
Capital Budget Committee

HB 1506

Brief Description: Concerning leases on land managed or occupied by the department of social and health services.

Sponsors: Representatives Ryu, Santos, Ramel, Duerr, Chopp, Doglio, Pollet and Reed.

Brief Summary of Bill

- Authorizes the Department of Enterprise Services to fix the terms of leases for property managed by the Department of Social and Health Services for up to 99 years for specified purposes
- Requires that leases that extend beyond 55 years must provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income, and that such leases are subject to various reporting requirements.

Hearing Date: 2/16/23

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

Background:

The Department of Enterprise Services (DES), on behalf of agencies and after consultation with the Office of Financial Management (OFM), is required to purchase, lease, lease purchase, rent, or otherwise acquire all improved or unimproved real estate, as required by elected state officials, institutions, departments, commissions, boards, and other state agencies, or federal agencies where joint state and federal activities are undertaken. The DES may also grant easements and transfer, exchange, sell, lease, or sublease all or part of any surplus real estate for those state agencies which do not otherwise have the specific authority to dispose of real estate. Any such transfer, exchange, or sale must comply with state laws related to the disposition of

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state-owned land, as well as requirements related to the transfer, lease, disposal of public property for affordable housing. The DES may fix the terms and conditions of leases, except that the maximum term is 20 years in duration. Long-term leases that exceed 10 years in duration require special approval from the OFM and must meet various life-cycle cost and facility efficiency standards.

The DES is responsible for managing the real estate transactions of the Department of Social and Health Services (DSHS). The DSHS-owned properties are subject to a maximum lease duration of 20 years. In general, net revenue from leases generated on DSHS properties is deposited to the state's general fund. However, all net proceeds from leases or sales of real property, conservation easements, and sales of timber, from the state properties at the Fircrest and the Lakeland Village residential habilitation centers, as well as the Rainier and Yakima Valley schools, must be deposited to the Dan Thompson Memorial Developmental Disabilities Community Services Account.

Summary of Bill:

The DES may fix the terms of leases for property managed by the DSHS for up to 99 years if the lease is for recreational, affordable housing, or local government purposes or, for the Fircrest residential habilitation center only, for a central lease for community center or community services purposes.

All leases that extend beyond 55 years must: (a) provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income; (b) be reported to the OFM and the appropriate committees of the Legislature within 30 days of the date of execution of the lease; and (c) include this report a financial analysis that justifies the financial benefit for the added term and the schedule for periodic rental adjustments.

Appropriation: None.

Fiscal Note: Requested on January 31, 2023.

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