

HOUSE BILL REPORT

HB 1430

As Amended by the Senate

Title: An act relating to the duration of state upland leases for lands managed by the department of natural resources.

Brief Description: Concerning the duration of state upland leases for lands managed by the department of natural resources.

Sponsors: Representatives Kloba and Klicker; by request of Department of Natural Resources.

Brief History:

Committee Activity:

Rural Development, Agriculture & Natural Resources: 2/5/21, 2/10/21 [DP];
Capital Budget: 2/17/21, 2/19/21 [DP].

Floor Activity:

Passed House: 2/26/21, 95-0.
Passed House: 1/14/22, 95-1.
Senate Amended.
Passed Senate: 2/25/22, 47-2.

Brief Summary of Bill

- Changes, from 55 years to 99 years, the maximum length of a lease of land managed by the Department of Natural Resources, where the purpose of the lease is for commercial, industrial, business, or recreational purposes.

HOUSE COMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass. Signed by 15 members: Representatives Chapman, Chair; Shewmake, Vice Chair; Chandler, Ranking Minority Member; Dent, Assistant Ranking Minority Member; Fitzgibbon, Klicker, Kloba, Kretz, Lekanoff, McEntire, Morgan, Orcutt,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Ramos, Schmick and Springer.

Staff: Robert Hatfield (786-7117).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 23 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; McEntire, Assistant Ranking Minority Member; Bateman, Dye, Eslick, Gilday, Kloba, Kraft, Leavitt, MacEwen, Maycumber, Mosbrucker, Peterson, Riccelli, Rule, Santos, Sells, Shewmake and Volz.

Staff: John Wilson-Tepeli (786-7115).

Background:

The Department of Natural Resources (DNR) manages a number of different categories of land, each for a specific purpose and under different management requirements. This includes approximately 3 million acres of federally granted lands and state forestlands, which the DNR manages to support common schools, counties, and other public institutions.

The DNR has the authority to lease state lands for various purposes, including commercial, industrial, residential, agricultural, and recreational uses, in order to obtain a fair-market rental return to the state or appropriate trust.

The DNR generally may not lease state lands for longer than 10 years, although longer leases are specifically authorized in multiple instances. Leases for general agricultural purposes may not exceed 25 years, and leases for tree fruit or grape production may be for up to 55 years. Leases for commercial, industrial, business, or recreational purposes may also be for up to 55 years.

Summary of Bill:

The maximum length of a lease of land managed by the Department of Natural Resources, where the purpose of the lease is for commercial, industrial, business, or recreational purposes, is changed from 55 years to 99 years.

EFFECT OF SENATE AMENDMENT(S):

- Provides that all leases for commercial, industrial, or business purposes that extend beyond 55 years must provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income.
- Requires, for commercial, industrial, or business purpose leases that extend beyond

55 years, the Department of Natural Resources to report the execution of the lease to the Office of Financial Management and the appropriate committees of the Legislature within 30 days of the date of execution of the lease.

- Requires, as part of the report, the inclusion of a financial analysis that justifies the financial benefit for the added term and the schedule for periodic rental adjustments.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Rural Development, Agriculture & Natural Resources):

(In support) The bill is intended to make the Department of Natural Resources (DNR) more competitive when trying to lease trust property for commercial purposes. The DNR manages a portfolio of land assets granted to the state at statehood and is required to put them to their most productive use. Some lands managed by the DNR are zoned for commercial or industrial uses. The construction of a building on leased land requires financing and banks want to see longer lease terms in order to finance the construction. For banks, a 55-year lease is too short; the term needs to be longer. This change in the law would result in increased lease rates and revenue to the trust.

One of the biggest challenges in land development is getting financing. Long-term leases are much more attractive for development and financing than short term leases. This change would make state properties much more competitive in the marketplace. With a short-term lease, when the lease nears the end of its term, building owners tend to stop investing in maintenance because they know they are going to lose the lease.

(Opposed) None.

Staff Summary of Public Testimony (Capital Budget):

(In support) The bill is intended to make the Department of Natural Resources (DNR) more competitive when trying to lease trust property for commercial purposes. The DNR manages a portfolio of land assets granted to the state at statehood and is required to put them to their most productive use. Some lands managed by the DNR are zoned for commercial or industrial uses. The construction of a building on leased land requires financing and banks want to see longer lease terms in order to finance the construction. For banks, a 55-year lease is too short; the term needs to be longer. This change in the law would result in increased lease rates and revenue to the trust. One of the biggest challenges in land development is getting financing. Long-term leases are much more attractive for

development and financing than short term leases. This change would make state properties much more competitive in the marketplace. The increased lease length is one of the several consultant recommendations made as part of a recent DNR review of its trust land management practices.

(Opposed) None.

Persons Testifying (Rural Development, Agriculture & Natural Resources):

Representative Kloba, prime sponsor; Duane Emmons, Department of Natural Resources; and Craig Soehren, Kiemle Hagood.

Persons Testifying (Capital Budget): Representative Kloba, prime sponsor; and Duane Emmons, Department of Natural Resources.

Persons Signed In To Testify But Not Testifying (Rural Development, Agriculture & Natural Resources): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.