Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Ecology & Parks Committee

HB 2562

Brief Description: Concerning lease rates for industrial users of state-owned aquatic lands.

Sponsors: Representatives Nelson, Chase, Simpson and Cody.

Brief Summary of Bill

- Establishes a new lease rate for water dependent industrial lessees of state-owned aquatic lands that is based on market value as opposed to a percentage of the value of adjacent upland properties.

Hearing Date: 1/19/10

Staff: Jason Callahan (786-7117).

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 users must pay a rent that is based on the assessed value of the nearest upland parcel. After an initial rent amount is determined, the DNR is directed to apply a real capitalization rate every four years.

Summary of Bill:

The lease rate for all water dependent industrial lessees of state-owned aquatic lands is directed to be changed by the DNR for all new leases, renewed leases, and quadrennial lease redeterminations. The new lease rate must be based on the market value for the lease calculated by one of three determination methods.

The DNR can: (1) establish the new lease rate for significant industrial facilities by either using comparable market rents for similar leases for involving the DNR, basing the calculation on the value of the commodities that pass over the leasehold; or (2) establish the full market value, multiplied by the real rate of return, considering of the contributory value the lease has for the lessee. However, the new lease rate may not be set less than three times what the rent would be for a non-water dependent use.

The new aquatic land lease rates apply to all significant industrial facilities. These facilities are identified as land uses that are located on, adjacent to, or rely on access to state-owned aquatic lands and that facilitate operations that involve manufacturing, mining, oil production, vessel manufacturing or repair, cargo shipping, warehousing, seafood processing, barge loading, or similar commercial activities. The new lease rates are not applicable to facilities subject to a port management agreement, facilities where the primary purpose of the site is the provision of public recreation, and facilities operating to support the commercial fishing industry.

Appropriation: None.

Fiscal Note: Available.

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