

SENATE BILL REPORT

SHB 1774

As Reported by Senate Committee On:
Transportation, April 8, 2025

Title: An act relating to modifying allowable terms for the lease of unused highway land.

Brief Description: Modifying allowable terms for the lease of unused highway land.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Fey, Parshley, Ramel, Wylie, Paul, Peterson, Bronoske, Reed, Doglio, Taylor, Ryu, Gregerson, Fosse, Ormsby, Nance, Springer, Zahn, Morgan, Macri, Hill, Obras, Leavitt and Thomas).

Brief History: Passed House: 3/4/25, 70-27.

Committee Activity: Transportation: 4/01/25, 4/08/25 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Allows the Washington State Department of Transportation to take into account social, environmental, or economic benefits of a property lease as part of the required adequate consideration for the lease when the lessee will use the property for community purposes.
- Defines "community purposes" as serving a housing, housing assistance, shelter program, park, enhanced public space, public recreation, salmon habitat restoration, or public transportation public benefit purpose.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended.

Signed by Senators Lias, Chair; Lovick, Vice Chair; Ramos, Vice Chair; King, Ranking Member; Alvarado, Chapman, Cortes, Harris, Holy, Krishnadasan, Lovelett, Nobles, Shewmake and Valdez.

Minority Report: Do not pass.

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.

Signed by Senators Christian, Fortunato and MacEwen.

Minority Report: That it be referred without recommendation.

Signed by Senators Goehner, Assistant Ranking Member; Wilson, J..

Staff: Kelly Simpson (786-7403)

Background: The Washington State Department of Transportation (WSDOT) may rent or lease any lands, improvements, or air space above or below any lands held for highway purposes, but are not presently needed. Moneys paid as rent for WSDOT property must be deposited in the Advance Right-of-Way Revolving Fund. Moneys subject to federal aid reimbursement and moneys received from rental of capital facilities properties must be deposited in the Motor Vehicle Fund. Economic rent, or fair market value, must be paid for all leases, except under limited circumstances.

Under federal regulation, current fair market value must be charged for the use or disposal of property a state acquires with federal aid highway funding, subject to certain exceptions. When a grantee shows that an exception to the fair market value requirement is in the overall public interest based on social, environmental, or economic benefits, and a method is provided for ensuring that the public will receive the benefit used to justify the less than fair market value disposal, an exception may be granted.

In 2022 WSDOT was authorized to establish a limited project for community purposes to address past impacts to historically marginalized populations within impacted local communities resulting from the construction of Interstate 90 (I-90) and the United States Route 395 (US 395) North Spokane Corridor Project.

WSDOT was authorized to lease property eligible for lease, which includes the property that was purchased as part of the I-90 Corridor Project and the US 395 North Spokane Corridor, to a community-based nonprofit corporation or to the Department of Commerce, to be used for the following community purposes:

- housing and ancillary improvements;
- parks;
- community revitalization projects;
- enhanced public spaces, such as trails and public plazas; and
- projects that provide enhanced economic development in the impacted community.

The lease for this limited project was authorized to be for less than economic rent, and to require the lessee to maintain the premises as part of the consideration provided to WSDOT by the lessee.

Summary of Amended Bill: For the purpose of determining adequate consideration for a lease of lands, improvements, or air space not needed at the time of rental or lease, WSDOT may incorporate identified social, environmental, or economic benefits to be provided by a

lessee that is a public agency, special purpose district, federally recognized tribe, state historical society, or community-based nonprofit organization as a component of the consideration to be provided by the lessee when use of the property is for a community purpose. WSDOT must consider certain factors in its evaluation of a potential lease agreement under the new methodology.

Community purposes is defined as providing one or more of the following public benefit purposes: (1) housing, housing assistance, and related services, (2) shelter programs, (3) parks, (4) enhanced public spaces, (5) public recreation, (6) salmon habitat restoration, or (7) public transportation uses.

As part of the consideration to WSDOT, a lease agreement under the new methodology must require the lessee to maintain and secure the premises. Adequate consideration under a lease must include a benefit to motor vehicle users.

Leases under the new methodology may not be undertaken by WSDOT for housing or shelter programs on state highway right-of-way or in places that would place infrastructure or the traveling public in jeopardy.

Proposed lease agreements with community-based nonprofit organizations must be submitted to the Legislature for approval in a transportation budget, except for leases regarding a temporary use of WSDOT property.

WSDOT must provide annual reports to the transportation committees of the Legislature with information on the active lease agreements under the new methodology, including the community purposes being served and a summary of relevant lease terms.

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 Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The bill started as a way to house unhoused people in the Seattle area. WSDOT property in Tacoma adjacent to a museum could be better maintained as a park. Public benefits like transit, housing, and parks would be a better use of unused WSDOT property. People see unused WSDOT property being misused, and this bill would help address this issue. The bill provides a much-needed process to get the leases started. The bill would help restore Pugnetti Park, which is currently being poorly maintained by WSDOT. The bill would empower WSDOT to better utilize unused property, and would provide a solution to homeless encampments by

providing affordable leases getting people into housing.

OTHER: The Jamestown S'Klallam Tribe supports the bill but would like the bill to be expanded to include federally recognized tribes as entities eligible to enter in to leases.

Persons Testifying: PRO: Representative Jake Fey, Prime Sponsor; Betsy Wilkerson, Council President, City of Spokane; Donald Puggetti Jr; Charlie Brown, Tacoma Public Schools; Victoria Woodards, Mayor, City of Tacoma; Jon Grant, Low Income Housing Institute.

OTHER: Jennifer Saunders, Washington State Historical Society; Loni Greninger, Jamestown S'Klallam Tribe, Vice Chairwoman.

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