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**SUBSTITUTE HOUSE BILL 1506**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** House Capital Budget (originally sponsored by Representatives Ryu, Santos, Ramel, Duerr, Chopp, Doglio, Pollet, and Reed)

READ FIRST TIME 02/24/23.

1 AN ACT Relating to leases on land managed or occupied by the  
2 department of social and health services; and amending RCW 43.82.010.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.82.010 and 2018 c 217 s 7 are each amended to  
5 read as follows:

6 (1) The director of enterprise services, on behalf of the agency  
7 involved and after consultation with the office of financial  
8 management, shall purchase, lease, lease purchase, rent, or otherwise  
9 acquire all real estate, improved or unimproved, as may be required  
10 by elected state officials, institutions, departments, commissions,  
11 boards, and other state agencies, or federal agencies where joint  
12 state and federal activities are undertaken and may grant easements  
13 and transfer, exchange, sell, lease, or sublease all or part of any  
14 surplus real estate for those state agencies which do not otherwise  
15 have the specific authority to dispose of real estate. Any such  
16 transfer, exchange, or sale must comply with RCW 43.17.400, and may  
17 be made in accordance with RCW 39.33.015. This section does not  
18 transfer financial liability for the acquired property to the  
19 department of enterprise services.

20 (2) Except for real estate occupied by federal agencies, the  
21 director shall determine the location, size, and design of any real

1 estate or improvements thereon acquired or held pursuant to  
2 subsection (1) of this section. Facilities acquired or held pursuant  
3 to this chapter, and any improvements thereon, shall conform to  
4 standards adopted by the director and approved by the office of  
5 financial management governing facility efficiency unless a specific  
6 exemption from such standards is provided by the director of  
7 enterprise services. The director of enterprise services shall report  
8 to the office of financial management and the appropriate committees  
9 of the legislature annually on any exemptions granted pursuant to  
10 this subsection.

11 (3) Except for leases permitted under subsections (4) and (5) of  
12 this section, the director of enterprise services may fix the terms  
13 and conditions of each lease entered into under this chapter, except  
14 that no lease shall extend greater than (~~twenty~~) 20 years in  
15 duration. The director of enterprise services may enter into a long-  
16 term lease greater than (~~ten~~) 10 years in duration upon a  
17 determination by the director of the office of financial management  
18 that the long-term lease provides a more favorable rate than would  
19 otherwise be available, it appears to a substantial certainty that  
20 the facility is necessary for use by the state for the full length of  
21 the lease term, and the facility meets the standards adopted pursuant  
22 to subsection (2) of this section. The director of enterprise  
23 services may enter into a long-term lease greater than (~~ten~~) 10  
24 years in duration if an analysis shows that the life-cycle cost of  
25 leasing the facility is less than the life-cycle cost of purchasing  
26 or constructing a facility in lieu of leasing the facility.

27 (4) The director of enterprise services may fix the terms of  
28 leases for property under the department of enterprise services'  
29 control at the former Northern State Hospital site for up to  
30 (~~sixty~~) 60 years.

31 (5) The director of enterprise services may fix the terms of  
32 leases for property managed by the department of social and health  
33 services at the Fircrest residential habilitation center site for up  
34 to 99 years if the lease is for recreational, affordable housing,  
35 local government, community center, or community services purposes.

36 (a) All leases under this subsection that extend beyond 55 years  
37 must provide for periodic rental reevaluation and adjustment, except  
38 leases with rentals based on a percentage of income.

39 (b) All leases under this subsection that extend beyond 55 years  
40 must be reported to the office of financial management and the

1 appropriate committees of the legislature within 30 days of the date  
2 of execution of the lease. The report must include a financial  
3 analysis that justifies the financial benefit for the added term and  
4 the schedule for periodic rental adjustments.

5 (6) Except as permitted under chapter 39.94 RCW, no lease for or  
6 on behalf of any state agency may be used or referred to as  
7 collateral or security for the payment of securities offered for sale  
8 through a public offering. Except as permitted under chapter 39.94  
9 RCW, no lease for or on behalf of any state agency may be used or  
10 referred to as collateral or security for the payment of securities  
11 offered for sale through a private placement without the prior  
12 written approval of the state treasurer. However, this limitation  
13 shall not prevent a lessor from assigning or encumbering its interest  
14 in a lease as security for the repayment of a promissory note  
15 provided that the transaction would otherwise be an exempt  
16 transaction under RCW 21.20.320. The state treasurer shall adopt  
17 rules that establish the criteria under which any such approval may  
18 be granted. In establishing such criteria the state treasurer shall  
19 give primary consideration to the protection of the state's credit  
20 rating and the integrity of the state's debt management program. If  
21 it appears to the state treasurer that any lease has been used or  
22 referred to in violation of this subsection or rules adopted under  
23 this subsection, then he or she may recommend that the governor cause  
24 such lease to be terminated. The department of enterprise services  
25 shall promptly notify the state treasurer whenever it may appear to  
26 the department that any lease has been used or referred to in  
27 violation of this subsection or rules adopted under this subsection.

28 ~~((6))~~ (7) It is the policy of the state to encourage the  
29 colocation and consolidation of state services into single or  
30 adjacent facilities, whenever appropriate, to improve public service  
31 delivery, minimize duplication of facilities, increase efficiency of  
32 operations, and promote sound growth management planning.

33 ~~((7))~~ (8) The director of enterprise services shall provide  
34 coordinated long-range planning services to identify and evaluate  
35 opportunities for collocating and consolidating state facilities. Upon  
36 the renewal of any lease, the inception of a new lease, or the  
37 purchase of a facility, the director of enterprise services shall  
38 determine whether an opportunity exists for collocating the agency or  
39 agencies in a single facility with other agencies located in the same  
40 geographic area. If a colocation opportunity exists, the director of

1 enterprise services shall consult with the affected state agencies  
2 and the office of financial management to evaluate the impact  
3 colocation would have on the cost and delivery of agency programs,  
4 including whether program delivery would be enhanced due to the  
5 centralization of services. The director of enterprise services, in  
6 consultation with the office of financial management, shall develop  
7 procedures for implementing colocation and consolidation of state  
8 facilities.

9 ~~((+8))~~ (9) The director of enterprise services is authorized to  
10 purchase, lease, rent, or otherwise acquire improved or unimproved  
11 real estate as owner or lessee and to lease or sublet all or a part  
12 of such real estate to state or federal agencies. The director of  
13 enterprise services shall charge each using agency its proportionate  
14 rental which shall include an amount sufficient to pay all costs,  
15 including, but not limited to, those for utilities, janitorial and  
16 accounting services, and sufficient to provide for contingencies;  
17 which shall not exceed five percent of the average annual rental, to  
18 meet unforeseen expenses incident to management of the real estate.

19 ~~((+9))~~ (10) If the director of enterprise services determines  
20 that it is necessary or advisable to undertake any work,  
21 construction, alteration, repair, or improvement on any real estate  
22 acquired pursuant to subsection (1) or ~~((+8))~~ (9) of this section,  
23 the director shall cause plans and specifications thereof and an  
24 estimate of the cost of such work to be made and filed in his or her  
25 office and the state agency benefiting thereby is hereby authorized  
26 to pay for such work out of any available funds: PROVIDED, That the  
27 cost of executing such work shall not exceed the sum of ~~((twenty-five  
28 thousand dollars))~~ \$25,000. Work, construction, alteration, repair,  
29 or improvement in excess of ~~((twenty-five thousand dollars))~~ \$25,000,  
30 other than that done by the owner of the property if other than the  
31 state, shall be performed in accordance with the public works law of  
32 this state.

33 ~~((+10))~~ (11) In order to obtain maximum utilization of space,  
34 the director of enterprise services shall make space utilization  
35 studies, and shall establish standards for use of space by state  
36 agencies. Such studies shall include the identification of  
37 opportunities for colocation and consolidation of state agency office  
38 and support facilities.

39 ~~((+11))~~ (12) The director of enterprise services may construct  
40 new buildings on, or improve existing facilities, and furnish and

1 equip, all real estate under his or her management. Prior to the  
2 construction of new buildings or major improvements to existing  
3 facilities or acquisition of facilities using a lease purchase  
4 contract, the director of enterprise services shall conduct an  
5 evaluation of the facility design and budget using life-cycle cost  
6 analysis, value-engineering, and other techniques to maximize the  
7 long-term effectiveness and efficiency of the facility or  
8 improvement.

9 ~~((12))~~ (13) All conveyances and contracts to purchase, lease,  
10 rent, transfer, exchange, or sell real estate and to grant and accept  
11 easements shall be approved as to form by the attorney general,  
12 signed by the director of enterprise services or the director's  
13 designee, and recorded with the county auditor of the county in which  
14 the property is located.

15 ~~((13))~~ (14) The director of enterprise services may delegate  
16 any or all of the functions specified in this section to any agency  
17 upon such terms and conditions as the director deems advisable. By  
18 January 1st of each year, beginning January 1, 2008, the department  
19 shall submit an annual report to the office of financial management  
20 and the appropriate committees of the legislature on all delegated  
21 leases.

22 ~~((14))~~ (15) This section does not apply to the acquisition of  
23 real estate by:

24 (a) The state college and universities for research or  
25 experimental purposes;

26 (b) The state liquor and cannabis board for liquor stores and  
27 warehouses;

28 (c) The department of natural resources, the department of fish  
29 and wildlife, the department of transportation, and the state parks  
30 and recreation commission for purposes other than the leasing of  
31 offices, warehouses, and real estate for similar purposes; and

32 (d) The department of commerce for community college health  
33 career training programs, offices for the department of commerce or  
34 other appropriate state agencies, and other nonprofit community uses,  
35 including community meeting and training facilities, where the real  
36 estate is acquired during the 2013-2015 fiscal biennium.

37 ~~((15))~~ (16) Notwithstanding any provision in this chapter to  
38 the contrary, the department of enterprise services may negotiate  
39 ground leases for public lands on which property is to be acquired

1 under a financing contract pursuant to chapter 39.94 RCW under terms  
2 approved by the state finance committee.

3 ~~((16))~~ (17) The department of enterprise services shall report  
4 annually to the office of financial management and the appropriate  
5 fiscal committees of the legislature on facility leases executed for  
6 all state agencies for the preceding year, lease terms, and annual  
7 lease costs. The report must include leases executed under RCW  
8 43.82.045 and subsection ~~((13))~~ (14) of this section.

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