

SENATE BILL REPORT

HB 1430

As Passed Senate - Amended, February 25, 2022

Title: An act relating to the duration of state upland leases for lands managed by the department of natural resources.

Brief Description: Concerning the duration of state upland leases for lands managed by the department of natural resources.

Sponsors: Representatives Kloba and Klicker; by request of Department of Natural Resources.

Brief History: Passed House: 1/14/22, 95-1.

Committee Activity: Agriculture, Water, Natural Resources & Parks: 3/18/21, 3/25/21 [DPA]; 2/17/22, 2/17/22 [DPA].

Floor Activity: Passed Senate - Amended: 2/25/22, 47-2.

Brief Summary of Bill (As Amended by Senate)

- Allows the maximum length of a commercial, industrial, business, or recreational lease of land managed by the Department of Natural Resources (DNR) to be up to 99 years.
- Requires all commercial, industrial, or business leases extending beyond 55 years to provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income.
- Requires DNR to report to the Office of Financial Management and the Legislature within 30 days of execution of a commercial, industrial, business lease that extends beyond 55 years.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Majority Report: Do pass as amended.

Signed by Senators Van De Wege, Chair; Salomon, Vice Chair; Warnick, Ranking

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Member; Honeyford, Rolfes, Short and Stanford.

Staff: Karen Epps (786-7424)

Background: The Department of Natural Resources (DNR) manages a number of different categories of land, each for a specific purpose and under different management requirements. These include approximately 3 million acres of federally-granted lands and state forest lands, which DNR manages to support common schools, counties, and other public institutions.

DNR has the authority to lease state lands for commercial, industrial, residential, agricultural, and recreational uses to obtain a fair-market rental return to the state or appropriate trust.

DNR generally may not lease state lands for longer than ten years, although longer leases are specifically authorized in multiple instances. Lands leased for agricultural purposes may not exceed 25 years, except leases for tree fruit or grape production, which may be for up to 55 years. Share crop leases may not exceed ten years. Leases for commercial, industrial, business, or recreational purposes may also be for up to 55 years.

Summary of Amended Bill: The maximum length of a lease of land managed by DNR where the purpose of the lease is for commercial, industrial, business, or recreational purposes, may extend to 99 years. All leases for commercial, industrial, or business purposes that extend beyond 55 years must provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income. All leases for commercial, industrial, or business purposes that extend terms beyond 55 years must be reported to the Office of Financial Management and the appropriate committees of the Legislature within 30 days of the date of execution of the lease. The report must include a financial analysis that justifies the financial benefit for the added term and the schedule for periodic rental adjustments.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on House Bill (Regular Session 2022): *The committee recommended a different version of the bill than what was heard.* PRO: This bill increases DNR's land lease agreements from 55 years up to 99 years. An increase to the lease term helps improve project financing options and makes practical sense. An extension to the lease terms makes DNR lands more competitive in the marketplace especially since

lenders prefer to see longer lease terms to finance construction projects. DNR has worked with various entities and created an external advisory committee with members who work in commercial real estate and everyone has recommended this change. Opportunities could be lost if this bill does not pass this year.

Persons Testifying: PRO: Mary Hull-Drury, Washington Realtors; Duane Emmons, Department of Natural Resources; Brian Considine, Department of Natural Resources.

Persons Signed In To Testify But Not Testifying: No one.