

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 1199

Chapter 36, Laws of 2021

67th Legislature
2021 Regular Session

DEPARTMENT OF NATURAL RESOURCES LEASES—COMPENSATION FOR TERMINATION

EFFECTIVE DATE: July 25, 2021

Passed by the House February 12, 2021
Yeas 96 Nays 0

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate March 30, 2021
Yeas 49 Nays 0

DENNY HECK

President of the Senate

Approved April 14, 2021 3:19 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1199** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

April 15, 2021

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 1199

Passed Legislature - 2021 Regular Session

State of Washington

67th Legislature

2021 Regular Session

By Representatives Corry, Chapman, Davis, Dent, and Eslick

Read first time 01/14/21. Referred to Committee on Rural Development, Agriculture & Natural Resources.

1 AN ACT Relating to providing compensation to department of
2 natural resources lessees whose leases are terminated for reasons
3 other than default; and amending RCW 79.13.420.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 79.13.420 and 2017 c 56 s 1 are each amended to read
6 as follows:

7 (1) For the purposes of this section, "nondefault or early
8 termination provision" means a provision that authorizes the
9 department to terminate a lease in the event the department includes
10 the leased land in a plan for higher and better use, land exchange,
11 or sale.

12 (2) Any nondefault or early termination provision included in a
13 state land lease for agricultural or grazing purposes must:

14 (a) Require advance written notice of at least one hundred eighty
15 days by the department to the lessee prior to termination of the
16 lease; and

17 (b) Require the department to provide to the lessee, along with
18 the notice under (a) of this subsection, written documentation
19 demonstrating that the department has included the leased land in a
20 plan for higher and better use, land exchange, or sale.

1 (3) This section does not require the department to include a
2 nondefault or early termination provision in any state land lease for
3 agricultural or grazing purposes.

4 (4) This section does not prohibit the department from allowing
5 the lessee to surrender the leasehold subject to terms provided in
6 the lease.

7 (5) This section does not prohibit the department from executing
8 other lease provisions designed to protect the interests of the
9 lessee in the event that the lease is terminated under a nondefault
10 or early termination provision.

11 (6) In the event that the department exercises a nondefault or
12 early termination provision in a state land lease for agricultural or
13 grazing purposes, the department shall compensate the lessee
14 according to the following schedule:

15 (a) For grazing leases, the department shall pay to the lessee
16 the annual rent for the land subject to the lease, multiplied by a
17 factor of six, except that the department need not compensate the
18 lessee for any years that are specifically designated in the lease as
19 nongrazing years.

20 (b) For agricultural leases, the department shall pay to the
21 lessee the expected net return the lessee would have realized from
22 crops raised on the leased land, which shall be calculated according
23 to the following formula: The annual net revenue per acre for the
24 class of crop produced by the lessee, less the rental rate per acre
25 for the land leased by the lessee; multiplied by the number of acres
26 leased by the lessee. For purposes of this subsection, the annual net
27 revenue per acre for a class of crop must be calculated according to
28 the most recent rolling average annual net rental return per acre for
29 that class of crop as established by the county assessor of the
30 county in which the leased land is located or, if the county assessor
31 of the county in which the land is located has not established an
32 annual net rental return per acre, as established by the county
33 assessor of the nearest county in which the county assessor has
34 established such an annual net rental return per acre. The annual net
35 rental return per acre, as established by the county assessor, must
36 be adjusted to reflect the total annual net revenue per acre.

37 (c) For both grazing leases and agricultural leases, the
38 department shall make payments to the lessee on an annual basis for
39 the remaining term of the terminated lease, unless the department and
40 the lessee agree to an alternate schedule of payments. In the event

1 that payments are made on any schedule other than on an annual basis,
2 any advance payments must be subjected to an appropriate discount
3 rate in order to reflect the net present value of the compensation
4 owed by the department.

5 (d) For both grazing leases and agricultural leases, in the event
6 that the lessee has placed any improvements, as authorized under RCW
7 79.13.050, on the land that is subject to the lease, the department
8 is responsible for compensating the lessee for the fair market value
9 of the improvements. In the event that an agreement cannot be reached
10 between the state and the lessee on the fair market value of the
11 improvements, the valuation must be determined as prescribed under
12 RCW 79.13.160.

13 (7) In the event that the department's exercise of a nondefault
14 or early termination provision in a state land lease for agricultural
15 or grazing purposes results in the removal of fencing from the land
16 subject to the lease, the department is responsible for ensuring the
17 replacement of any removed fencing.

18 (8) In the event that the department's exercise of a nondefault
19 or early termination provision in a state land lease for agricultural
20 or grazing purposes causes the lessee to incur a financial penalty as
21 a result of an early withdrawal from a natural resources conservation
22 service program, the department is responsible for reimbursing the
23 lessee for payment of the financial penalty.

24 (9) The compensation and reimbursement available to a lessee
25 under subsections (6) and (8) of this section, respectively, is the
26 sole financial remedy available to the lessee based on the
27 department's exercise of a nondefault or early termination provision
28 in an agriculture or grazing lease. Appeal rights under RCW 79.02.030
29 are unaffected by the relief provided in this section.

Passed by the House February 12, 2021.

Passed by the Senate March 30, 2021.

Approved by the Governor April 14, 2021.

Filed in Office of Secretary of State April 15, 2021.

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