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## Capital Budget Committee

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### HB 2800

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

**Sponsors:** Representatives Hunt, Alexander, Romero, Hankins, Murray, Skinner, Woods, Reardon and Casada.

#### Brief Summary of Bill

- Exempts Department of Services for the Blind vendors who operate cafeteria services in facilities owned and managed by the Department of General Administration from paying the capital projects surcharge beginning July 1, 2002.

**Hearing Date:** 2/4/02

**Staff:** Susan Howson (786-7142).

#### 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. GA owned buildings subject to debt service may be exempt from the capital projects surcharge. The Department of General Administration assesses these charges to building tenants based on square feet of GA owned space. The common areas, such as general lobby space, corridors, and restrooms, are prorated based on each agencies 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 Department of General Administration (GA) in Thurston County primarily to improve facility decisions and more efficiently use facilities.

The initial payment structure for this surcharge was one dollar 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 five dollars per square foot per year, whichever is less. GA building tenants are currently paying four dollars 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 Department of General Administration in Thurston County.

The GA contracts with the Department of Services for the Blind for cafeteria services in 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 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 GA, Legislative, OB-2 and 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 Natural Resources buildings do not pay the capital projects surcharge. The anchor tenants of these buildings have elected to pay for the other charge. The below chart illustrates the rates paid for cafeteria space for several buildings in Thurston County.

**Services for the Blind Cafeterias in State Owned Thurston County Buildings  
2001-03 Space Rental Charges**

Cafeteria Locations	Bldg Owned by	Rentable Square Feet	Annual Rent Charge Breakdown			Total Annual Rent	Rental Rate Per Sq Foot
			Maintenance & Operations	Capital Projects Surcharge	Debt Service		
General Admin Bldg	GA	1,327	\$8,917	\$5,308	\$0	\$14,225	\$10.72
Legislative Bldg	GA	2,470	\$16,598	\$9,880	\$0	\$26,478	\$10.72
OB-2	GA	2,249	\$15,113	\$8,996	\$0	\$24,109	\$10.72
Transportation Bldg	GA	1,208	\$8,118	\$4,832	\$0	\$12,950	\$10.72
Natural Resources Bldg	GA	3,154	\$21,195	Not applicable	Paid by Other Tenants	\$21,195	\$6.72
Highway-Licenses Bldg	GA	868	\$5,833	Not applicable	Paid by Other Tenants	\$5,833	\$6.72

Labor & Industries Bldg	L&I	3,961	No rent charged by L&I			\$0	\$0
<b>Totals</b>		<b>15,237</b>	<b>\$75,775</b>	<b>\$29,016</b>	<b>\$0</b>	<b>\$104,791</b>	<b>\$6.88</b>
Ecology Bldg	Ecology	2,500	Cafeteria operated by private vendor, not DSB				
Chart information provided by the Department of General Administration.							

**Summary of Bill:**

Beginning July 1, 2002, the Department of the Services for the Blind vendors who operate cafeteria services in a building owned and managed by the Department of General Administration 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.

**Appropriation:** None.

**Fiscal Note:** Requested on January 31, 2002.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.