

FINAL BILL REPORT

SHB 2800

C 162 L 02

Synopsis as Enacted

Brief Description: Removing the capital projects surcharge on certain department of services for the blind vendors.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Hunt, Alexander, Romero, Hankins, Murray, Skinner, Woods, Reardon and Casada).

House Committee on Capital Budget
Senate Committee on Ways & Means

Background:

The Department of General Administration (GA) owns and manages a number of buildings in Thurston County including the Department of Transportation building, the General Administration building, the Highway-Licenses building, the Legislative building, the Natural Resources building, Office Building 2 (OB-2) and other buildings. The GA rents these buildings to state agencies for the delivery of programs and to conduct the state's business.

The GA's rental charge to building tenants in Thurston County includes two components: a facilities and services charge for maintenance and operations, and a capital projects surcharge or debt service charge for buildings substantially renovated since October 1994. The GA-owned buildings subject to debt service may be exempt from the capital projects surcharge. The GA assesses these charges to building tenants based on square feet of the GA-owned space. The common areas, such as general lobby space, corridors, and restrooms, are prorated based on each agency's prorated fair share of the building.

The capital projects surcharge was created by the Legislature in 1994 to provide a mechanism for distributing capital costs among agencies and programs occupying facilities owned and managed by the GA in Thurston County, primarily to improve facility decisions and to more efficiently use facilities.

The initial payment structure for this surcharge was \$1 per square foot per year beginning July 1, 1995. State law requires that the surcharge increase over time to an amount that, when combined with a facilities and services charge, equals the market rate for similar types of lease space in the area or equals \$5 per square foot per year, whichever is less. The GA building tenants are currently paying \$4 per square foot per year for the capital projects surcharge.

Proceeds from the capital projects surcharge are deposited into the Thurston County Facilities Account. These funds are subject to capital budget appropriation and may be expended for capital improvements in state facilities owned and managed by the GA in Thurston County.

The GA contracts with the Department of Services for the Blind for cafeteria services in the GA-owned buildings in Thurston County. Cafeteria space fees include rent based upon rentable square feet, which includes maintenance and operations and also includes the capital projects surcharge or debt service charge. All cafeteria locations in the GA-owned facilities are charged for the maintenance and operations portion of the rent at a rate of \$6.72 per rentable square foot per year. Cafeteria vendors located in the GA, the Legislative, the OB-2, and the Department of Transportation buildings pay the capital projects surcharge at a rate of \$4.00 per rentable square foot per year, while cafeteria vendors at the Highway-Licences and the Natural Resources buildings do not pay the capital projects surcharge. The anchor tenants of these buildings have elected to pay the other charge.

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Summary:

Beginning July 1, 2002, the Department of Services for the Blind vendors who operate cafeteria services in a building owned and managed by the Department of General Administration (GA) are exempt from paying the capital projects surcharge. The GA must consider cafeteria space as a common area for purposes of allocating the capital projects surcharge to other building tenants beginning July 1, 2003.

Votes on Final Passage:

House 94 0

Senate 49 0

Effective: June 13, 2002