

# SENATE BILL REPORT

## HB 1430

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As Reported by Senate Committee On:  
Agriculture, Water, Natural Resources & Parks, March 25, 2021

**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: 2/26/21, 95-0.

**Committee Activity:** Agriculture, Water, Natural Resources & Parks: 3/18/21, 3/25/21 [DPA].

### Brief Summary of Amended Bill

- 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.

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### 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

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*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 in order 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

#### **EFFECT OF AGRICULTURE, WATER, NATURAL RESOURCES & PARKS COMMITTEE AMENDMENT(S):**

- Provides that all commercial, industrial, or business purpose leases that extend beyond 55 years must provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income.
- Requires commercial, industrial, or business purpose leases that extend beyond 55 years 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.
- Requires the report to 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:** *The committee recommended a different version of the bill than what was heard.* PRO: This bill will allow DNR to enter into leases for commercial, industrial, business, and recreational purposes for up to 99 years. These lands are managed for the benefit of the public and this will allow DNR to be competitive in the lease market on certain parcels. This bill is good for the people of Washington. This bill is intended to make DNR more competitive when trying to lease trust property for commercial and industrial uses. This change is one of the recommendations that came from the Trust Lands Assessment. DNR manages a portfolio of land assets and is required to put the land to its most productive use. When lands managed by DNR are zoned industrial or commercial, DNR leases the property for those uses, which often require financing and banks look for a long lease term to demonstrate that the lessee has long term control of the property. DNR has about 18 vacant parcels totaling 1900 acres that have been zoned industrial or commercial, with about ten that have development potential. DNR has had a number of deals fall through because of the current lease term of 55 years. This economic activity is a win for the community and for the beneficiaries. This bill will make those properties more competitive in the marketplace, allows for financing to be obtained, and provides for more intense development leading to short-term and long-term job creation. The revenue from trust assets are in decline and this bill is one step to allow DNR to manage the assets more effectively.

**Persons Testifying:** PRO: Representative Shelley Kloba, Prime Sponsor; Duane Emmons, Department of Natural Resources; Craig Soehren, Commercial Broker, Kimlie Hagood; Brian Sims, Washington State School Directors Association.

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