State law allows Public Facilities Districts (PFDs) to be created by counties, cities, towns or groups of contiguous cities and towns.

Once created, PFDs are independent municipal corporations with independent taxing authority. A PFD has all the powers of a public corporation; this includes hiring authority and contracting with public or private parties (including agreements with the state, municipal corporations, or other government entities) to ac-

quire or sell property. It can take out loans with the state, with municipal corporations, or with other organizations.

The Washington State Convention Center Public Facilities District was created through King County Ordinance 16883, which was signed on July 20, 2010. It is led by a nine-person Board of Directors. Three directors are chosen by the governor; three by the Seattle mayor; and three by the King County executive. One of the directors chosen by the governor and one cho-

sen by the county executive must be representatives of the lodging industry. One of the directors chosen by the mayor must be a representative of organized labor.

WSCC has authority to issue both general obligation bonds and revenue bonds. The only taxes it currently levies are the lodging taxes discussed in the box on page 6.

State law authorizes King County to exercise its power of eminent domain to acquire property on behalf of the PFD.

and public use benefits. WSCC hopes to begin construction on the Addition in 2017, with the new building opening in 2020.

WSCC 2015 Operations

WSCC hosted 340 events in 2015, with more than 411,000 individuals attending these events (WSCC 2016c).

WSCC operating revenue for 2015 totaled \$44.9 million. Major revenue items included: \$4.4 million from building rent; \$19.7 million from food service; \$3.6 million from parking; \$3.0 million from facility services; \$0.5 million from retail leases; and \$12.2 million from lodging tax revenues earmarked for marketing (WSCC 2016d).

Operating expenses for 2015 totaled \$42.7 million. Major expense items included: \$8.3 million for wages and salaries for WSCC staff; \$5.0 million for staff

benefits; \$10.5 million for food service; \$2.8 million for professional services; \$2.7 million for utilities; \$2.0 million for repair and maintenance; and \$10.5 million for marketing services provided by Visit Seattle, which is the region's destination marketing organization (WSCC 2016d)

WSCC's net operating income for the year was \$2.2 million.

The economic benefits of the convention center extend far beyond revenues captured by WSCC, however. The economic consulting firm ECONorthwest estimates that spending by the organizers and attendees of the 340 events held at the center in 2015 totaled \$458.5 million, which is more than ten times WSCC's direct operating revenue (ECONorthwest 2016).

Convention center events in 2015 generated more than 329,800 room nights at local hotels, an average of more than 900 rooms per night (WSCC 2016c).

Economists focus on the portion of event-related spending attributable to out-of-state attendees, because these funds are "new money" to the state. ECONorthwest estimates that nearly 185,700 of the attendees came from out of state and that the spending attributed to out-of-state attendees exceeded \$375 million. The state, city and county gov-

WSCC Events and Attendance in 2015

	Events	Attendees	Attendees Per Event
National / International	50	164,197	3,284
Local / Regional	290	246,970	852
Total	340	411,167	4,136
Total Room Nights	329,820		

2015 Spending Generated by WSCC

(Dollars in Millions)

	Total Spending	Attributed to Out-of-State Attendees
Lodging and Incidentals	\$192.1	\$162.0
Food and Beverage	\$105.6	\$88.6
Entertainment and Recreation	\$9.9	\$7.4
Retail	\$28.9	\$24.6
Transportation	\$33.7	\$26.8
Meeting Space	\$14.3	\$10.6
Various Other Services	\$74.0	\$55.4
Total	\$458.5	\$375.6

Taxes Generated in 2015

(Dollars in Millions)

Retail Sales Tax	
Washington State	\$20.4
King County	\$0.9
City of Seattle	\$2.9
Sound Transit	\$2.8
METRO Transit	\$1.4
Total RST	\$28.4
Lodging Tax	
WSCC	\$10.8
Total Taxes	\$39.2

ernments collected \$28.4 million in retail sales tax on out-of-state attendees' spending. In addition, the PFD received \$10.8 million in lodging tax on rooms rented to out-of-state attendees.

In addition to the \$12.2 million of lodging tax revenue that was booked as operating income and was used to fund marketing, WSCC received an additional \$61.0 million in lodging tax revenue that was used primarily for debt service, capital purchases and additions to reserves.

Expanding WSCC

WSCC intends to begin construction of the Addition in 2017 and open the new facility in 2020.

The center experienced a considerable increase in business following the 2002 opening of its new building north of Pike Street. Center management believes that the Addition will be similarly successful in expanding business.

The chart below shows event attendee hotel room nights booked through Visit Seattle for the years 1995 through 2017. (About 90 percent of WSCC attendee rooms are booked through Visit Seattle.) The peak year prior to the opening of the new facility was 1999, when 265,579 attendee rooms were booked through Visit Seattle. Bookings fell off in 2000 and

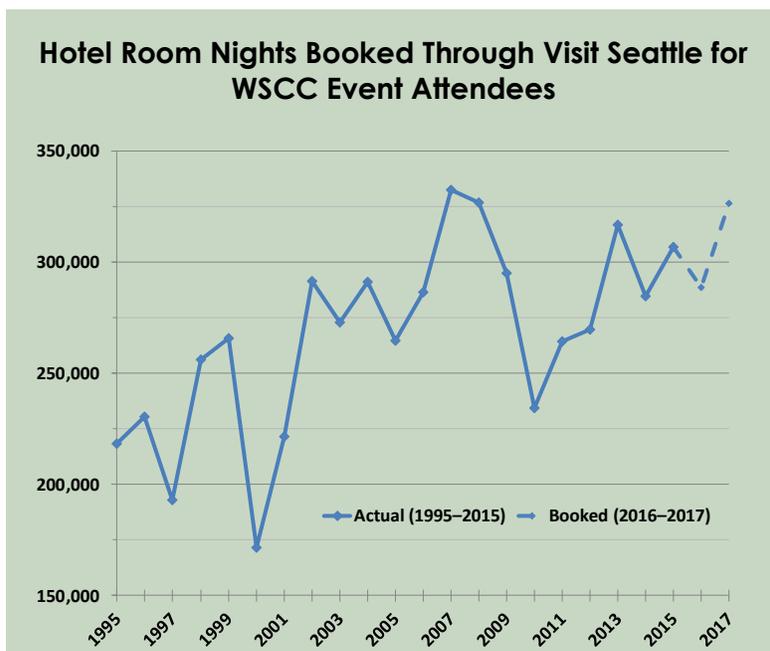
2001, during the dot-com bust, and then jumped back to 291,453 in 2002, the year the new facility opened. Peak bookings of 332,331 were reached in 2007, the last full year before the onset of the Great Recession. The worst year of the Great Recession was not as bad as the worst year of the dot-com bust. Room bookings for 2017 are approaching 2007 levels.

Center management had been interested in expansion prior to the transfer of ownership of the convention center to the PFD in 2010. In 2009, legislative supporters of the center (including current Seattle Mayor Ed Murray) introduced House Bill 2178 and companion Senate Bill 5875, proposing an additional facility on the site of CPS. Neither of these bills progressed, however, as legislators shifted focus to SB 6889, which set into motion the transfer of ownership of the center from the state to a public facilities district (City of Seattle 2010).

SB 6889 was part of the settlement of a lawsuit against the state brought by Seattle hoteliers challenging the diversion of lodging tax revenues away from the Center to the state general fund (City of Seattle 2010). The PFD structure makes future diversions much more difficult. The bill's proponents' also specifically cited WSCC expansion as a positive consequence of the bill.

Based on its analysis of business lost or turned away in recent years, WSCC is confident that the Addition will attract new business. From 2011 to 2015, WSCC lost or turned away 108 possible events because the existing facilities were too small and another 329 possible events because the dates desired were not available. The biggest benefit of the Addition will come from expanding the number of available dates:

While the Addition will enable WSCC to attract a handful of larger conventions annually, the far more important benefit is that it will enable both facilities to operate simultane-



ously and often slightly out of synch, so that when one large conference is active in one facility a second conference might be moving in or out of the other facility. This activity will help even out demand for hotels and services, creating a higher level of demand year-round. (WSCC Addition)

WSCC has commissioned two forecasts of the additional business that would be generated by the Addition. A January 2014 report by the firm Conventions, Sports, and Leisure International estimated that the expansion would draw an additional 161 events to the Center, with 199,237 attendees, and generate 239,400 room nights for local hotels (CSL 2014).

ECONorthwest projects that these events would generate \$232 million in additional direct spending, of which \$196 million would be attributable to out-of-state attendees. Additional retail sales tax reve-

nues due to this out-of-state spending would total \$14.8 million, while additional lodging tax revenue would total \$5.7 million (ECONorthwest 2016).

This activity would create 2,300 continuing jobs at the convention center and in the local hospitality industry. It is estimated that 1,600 continuing jobs stemming from the increase in economic activity would be created in other industries. WSCC also expects the project to provide 6,000 one-time construction jobs (WSCC Addition).

A second forecast predicts an even larger amount of new business for the Center. The report issued in November 2015 by HVS Convention, Sports & Entertainment Facilities Consulting estimates that the expansion would draw an additional 231 events with 264,700 attendees, and generate 264,700 room nights (HVS 2015).

The City of Seattle will mandate that WSCC include public benefit components in its project. One possible public benefit is to provide subsidized housing, in addition to the \$5 million in subsidized housing King County has required for the sale of CPS. Other public benefit targets include improvements to walkways and the "pedestrian experience," as well as safer connections at the intersection of downtown, Denny Triangle, Capitol Hill and First Hill. The project is in-

Spending Generated by the Addition

	Events	Attendees	Attendees Per Event
National / International	23	89,631	3,897
Local / Regional	138	109,606	794
Total	161	199,237	1,237
Total Room Nights	239,400		

Incremental Attendance Generated by the Addition

(Dollars in Millions)

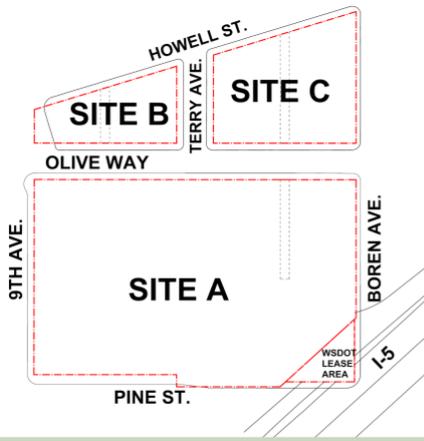
	Total Spending	Attributed to Out-of-State Attendees
Lodging and Incidentals	\$99.9	\$86.0
Food and Beverage	\$53.1	\$46.2
Entertainment and Recreation	\$4.8	\$3.7
Retail	\$13.9	\$12.4
Transportation	\$16.6	\$13.6
Meeting Space	\$6.7	\$5.4
Various Other Services	\$37.4	\$29.2
Total	\$232.4	\$196.5

Taxes Generated By the Addition

(Dollars in Millions)

Retail Sales Tax	
Washington State	\$10.7
King County	\$0.5
City of Seattle	\$1.5
Sound Transit	\$1.5
METRO Transit	\$0.7
Total RST	\$14.8
Lodging Tax	
WSCC	\$5.7
Total	\$20.5

The Addition Would Extend Across Three Sites



tended to draw business to the Capitol Hill, South Lake Union, Denny Triangle, and Pike and Pine neighborhoods (WSCC Addition). Modern retail space that is specifically geared toward local use will be included (Lewis 2016).

Design

LMN Architects is designing the new expansion with an approach “firmly rooted in an urban context and supported by a vertically organized program” (LMN 2015). Sites A, B, and C

illustrate the components of the project (see the figure to the left). Altogether, Site A could comprise as much as 1,230,000 square feet of convention center floor area: ballrooms, meeting rooms, exhibition space, and flex hall space would be stacked across five stories (see the figure on the next page). Sites B and C are needed to provide one subsurface level to provide a freight loading dock and service areas. Above ground, Site B would feature a privately developed 29-story residential building with approxi-

mately 400 units, and Site C would feature a privately developed 16-story office building.

In addition to creating a “highly efficient design” that meets WSCC’s needs as a convention center, LMN wants to create an active and unique “sense of place” along the edges of these sites, to “engage the urban framework of downtown Seattle” (LMN 2015). The edges of the property would include transparent, open facades, with the purpose of allowing visibility of building activity, and newly created open space for residents, visitors, and workers, while minimizing the visibility of service areas.

Where the Addition and co-development meet the street, the primary goals are to create continuity with the Denny Triangle neighborhood, enhance the Pine Street link between Capitol Hill and the downtown area, provide an interesting interface along Boren with exposure to I-5 and the neighborhood to the east, and to extend the Green Street experience on Ninth Avenue (LMN 2015).

Site Acquisition

The proposed building will be located near the existing WSCC and will span

Lodging Taxes

The WSCC PFD is allowed to levy a lodging tax on facilities with 60 or more lodging units. The maximum allowed tax rate is 7 percent within Seattle’s borders, and 2.8 percent throughout the rest of King County. The lodging tax is in addition to standard retail sales tax, which is 9.6 percent in Seattle and nearby suburbs. The PFD can only spend revenues from the lodging tax on expenses associated with the convention center (RCW 36.100.030).

WSCC received \$73.2 million in 2015, \$65.5 million in 2014 and \$57.0 million in 2013 from this tax.

In recent years the PFD has used revenue from the lodging tax to pay debt service on the bonds is-

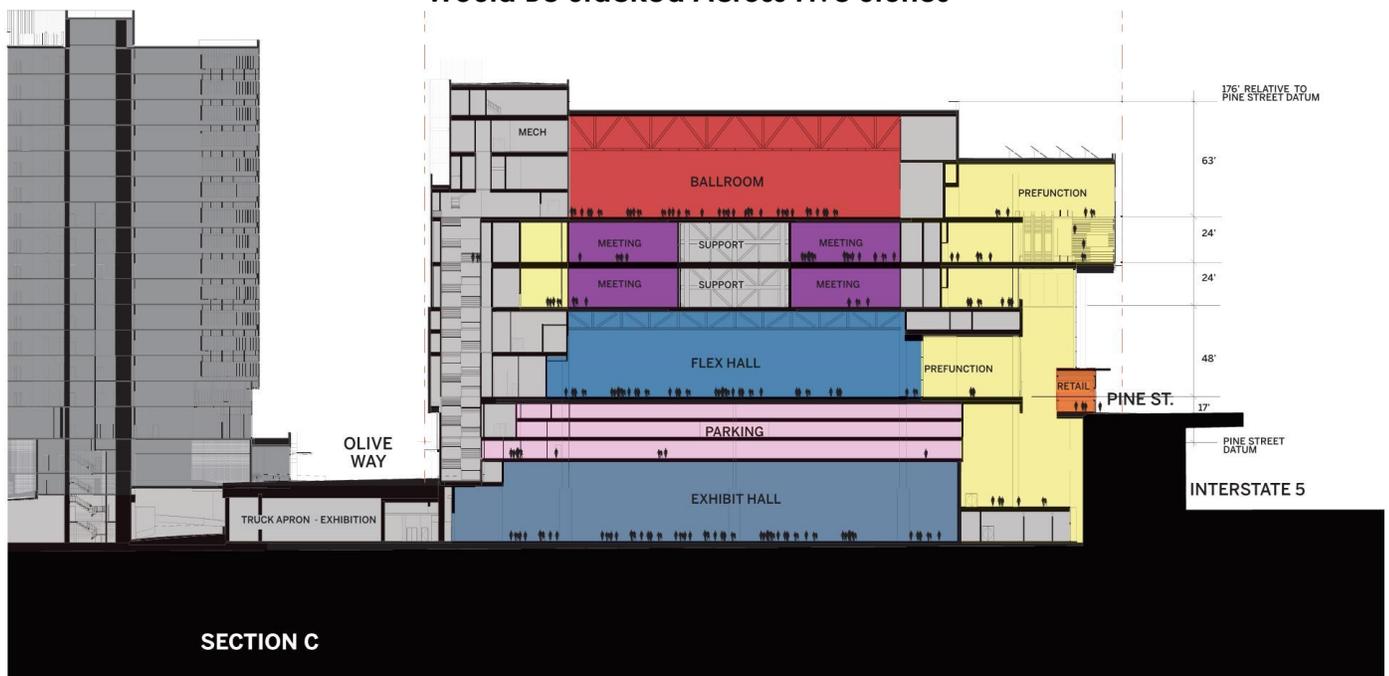
sued when it “bought” the conference center property from the predecessor public nonprofit corporation, fund capital improvements, cover marketing expenses (including contributions to Visit Seattle), and add to reserves.

WSCC can also levy an additional 2 percent excise tax on lodging within Seattle only. This 2 percent tax is credited against the state sales tax so that there is no net tax impact on lodging customers. Normally the WSCC PFD forwards the proceeds of this tax (plus a little bit of interest) to the state at year end so that there is no net impact on the state’s general fund. The purpose of this tax is to provide additional security to investors in WSCC’s debt obligations. If no oth-

er funds are available, proceeds from the 2 percent additional tax can be used “for the purpose of paying or securing the payment of the principle of an interest on obligations issued or incurred by the PFD to implement any redemption, prepayment, or legal defeasance of outstanding obligations...” If the PFD is forced to use any proceeds from the additional 2 percent tax in this way, the amount is considered a loan, to be repaid based on agreement between the PFD and the State Treasurer (RCW 36.100.040).

The convention center has never utilized the additional excise tax in this way, and does not expect to do so during the course of the proposed expansion.

Ballrooms, Meeting Rooms, Exhibition Space, and Flex Hall Space Would Be Stacked Across Five Stories



three blocks, from 9th Avenue to Boren Avenue in one direction, and Pine Street to Howell Street in the other. Its footprint will contain about 334,000 square feet, depending on WSCC's ability to secure key permanent alley and street vacations and development rights. Several parcels are associated with this acquisition. Some, previously owned by a Honda dealership, were acquired in a straightforward sale funded by WSCC's cash surplus. Other acquisitions have been more complex (Hovee and Logue 2015).

One private company, Kollias Family LLC (a retail business), was unwilling to sell its parcel at Terry Avenue and Howell Street. WSCC petitioned King County to represent the center in condemnation proceedings to acquire the land. Final steps in the condemnation proceedings occurred late in 2015, and following mediation, WSCC purchased the parcel using its cash surplus (WSCC 2015, 2016e). WSCC also purchased the Sound Transit Field Office at Ninth Avenue and Howell Street.

To proceed as planned, the Addition also requires acquisition of CPS, and WSCC is currently negotiating a Purchase and Sale

Agreement with King County. The station, where the Downtown Seattle Transit Tunnel terminates for buses, has been scheduled to close for several years, as the Link Light Rail project continues its move toward Northgate. The Light Rail project had initially listed Convention Place Station as a Light Rail stop, but removed it from its plans in 2002. The anticipated closure for the station had been somewhere around 2020–2021. The project would require it to close about 18–24 months earlier (Lewis 2016). Resulting changes to transit would include the removal of CPS access and the temporary return of some bus routes to surface streets.

Funding and Feasibility

The projected cost of acquiring the necessary property for the project to proceed as planned is approximately \$260 million (Hovee and Logue 2015). Approximately \$113 million will be paid for out of WSCC's cash surplus. Another \$147 million will be paid on a 30-year schedule via a subordinated note to King County. Funding for both of these methods of payment stem directly from revenue on the 7 percent lodging tax.

As part of its bonding authority and issuance of indebtedness for the project, the convention center must comply with financial feasibility assessments. An independent feasibility review completed in May 2015 by E. D. Hovee & Company stated that, “under base conditions of lodging tax growth, there appears to be more than ample revenue” for WSCC to continue paying its senior lien debt, as well as expenses associated with acquisition of property and debt repayment to King County. It also notes that WSCC’s revenue projections in this case are conservative, as they do not include incremental revenue growth expected from the expansion. (Hovee and Logue 2015). After calculating stress tests, the review cited that it would take years of unprecedented, sustained losses, without recovery, to cause WSCC to be unable to pay back its loans on its proposed schedule (Hovee and Logue 2015).

The second phase of the convention center’s required independent feasibility review, which is currently under way, will assess the financial feasibility of the construction and operation of the Addition.

Environmental Review

The State Environmental Policy Act (SEPA) requires that certain large-scale projects draft and complete an Environmental Impact Study (EIS) that is available for public comment and review (Minutes, March). WSCC published a draft of the study for public comment early in 2016.

The Washington State Department of Transportation (WSDOT) owns a small corner of the proposed WSCC Addition. Since WSCC would need to cantilever the building above WSDOT property in this corner, WSCC needs to negotiate a ground lease and air rights lease with the state. Upon review, the Federal Highway Administration (Washington division) became involved because this corner passes over an interstate highway. WSCC needs approval from the FHWA for break-in access and removal of a flyover ramp, as well as the ground and air rights lease,

which entails conducting an additional National Environmental Policy Act environmental review.

Construction

Construction will impact transportation around the area. WSCC expansion would accelerate the Convention Place Station closure to late in 2018 (no earlier than September), affecting bus layover facilities. Temporary facilities will be installed along Convention Place instead. Transit on surface streets will increase. The Downtown Seattle Transit Tunnel will close to buses, and some bus routes will be eliminated (this would eventually happen whether WSCC expansion occurs or not). The project would also involve reconfiguring a ramp on 9th Avenue and Pike Street for access to I-5, which buses would use after the transit facilities in Convention Place Station are demolished.

The cumulative effects of construction and transit changes will affect traffic in the short term. Overall, traffic volume will be higher during construction, particularly on Olive Way. Pedestrian availability will become more limited here as well (WSCC 2016a). Ninth Avenue would be modified to accommodate two-way access for transit and local vehicles during construction, and would ultimately become a permanent two-way street between Pine and Olive (WSCC 2016a). The rerouting along 9th Avenue will affect traffic at surrounding intersections. Pedestrian detours can be expected around the construction site. After the project is complete, 9th Avenue will experience much more foot traffic, partly due to increased convention center activity. The ultimate layout of the grid after the project is complete is not expected to cause significantly increased traffic at key intersections, except for on Olive Way. By 2021, traffic and delays are projected to increase in these intersections overall, whether the expansion goes forward or not.

WSCC convention center expansion may be permitted as a Planned Community

Development. This enables WSCC to permit the three-block space as a single unit. The petition process is lengthy, and is planned to continue well into 2017. This is an especially important review process for WSCC, because three permanent alley vacations in the project would remove rights of way; the project's interest in these vacations is to facilitate the below-grade loading dock level (Lewis 2016).

Criticism

The Urbanist blog recently published a guest post by David Dahl opposing WSCC expansion, which was subsequently covered in a KUOW radio news segment. Dahl, an urban designer in Seattle, criticized the expansion, claiming the project lacks rigorous public input and opportunity for voter approval. He also cited downturns in WSCC revenues that resulted from the 9–11 terror attack and the 2008 recession, and allegedly declining out-of-state attendance. He depicted the expansion as an "empty facility dedicated to occasional use by visitors" and envisions instead a space "for public use by Seattle residents" (Dahl 2016).

Dahl and KUOW cite Heywood Sanders, a professor of public policy at University of Texas, San Antonio and a leading critic of convention center expansion across the nation, who argues that these centers compete to create needless space and rarely yield the benefits they claim.

WSCC, competing as the smallest of the convention facilities in comparable urban West Coast markets, is nonetheless experiencing trends of reasonable growth and out-of-town spending.

The expansion project, funded by a continuance of the lodging tax paid by hotel guests, does not require a public vote. Jeff Blosser, CEO of the convention center, correctly describes the tax as a "single purpose tax," approved for the direct use of the convention center to ultimately promote hotel and convention activity (Blosser 2016).

No competing proposals have come forward to develop the land in question. The

Urbanist, in a letter sent to the Seattle Department of Transportation, expressed support for the project, saying it "will undoubtedly enhance the quality of life in Downtown and spur economic development citywide." At the same time, the organization endorsed the submissions of seven other Seattle organizations requesting specific public benefit amenities be added to the project. These included the lidding of a small portion of I-5 at Pine and Boren, funding for an open-space pedestrian project on First Hill, safety improvements to Olive Way, and improved pedestrian lighting and upgrades to Freeway Park entrances (Urbanist Editorial Board 2016).

As the permitting process continues, there will be many more opportunities for public input.

The Future of WSCC

Tom Norwalk emphasizes why the Washington State Convention Center, and convention center business in general, is different in Seattle. Underutilization "has never been the story in Seattle," according to Norwalk. He cites that 60 percent of business booked by the convention center is repeat business, atypical for most cities. He also points out that 75 percent of booked business is in "the association world," wherein meeting planners typically do not cancel. As opposed to private corporations, which may be prone to canceling in strained economic climates, professional associations have charters requiring that all members physically meet on some consistent basis. Thus, while attendance may fluctuate, booking changes will be less volatile, even in economic downturns (Norwalk 2016).

Another benefit of doing business with professional associations, he cites, are the "insurance policies" the center enjoys from drawing contracts with organizations far into the future. The Association for Vision in Research and Ophthalmology, for example, has confirmed Seattle meetings in 2022 and 2029, and will be using 15 hotels throughout the city. It's

“the only part of the travel industry that will commit to booking in five or ten years” (Norwalk 2016).

The Visit Seattle president also points out that any one convention can have \$2 million to \$10 million in direct economic impact. As an example, an article in Geekwire enthusiastically mentions the possibility of increased ticket availability for PAX West, a hugely popular video gaming expo, after construction of the Addition. Geekwire observes that PAX West currently “occupies nearly every available space downtown”—including the convention center, Benaroya Hall, and hotel ballrooms—but that demand is ten times higher than supply, and that this year’s tickets sold out in just two hours (Ellis 2016). In 2015, PAX West brought in, according to Visit Seattle, \$24,949,950 in direct sales, directly supported 6,050 jobs, and brought in \$7,456,414 in lodging spending (Event Impact Summary).

Comment

Over the past 20 years, the annual value of economic activity generated by WSCC in the community has grown significantly, to total more than \$450 million in 2015. This activity in turn generated nearly \$40 million of tax revenue for state and local governments and about 6,000 jobs in 2015. Given the volume of business WSCC turns away because desired dates are unavailable, it is clear that WSCC-related economic activity, tax revenues and jobs will increase if the proposed Addition is built.

In addition to these general economic benefits, the City of Seattle will require WSCC to provide additional specific public benefits—notably subsidized housing—as conditions for permission to proceed with the project.

The expansion will be funded primarily by a bond issuance by WSCC supported by the existing tax on hotel rooms. No new taxes will be needed for the addition. These taxes are paid primarily by visitors rather than by local residents. Under

state law, revenue from these taxes can only be used for building and operating a convention center, and for promoting local tourism, primarily through Visit Seattle.

So long as it passes the independent feasibility review that is currently underway, WSCC Addition project appears to be a good deal for the city, its residents and local taxpayers.

References

- Blosser, Jeff (President/CEO, WSCC). 2016. Interview by Kriss Sjoblom and Danielle Goldenberg, Aug.
- Conventions, Sports & Leisure International (CSL). 2014. Expansion Market Feasibility Analysis for Additional Convention & Meeting Facilities in Seattle. Jan. 28.
- Dahl, David. 2016. “Washington State Convention Center Expansion Is Not Inevitable.” Guest Post on The Urbanist (blog). May 5. Accessed August 25, 2016. <https://www.theurbanist.org/2016/05/05/washington-state-convention-center-expansion-is-not-inevitable/>.
- ECONorthwest. 2016. Expanded WSCC Impacts FY 15 Annual Report 16-0505 (Excel workbook). May 5.
- Ellis, Tim. 2016. “Will Convention Center Expansion Alleviate The PAX West Ticket Crunch?” GeekWire. June 08. Accessed August 24, 2016. <http://www.geekwire.com/2016/will-convention-center-expansion-alleviate-pax-west-ticket-crunch/>.
- Hiramoto, KJ. 2015. Community Weighs In on Washington State Convention Center Expansion. The Capitol Hill Times. September 9. Accessed August 26, 2016. <http://www.capitolhilltimes.com/2015/09/community-weighs-in-on-washington-state-convention-center-expansion/>.
- HVS Convention, Sports & Entertainment Facilities Consulting (HVS). 2015. Financial Operations Analysis of the

- Washington State Convention Center. Nov. 12.
- Hovee, Eric, and Andrea Logue. 2015. Washington State Convention Center Expansion: Land Acquisition and Financing Feasibility. Publication. Vancouver, WA: E.D. Hovee & Company, LLC. Accessed August 10, 2016. <http://classic.commerce.wa.gov/Documents/PFD-WSCC-Land-Acquisition-Financing-Feasibility-Review.pdf>.
- Hyde, David. 2016. The Big, Expensive Project in Downtown Seattle We're Not Talking About. KUOW News and Information. June 8. Accessed August 25, 2016. <http://kuow.org/post/big-expensive-project-downtown-seattle-were-not-talking-about>.
- Lewis, Jane (Principal, Pine Street Group). 2016. Interview by Kriss Sjoblom and Danielle Goldenberg, August.
- LMN. 2015. Washington State Convention Center Addition Project, Downtown Design Review Board Meeting, Early Design Guidance #2. July 21. <http://www.seattle.gov/dpd/AppDocs/GroupMeetings/DRProposal3020176AgendaID5444.pdf>
- Municipal Research and Service Center (MRSC) 2016a. Street and Road Vacation Procedures. July 15. Accessed August 25, 2016. [http://mrsc.org/Home/Explore-Topics/Public-Works/Streets,-Road-and-Sidewalks/Street-and-Road-Vacation-Procedures-\(1\).aspx](http://mrsc.org/Home/Explore-Topics/Public-Works/Streets,-Road-and-Sidewalks/Street-and-Road-Vacation-Procedures-(1).aspx).
- . 2016b. Eminent Domain. Accessed August 16, 2016. <http://mrsc.org/Home/Explore-Topics/Legal/General-Government/Eminent-Domain.aspx>.
- Norwalk, Tom (President/CEO, Visit Seattle), interview by Kriss Sjoblom and Danielle Goldenberg, August 2016.
- Seattle, City of. 2010. 2010 State Legislative Agenda Final Report - Sine Die. OIR FY 2010 - State Legislative Agenda, Exhibit A, Version 3. <http://www.seattle.gov/Documents/Departments/O-R/2010SineDieStateLegislativeReportFNL.pdf>
- Urbanist Editorial Board. 2016. Endorsement: Convention Center Addition Public Benefit Requests. The Urbanist (blog). April 8. Accessed August 25, 2016. <https://www.theurbanist.org/2016/04/08/endorsement-convention-center-addition-public-benefit-requests/>.
- Washington State Convention Center (WSCC). 2015. Board of Directors Regular Meeting Minutes. November 24. <http://www.wsc.com/about-wsc/governance/meetings-agenda-minutes>
- . 2016a. Draft Environmental Impact Statement for the Washington State Convention Center Addition. February 26, 2016. Accessed August 26, 2016. <http://www.wsc.com/sites/default/files/find-it/files/WSCC%20Addition%20Draft%20EIS.pdf>
- . 2016b. Notice of NEPA EIS Scoping and EIS Public Meeting for King County Site Work and Washington State Convention Center Addition. July. <http://www.wsc.com/sites/default/files/find-it/files/NEPA%20EIS%20Scoping%20Notice%20Final%2016-07-13.pdf>
- . 2016c. Overview of Annual Report, Fiscal Year End December 31, 2015. http://www.wsc.com/sites/default/files/find-it/files/WSCC_AR2015_0.pdf
- . 2016d. Detailed Audited Financials for December 31, 2014 and 2015. <http://www.wsc.com/sites/default/files/find-it/files/WSCC%202015%20Final%20Published%20Financial%20Report.pdf>
- . 2016e. Board of Directors Regular Meeting Minutes. January 26. <http://www.wsc.com/about-wsc/governance/meetings-agenda-minutes>
- WSCC Addition. Website devoted to the Washington State Convention Center Addition. Accessed August 25, 2016. <http://www.wscaddition.com/>