

# HOUSE BILL REPORT

## HB 1506

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**As Reported by House Committee On:**  
Capital Budget

**Title:** An act relating to leases on land managed or occupied by the department of social and health services.

**Brief Description:** Concerning leases on land managed or occupied by the department of social and health services.

**Sponsors:** Representatives Ryu, Santos, Ramel, Duerr, Chopp, Doglio, Pollet and Reed.

**Brief History:**

**Committee Activity:**

Capital Budget: 2/16/23, 2/22/23 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes the Department of Enterprise Services to enter leases of up to 99 years at the Fircrest Residential Habilitation Center site if the lease is for recreational, affordable housing, local government, community center, or community services purposes.
- Requires that leases that extend beyond 55 years must provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income, and that such leases are subject to various reporting requirements.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; Sandlin, Assistant Ranking Minority Member; Alvarado, Bateman, Cheney, Christian, Dye, Fosse, Leavitt, Maycumber, McClintock, McEntire, Morgan, Peterson,

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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.*

Reed, Rule, Shavers, Stearns and Waters.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Farivar and Kloba.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Couture, Mosbrucker and Orwall.

**Staff:** John Wilson-Tepeli (786-7115).

**Background:**

The Department of Enterprise Services (DES), on behalf of agencies and after consultation with the Office of Financial Management (OFM), is required to purchase, lease, lease purchase, rent, or otherwise acquire all improved or unimproved real estate, as required by elected state officials, institutions, departments, commissions, boards, and other state agencies, or federal agencies where joint state and federal activities are undertaken. The DES may also grant easements and transfer, exchange, sell, lease, or sublease all or part of any surplus real estate for those state agencies which do not otherwise have the specific authority to dispose of real estate. Any such transfer, exchange, or sale must comply with state laws related to the disposition of state-owned land, as well as requirements related to the transfer, lease, disposal of public property for affordable housing. The DES may fix the terms and conditions of leases, except that the maximum term is 20 years in duration. Long-term leases that exceed 10 years in duration require special approval from the OFM and must meet various life-cycle cost and facility efficiency standards.

The DES is responsible for managing the real estate transactions of the Department of Social and Health Services (DSHS). The DSHS-owned properties are subject to a maximum lease duration of 20 years. All net proceeds from leases or sales of real property, conservation easements, and sales of timber, from the state properties at the Fircrest and the Lakeland Village Residential Habilitation Centers, as well as the Rainier School and the Yakima Valley School, must be deposited into the Dan Thompson Memorial Developmental Disabilities Community Services Account (Dan Thompson Account).

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**Summary of Substitute Bill:**

The DES is authorized to enter leases of up to 99 years at the Fircrest Residential Habilitation Center site if the lease is for recreational, affordable housing, local government, community center, or community services purposes. All leases that extend beyond 55 years must: (1) provide for periodic rental reevaluation and adjustment, except leases with rentals based on a percentage of income; (2) be reported to the OFM and the appropriate committees of the Legislature within 30 days of the date of execution of the lease; and (3) include in this report a financial analysis that justifies the financial benefit for the added term and the schedule for periodic rental adjustments.

### **Substitute Bill Compared to Original Bill:**

As compared to the original bill, the substitute bill:

- authorizes the DES to enter leases of up to 99 years at the Fircrest Residential Habilitation Center site if the lease is for recreational, affordable housing, local government, community center, or community services purposes; and
- eliminates an authorization for the DES to fix the terms of leases for all property managed by the DSHS for up to 99 years if the lease is for recreational, affordable housing, or local government purposes.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **Staff Summary of Public Testimony:**

(In support) None.

(Opposed) There is opposition to this bill because it does not require the highest and best use of the property for the benefit of the Dan Thompson Account, which is specifically for the benefit of persons with developmental disabilities. A shorter term for reevaluation of the lease would be preferable, and the 99-year term provision should be eliminated. There is sufficient authority under current law for the DSHS to lease the property. There may be interest in selling this property in the future, and the longer lease term would interfere with that sale.

**Persons Testifying:** Stacy Dym, The Arc of Washington State.

**Persons Signed In To Testify But Not Testifying:** None.