

SENATE BILL REPORT

SHB 1250

As Reported By Senate Committee On:
Natural Resources, Energy & Water, March 28, 2003

Title: An act relating to lease rates for marinas on state-owned aquatic lands that provide public moorage.

Brief Description: Determining annual rental rates for the lease of state-owned aquatic lands for qualifying marinas.

Sponsors: House Committee on Agriculture & Natural Resources (originally sponsored by Representatives Eickmeyer, Schoesler, Linville, Sump, Quall and Mielke; by request of Commissioner of Public Lands).

Brief History:

Committee Activity: Natural Resources, Energy & Water: 3/26/03, 3/28/03 [DPA-WM].
Ways & Means: 4/7/03.

SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Morton, Chair; Doumit, Fraser, Hargrove, Honeyford, Oke and Regala.

Staff: Vic Moon (786-7469)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Richard Ramsey (786-7412)

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. 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 uses must pay a rent that is 30 percent of the assessed value of the adjacent upland parcel, plus a real capitalization rate.

The Legislature suspended rent increases for marinas located on state-owned aquatic lands between June 11, 1998, and July 1, 1999. The rent freeze was implemented while DNR

conducted a legislatively-mandated study into other possible rent formulas. The conclusions of the Final Rent Study Report to the Legislature, delivered by DNR in February of 1999, indicated that at that time there was no consensus for change reached.

Summary of Amended Bill: The rent formula for qualifying marinas is established as a percentage of a marina's gross revenues. The percentage rate, along with the portions of a marina's revenues that serve as a basis for that rate, is determined by DNR and recalculated on an annual basis. The percentage set by DNR must cover its administrative costs and ensure that the state does not see a revenue loss from current levels. In developing a rent formula, DNR must account for the income of subleases and concessionaires. The new rent formula is phased in over 2004, so all marinas are operating under the new rent formula by January 1, 2005.

By July 1, 2003, and again annually, all marina lessees must submit tax documentation and an income reporting form to DNR for lease calculation purposes. All income reports are subject to audit and review. If a marina fails to submit appropriate documentation, DNR may conduct an audit at the marina's expense or cancel the lease.

The minimum amount for a marina lease is set at \$500, plus any administrative costs.

Amended Bill Compared to Substitute Bill: The reporting requirements are clarified, and a stakeholder review process is included.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This will be a more fair system for all marina lease rates and will only take place with majority support by the marinas and after review by the Legislature.

Testimony Against: Some small marinas will be hurt by increasing rates under this proposal.

Testified: Representative Eickmeyer, prime sponsor (pro); Fran McNair, Dept. of Natural Resources (pro); Michelle Hazen, Assn. of County Elected Officials (pro); Tom Baenen, Island County Commissioner (pro); Cliff Webster, NW Marine Trade Assn. (pro); Margie Freeman, Assn. of Independent Marinas (pro); Neil Falkenberg, Puget Sound Marina Assn. (pro); Richard Hildahl, Longbranch Improvement Club (con); Representative Lois McMahan (concerns).