

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE SENATE BILL 6156

55th Legislature
1998 Regular Session

Passed by the Senate March 7, 1998
YEAS 49 NAYS 0

President of the Senate

Passed by the House March 4, 1998
YEAS 97 NAYS 0

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Mike O Connell, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE SENATE BILL 6156** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SECOND SUBSTITUTE SENATE BILL 6156

AS AMENDED BY THE HOUSE

Passed Legislature - 1998 Regular Session

State of Washington

55th Legislature

1998 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Swecker, Fraser and Spanel; by request of Department of Natural Resources)

Read first time 02/10/98.

1 AN ACT Relating to studying methods for calculating water-dependent
2 lease rates on state-owned aquatic lands; amending RCW 79.90.480; and
3 creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that the current
6 method for determining water-dependent rental rates for aquatic land
7 leases may not be achieving the management goals in RCW 79.90.455. The
8 current method for setting rental rates, as well as alternatives to the
9 current methods, should be evaluated in light of achieving management
10 goals for aquatic lands leases. The legislature further finds that
11 there should be no further increases in water-dependent rental rates
12 for marina leases before the completion of this evaluation.

13 (2) The department of natural resources shall study and prepare a
14 report to the legislature on alternatives to the current method for
15 determination of water-dependent rent set forth in RCW 79.90.480. The
16 report shall be prepared with the assistance of appropriate outside
17 economic expertise and stakeholder involvement. Affected stakeholders
18 shall participate with the department by providing information

1 necessary to complete this study. For each alternative, the report
2 shall:

3 (a) Describe each method and the costs and benefits of each;

4 (b) Compare each with the current method of calculating rents;

5 (c) Provide the private industry perspective;

6 (d) Describe the public perspective;

7 (e) Analyze the impact on state lease revenue;

8 (f) Evaluate the impacts of water-dependent rates on economic
9 development in economically distressed counties; and

10 (g) Evaluate the ease of administration.

11 (3) The report shall be presented to the legislature by November 1,
12 1998, with the recommendations of the department clearly identified.
13 The department's recommendations shall include draft legislation as
14 necessary for implementation of its recommendations.

15 **Sec. 2.** RCW 79.90.480 and 1984 c 221 s 7 are each amended to read
16 as follows:

17 Except as otherwise provided by this chapter, annual rent rates for
18 the lease of state-owned aquatic lands for water-dependent uses shall
19 be determined as follows:

20 (1)(a) The assessed land value, exclusive of improvements, as
21 determined by the county assessor, of the upland tax parcel used in
22 conjunction with the leased area or, if there are no such uplands, of
23 the nearest upland tax parcel used for water-dependent purposes divided
24 by the parcel area equals the upland value.

25 (b) The upland value times the area of leased aquatic lands times
26 thirty percent equals the aquatic land value.

27 (2) As of July 1, 1989, and each July 1 thereafter, the department
28 shall determine the real capitalization rate to be applied to water-
29 dependent aquatic land leases commencing or being adjusted under
30 subsection (3)(a) of this section in that fiscal year. The real
31 capitalization rate shall be the real rate of return, except that until
32 June 30, 1989, the real capitalization rate shall be five percent and
33 thereafter it shall not change by more than one percentage point in any
34 one year or be more than seven percent or less than three percent.

35 (3) The annual rent shall be:

36 (a) Determined initially, and redetermined every four years or as
37 otherwise provided in the lease, by multiplying the aquatic land value
38 times the real capitalization rate; and

1 (b) Adjusted by the inflation rate each year in which the rent is
2 not determined under subsection (3)(a) of this section.

3 (4) If the upland parcel used in conjunction with the leased area
4 is not assessed or has an assessed value inconsistent with the purposes
5 of the lease, the nearest comparable upland parcel used for similar
6 purposes shall be substituted and the lease payment determined in the
7 same manner as provided in this section.

8 (5) For the purposes of this section, "upland tax parcel" is a tax
9 parcel, some portion of which has upland characteristics. Filled
10 tidelands or shorelands with upland characteristics which abut state-
11 owned aquatic land shall be considered as uplands in determining
12 aquatic land values.

13 (6) The annual rent for filled state-owned aquatic lands that have
14 the characteristics of uplands shall be determined in accordance with
15 RCW 79.90.500 in those cases in which the state owns the fill and has
16 a right to charge for the fill.

17 (7) For leases for marina uses only, beginning on the effective
18 date of this section, the annual rental rates in effect on December 31,
19 1997, shall remain in effect until July 1, 1999, at which time the
20 annual water-dependent rent shall be determined by the method in effect
21 at that time. In order to be eligible for the rate to remain at this
22 level, a marina lease must be in good standing, meaning that the lessee
23 must be current with payment of rent, the lease not expired or in
24 approved holdover status, and the lessee not in breach of other terms
25 of the agreement.

26 (8) For all new leases for marinas, or any other water-dependent
27 use, issued after December 31, 1997, the initial annual water-dependent
28 rent shall be determined by the methods in subsections (1) through (6)
29 of this section.

30 NEW SECTION. Sec. 3. In order to facilitate the participation of
31 affected stakeholders in the preparation of the report to the
32 legislature, the department of natural resources shall form two
33 committees: The report preparation committee and the report evaluation
34 committee.

35 (1) The report preparation committee consists of one representative
36 with knowledge of waterfront industries and economic principles from
37 each of the following groups: Private marina operators, northwest
38 marine trade association, association of Washington cities, association

1 of Washington counties, Washington public ports association, commercial
2 waterfront business other than marinas, and the aquatic resources
3 division of the department of natural resources. The report
4 preparation committee will work with the staff and consultants of the
5 department of natural resources to assemble and evaluate relevant data,
6 develop alternatives, and draft the report.

7 (2) The report evaluation committee consists of the manager of the
8 aquatic resources division, three representatives of the marina
9 industry state-wide nominated by the Northwest marine trade
10 association, three representatives of other commercial users of aquatic
11 lands state-wide chosen by the department of natural resources in
12 consultation with the Northwest marine trade association, the executive
13 director of the Washington public ports association, and one
14 representative selected jointly by the association of Washington cities
15 and the association of Washington counties. The report evaluation
16 committee shall review the draft report submitted by the report
17 preparation committee and assist the department of natural resources in
18 identifying economic impacts of the various alternatives and in
19 selecting a preferred alternative to present to the legislature.

20 NEW SECTION. **Sec. 4.** If specific funding for the purposes of this
21 act, referencing this act by bill or chapter number, is not provided by
22 June 30, 1998, in the omnibus appropriations act, this act is null and
23 void.

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