

FINAL BILL REPORT

SHB 1250

C 310 L 03

Synopsis as Enacted

Brief Description: Determining annual rental rates for the lease of state-owned aquatic lands for qualifying marinas.

Sponsors: By House Committee on Agriculture & Natural Resources (originally sponsored by Representatives Eickmeyer, Schoesler, Linville, Sump, Quall and Mielke; by request of Commissioner of Public Lands).

House Committee on Agriculture & Natural Resources
House Committee on Appropriations
Senate Committee on Natural Resources, Energy & Water
Senate Committee on Ways & Means

Background:

The Legislature has delegated the management of state-owned aquatic lands to the Department of Natural Resources (DNR), with directions to encourage public use and access, foster water-dependent uses, ensure environmental protection, and utilize renewable resources. The DNR is further instructed to charge a rent to the users of state-owned aquatic lands, with different standards applying to different use types. Non-water dependent uses are charged the fair market value for the use of the land. Water dependent uses are charged rent according to a statutory formula.

Water dependent uses, defined as uses that cannot logically exist except on water, are assessed a rent that is associated with upland values. Generally, water dependent uses must pay a rent that is 30 percent of the assessed value of the adjacent upland parcel, plus a real capitalization rate.

The Legislature suspended rent increases for marinas located on state-owned aquatic lands between June 11, 1998, and July 1, 1999. The rent freeze was implemented while the DNR conducted a legislatively-mandated study into other possible rent formulas. The conclusions of the Final Rent Study Report to the Legislature, delivered by the DNR in February of 1999, indicated that at that time a consensus for change was not reached.

Summary:

Rent Calculations

Beginning on July 1, 2004, the lease rates for marinas will be a percentage of the annual

gross revenues of that marina. The percentage must be initially calculated by the DNR to ensure that state revenues are maintained at 2003 levels, including administrative costs. Marinas must return income reporting forms by July 1, 2003, and again annually on a date set by the DNR. The income reporting forms must be provided by the DNR, and certified by a licensed accountant, and may require the disclosure of information relating to the sources of all marina-related income, excluding restaurants and bars. If an income reporting form is not returned, the DNR may audit the marina at the owner's expense.

Initial marina rent formulas must be applied to each marina on its lease anniversary date and be based on that marina's 2003 income information. After 2004, each marina's rent will be recalculated to represent the income information from the previous year. The minimum amount a marina may be charged in rent is \$500 plus administrative costs.

If the DNR does not receive income reporting forms from at least 75 percent of the marinas representing 90 percent of annual marina revenue, the lease calculation method will revert to the method applied to non-marina aquatic land leases.

Legislative Intent/Reporting

The stated intent of the Legislature is to pass additional legislation in 2004 that will codify the actual percentage of gross revenue that will serve as a marina's rent, and that will codify which operations are to be included in the definition of "gross revenue."

Prior to enacting the intended legislation, the DNR is required to develop a recommended formula for rent calculations. The recommended formula must include a percentage or a range of percentages, a system for implementing the percentages, and a designation of the revenues that will be used in calculating the rent. The DNR must convene a work session with the stakeholders to discuss the criteria for setting rents.

Votes on Final Passage:

House 94 2
Senate 48 0 (Senate amended)
House 97 0 (House concurred)

Effective: May 14, 2003