

# HOUSE BILL REPORT

## 2SSB 6156

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### As Passed House - Amended:

March 4, 1998

**Title:** An act relating to studying methods for calculating water-dependent lease rates on state-owned aquatic lands.

**Brief Description:** Studying methods for calculating water-dependent lease rates on state-owned aquatic lands.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Swecker, Fraser and Spanel; by request of Department of Natural Resources).

### Brief History:

#### Committee Activity:

Natural Resources: 2/25/98, 2/27/98 [DP];

Appropriations: 2/28/98 [DPA].

#### Floor Activity:

Passed House - Amended: 3/4/98, 97-1.

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### HOUSE COMMITTEE ON NATURAL RESOURCES

**Majority Report:** Do pass. Signed by 11 members: Representatives Buck, Chairman; Sump, Vice Chairman; Thompson, Vice Chairman; Regala, Ranking Minority Member; Butler, Assistant Ranking Minority Member; Alexander; Anderson; Chandler; Eickmeyer; Hatfield and Pennington.

**Staff:** Linda Byers (786-7129).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 31 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Staff:** Jeff Olsen (786-7157).

**Background:** In 1984, the Legislature established a set of management guidelines for state-owned aquatic lands. The Legislature also developed formulas for determining annual rent rates for the lease of state-owned aquatic lands. The lease rate formula varies with the type of use. One category of use of state-owned aquatic lands is called "water-dependent." Water-dependent uses are uses which cannot logically exist in any location but on the water. The annual rent rate for a water-dependent use is based on a percentage of the value of the upland tax parcel used in conjunction with the leased area or another nearby upland parcel.

**Summary of Bill:** The Legislature finds that the current method for determining water-dependent rental rates for aquatic lands leases may not be achieving the management goals for state-owned aquatic lands. The current method for setting rental rates and alternative methods should be evaluated in light of achieving the management goals. The Legislature further finds that there should be no further increases in water-dependent rental rates for marina leases before the completion of this evaluation.

The Department of Natural Resources must study and prepare a report to the Legislature on alternatives to the current method for determining water-dependent rents. The report must be prepared with the assistance of appropriate outside economic expertise and stakeholder involvement. Stakeholders must participate by providing information necessary to complete the study. For each alternative method of determining rents, the report must describe the method and its associated costs and benefits, compare it with the current method, provide the private industry perspective, describe the public perspective, analyze the impact on state lease revenue, and evaluate the ease of administration. The department must also evaluate the impacts of water-dependent rates on economic development in economically distressed counties. The department must present the report to the Legislature by November 1, 1998, with department recommendations clearly identified.

The department must form two committees to facilitate stakeholder participation in the preparation of the report: a report preparation committee and a report evaluation committee. The report preparation committee is comprised of one representative each from private marina operators, the Northwest Marine Trade Association, the Association of Washington Cities, the Association of Washington Counties, the Washington Public Ports Association, commercial waterfront business other than marinas, and the department's Aquatic Resources Division. This group will work with department staff and consultants to assemble and evaluate relevant data, develop alternatives, and draft the report.

The report evaluation committee is comprised of the manager of the Aquatic Resources Division, three representatives of the marina industry nominated by the Northwest Marine Trade Association, three representatives of other commercial users of aquatic lands chosen by the department in consultation with the Northwest Marine Trade Association, the executive director of the Washington Public Ports Association, and one

representative selected jointly by the associations representing Washington cities and counties. This group will review the draft report, assist the department in identifying economic impacts of various alternatives, and assist the department in selecting a preferred alternative.

Beginning on the effective date of the legislation, annual rental rates for marina uses in effect on December 31, 1997, must remain in effect until July 1, 1999. In order for the rate to remain at this level, the marina lease must be in good standing, meaning that the lessee must be current with payment of rent, the lease must not be expired or in approved holdover status, and the lessee must not be in breach of other terms of the agreement. Beginning July 1, 1999, the rent will be determined by the method then in effect.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Testimony For:** (Natural Resources) The rent formula was established in 1984. It is time to revisit the formula, especially to look at the effect of the increasing value of uplands leading to higher rental rates. The moratorium on marina rate increases will facilitate the study. The state may be chasing away water-dependent uses because of the escalation of rents. To stay healthy as an industry, marinas need a new formula.

(Appropriations) The water-dependent rent formula is based on values of upland tax parcels that have been increasing dramatically in some areas. This has led to expensive rental rates that are driving uses off of the waterfront. The formula is set by statute and it is not working. The Department of Natural Resources needs funding to gather data and study this issue, involve a stakeholder group, and develop recommendations. Funding is available from the Resource Management Cost Account to help pay for the cost of the study.

**Testimony Against:** (Natural Resources) None.

(Appropriations) None.

**Testified:** (Natural Resources) Paul Silver, Department of Natural Resources; Steve Luengen, Puget Sound Marina Operators Association (both in favor); and Eric Johnson, Washington Public Ports Association (in favor with amendment).

(Appropriations) Paul Silver, Department of Natural Resources; and John Woodring, Northwest Marine Trade Association.