

# SENATE BILL REPORT

## SHB 1433

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As Reported By Senate Committee On:  
Human Services & Corrections, April 1, 1997

**Title:** An act relating to leases with consortiums of counties formed to acquire correctional facilities.

**Brief Description:** Leasing property to counties for correctional facilities.

**Sponsors:** House Committee on Capital Budget (originally sponsored by Representatives Sump, McMorris, Ballasiotes, DeBolt, Sheahan, Talcott, Quall, D. Sommers, Honeyford, Chandler, Schoesler, Crouse, Mastin and Mielke).

**Brief History:**

**Committee Activity:** Human Services & Corrections: 3/26/97, 4/1/97 [DPA].

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### SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

**Majority Report:** Do pass as amended.

Signed by Senators Long, Chair; Zarelli, Vice Chair; Franklin, Hargrove, Kohl, Schow and Stevens.

**Staff:** Andrea McNamara (786-7483)

**Background:** Many counties need additional capacity for housing juvenile and adult offenders. Regional projects have been discussed in which groups of counties would act together, as a consortium, to acquire and operate shared facilities. Legislation passed in 1996 prescribed the terms of such arrangements when counties elect to contract with the state for the property or facilities.

The Martin Hall project, on the Medical Lake campus of Eastern State Hospital, is the first consortium to be formed under the 1996 legislation. Nine counties have formed a consortium and have negotiated an agreement with the Department of Social and Health Services (DSHS) to lease Martin Hall for a shared juvenile detention facility.

The renovation of Martin Hall is under construction and is projected to be completed for occupancy in the fall of 1997. The \$6 million renovation project, financed by bonds issued by Stevens County, will house 52 juvenile offenders. The debt payments on the bonds and the operating costs of the facility will be shared by the participating counties on a pro rata basis, depending on the number of beds each county uses in the facility.

The legislation passed in 1996 stipulated that DSHS cannot charge more than \$1 per year for the land and facility, but the lease may include payment for reasonable operation and maintenance costs of DSHS. The law also requires that the initial lease must not exceed 20 years. If the initial lease is renewed, however, the new lease must charge the fair rental value of the land and the facility. The proceeds from the lease payments must be used for

programs at Eastern State Hospital for the long term care of patients with mental disorders.

**Summary of Amended Bill:** An exception is created to the requirement that an initial lease for real property between a consortium of counties and DSHS may not exceed 20 years. The exception applies retroactively to the initial term of a lease entered into after January 1, 1996, involving the grounds of Eastern State Hospital, and allows the initial term to be 50 years.

A lease renewed after its initial term must charge the fair rental value of the land and improvements, other than those improvements paid for by a contracting consortium. When the fair rental value is determined by the Commissioner of Public Lands in consultation with DSHS, the value of any improvements paid for by a contracting consortium must not be included.

A severability clause and emergency clause are included.

**Amended Bill Compared to Substitute Bill:** The striking amendment creates an exception to allow a 50-year initial lease at Eastern State Hospital for the Martin Hall project while retaining the current requirement that all other initial consortium leases must not exceed 20 years.

The striking amendment also retains the requirement to charge the fair rental value of the facilities after the initial term of a lease expires, but it clarifies that no charge shall be made for improvements paid for by the contracting consortium.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The Martin Hall project is desperately needed for juvenile offenders in eastern Washington. The counties in the consortium bargained in good faith with DSHS and had reached an agreement that was later invalidated by the 20-year limitation on initial leases that passed at the end of the 1996 session. The negotiated agreement had been for 50 years. It is also unfair to charge the consortium rent on the value of the facility when, without their investment of more than \$5 million in renovations, the state would have to eventually pay to tear it down.

**Testimony Against:** None.

**Testified:** Representative Bob Sump, prime sponsor; Jim Potts, Martin Hall Consortium (pro); J.D. Anderson, Stevens County Commissioner (pro).