HOUSE BILL REPORT
SHB 1433

As Amended by the Senate

Title: An act relating to leases with consortiums of counties formed to acquire correctional facilities.

Brief Description: Leasing property to counties for correctional facilities.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Sump, McMorris, Ballasiotes, DeBolt, Sheahan, Talcott, Quall, D. Sommers, Honeyford, Chandler, Schoesler, Crouse, Mastin and Mielke).

Brief History:
Committee Activity:
Capital Budget: 2/13/97; 2/21/97 [DPS].
Floor Activity:
Passed House: 3/11/97, 97-0.
Senate Amended.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Sullivan, Assistant Ranking Minority Member; Costa; Hankins; Koster; Lantz; Mitchell; D. Sommers; and H. Sommers.

Staff: Bill Robinson (786-7140).

Background: Many counties need additional capacity for housing juvenile offenders and adult inmates. Regional projects have been discussed under which groups of counties would act together in acquiring and operating shared facilities.

One such example is known as the Martin Hall project, on the Medical Lake campus of Eastern State Hospital. Nine counties have formed a consortium and have negotiated an agreement with the Department of Social and Health Services (DSHS) to lease Martin Hall so they can renovate it into a shared facility for housing the counties' juvenile offenders. The renovation of Martin Hall is under construction and is projected to be completed for occupancy in the fall of 1997. The $6 million renovation project, financed by bonds issued by Stevens County, will house 52 juvenile offenders. The debt payments on the bonds and the operating costs of the facility will be shared by the participating counties on the basis of the number of beds used in the facility.

Legislation adopted in 1996 authorized the lease for the use of Martin Hall and stipulated that the initial lease must not exceed 20 years. The lease cannot charge more than $1 per year for the land and facility, but the lease may include payment for reasonable operation and maintenance costs of DSHS. If the initial lease is renewed, however, the new lease must charge the fair rental value of the land and the facility. The proceeds from the lease payments must be used for programs at Eastern State Hospital for the long term care of patients with mental disorders.

Summary of Bill: The initial lease for real property between a consortium of counties and DSHS may not exceed 50 years. The lease can be renewed by the consortium of counties under the same terms and conditions as the initial lease. The renewed lease is no longer required to charge fair rental value of the land and facility as determined by the commissioner of public lands.

The duration of any lease between DSHS and a consortium of counties signed after January 1, 1996, must be changed from 20 years to 50 years. No other terms of the lease may be changed unless both parties agree to renegotiation.

EFFECT OF SENATE AMENDMENTS: Creates an exception to allow a 50-year initial lease at Eastern State Hospital for the Martin Hall project while retaining the current requirement that all other initial consortium leases must not exceed 20 years.

Retains the requirement to charge the fair rental value of the facilities after the initial term of a lease expires, but it clarifies that no charge shall be made for improvements paid for by the contracting consortium.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The 50-year lease is consistent with the original agreement between the department and the consortium of counties. The legislation limiting leases to 20 years was enacted after the agreement for Martin Hall was signed. A renewed lease should not be required to charge market value on the facility since the counties paid the full cost of renovating the building. Martin Hall would have no value if the counties had not upgraded the facility. If the counties had known that the statutes changed to require market rate lease payments, they would have never agreed to remodel Martin Hall for a juvenile facility.

Testimony Against: None.

Testified: J.D. Anderson, Stevens County Commissioner; Jim Potts, Martin Hall Consortium Board; Gary Lowe, Washington Association of Counties; and John Reynolds, Department of Social and Health Services.