

Chapter 35.42 RCW
LEASES

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LEASING OF SPACE WITH OPTION TO PURCHASE—1959 ACT

RCW 35.42.010 Purpose. It is the purpose of RCW 35.42.010 through 35.42.090 to supplement existing law for the leasing of space by cities and towns to provide for the leasing of such space through leases with an option to purchase and the acquisition of buildings erected upon land owned by a city or town upon the expiration of a lease of such land. [1965 c 7 s 35.42.010. Prior: 1959 c 80 s 1.]

RCW 35.42.020 Building defined. The term "building" as used in RCW 35.42.010 through 35.42.090 shall be construed to mean any building or buildings used as a part of, or in connection with, the operation of a city or town, and shall include the site and appurtenances, including but not limited to, heating facilities, water supply, sewage disposal, landscaping, walks, and drives. [1965 c 7 s 35.42.020. Prior: 1959 c 80 s 2.]

RCW 35.42.030 Authority to lease. Any city or town may, as lessee, lease a building for its use for a term of not to exceed fifty years. [1965 c 7 s 35.42.030. Prior: 1959 c 80 s 3.]

RCW 35.42.040 Renewals—Option to purchase. A lease of a building executed pursuant to RCW 35.42.010 through 35.42.090 may grant the lessee city or town an option to renew for a further term on like conditions, or an option to purchase the building covered by the lease at any time prior to the expiration of the term. A lease with an option to purchase shall provide that all sums paid as rent up to the time of exercising the option shall be credited toward the payment of the purchase price as of the date of payment. No lease shall provide, nor be construed to provide, that any city or town shall be under any obligation to purchase the leased building. [1965 c 7 s 35.42.040. Prior: 1959 c 80 s 4.]

RCW 35.42.050 Provisions to pay taxes, insurance, make repairs, improvements, etc. A lease of a building may provide that as a part of the rental, the lessee city or town may pay taxes and assessments on the leased building, maintain insurance thereon for the benefit of the lessor, and assume responsibilities for repair, replacement, alterations, and improvements during the term of the lease. [1965 c 7 s 35.42.050. Prior: 1959 c 80 s 5.]

RCW 35.42.060 Execution of lease prior to construction—Lessor's bond—City not obligated for construction costs. A city or town may, in anticipation of the acquisition of a site and the construction of a building, execute a lease, as lessee, prior to the actual acquisition of a site and the construction of a building, but the lease shall not require payment of rental by the lessee until the building is ready for occupancy. The lessor shall furnish a bond satisfactory to the lessee conditioned on the delivery of possession of the completed building to the lessee city or town at the time prescribed in the lease, unavoidable delay excepted. The lease shall provide that no part of the cost of construction of the building shall ever become an obligation of the lessee city or town. [1965 c 7 s 35.42.060. Prior: 1959 c 80 s 6.]

RCW 35.42.070 Lease of city land for building purposes and lease back of building by city. Any city or town desiring to have a building for its use erected on land owned, or to be acquired, by it, may, as lessor, lease the land for a reasonable rental for a term of not to exceed fifty years: PROVIDED, That the city or town shall lease back the building or a portion thereof for the same term. The leases shall contain terms as agreed upon between the parties, and shall include the following provisions:

(1) No part of the cost of construction of the building shall ever be or become an obligation of the city or town.

(2) The city or town shall have a prior right to occupy any or all of the building upon payment of rental as agreed upon by the parties, which rental shall not exceed prevailing rates for comparable space.

(3) During any time that all or any portion of the building is not required for occupancy by the city or town, the lessee of the land may rent the unneeded portion to suitable tenants approved by the city or town.

(4) Upon the expiration of the lease, all buildings and improvements on the land shall become the property of the city or town. [1965 c 7 s 35.42.070. Prior: 1959 c 80 s 7.]

RCW 35.42.080 Lease of city land for building purposes and lease back of building by city—Bids. A lease and lease back agreement requiring a lessee to build on city or town property shall be made pursuant to a call for bids upon terms most advantageous to the city or town. The call for bids shall be given by posting notice thereof in a public place in the city or town and by publication in the official newspaper of the city or town once each week for two consecutive weeks before the date fixed for opening the bids. The city council or commission of the city or town may by resolution reject all bids and make further calls for bids in the same manner as the original call. If no bid is received on the first call, the city council or commission may readvertise and make a second call, or may execute a lease without any further call for bids. [1985 c 469 s 28; 1965 c 7 s 35.42.080. Prior: 1959 c 80 s 8.]

RCW 35.42.090 Leases exempted from certain taxes. All leases executed pursuant to RCW 35.42.010 through 35.42.090 shall be exempt from the tax imposed by chapter 19, Laws of 1951 second extraordinary session, as amended, and *chapter 82.45 RCW; section 5, chapter 389, Laws of 1955, and RCW 82.04.040; and section 9, chapter 178, Laws of 1941, and RCW 82.08.090, and by rules and regulations of the department of revenue issued pursuant thereto. [1975 1st ex.s. c 278 s 22; 1965 c 7 s 35.42.090. Prior: 1959 c 80 s 9.]

***Reviser's note:** This internal reference has been changed from chapter 28A.45 RCW to chapter 82.45 RCW in accordance with 1981 c 148 s 13 and 1981 c 93 s 2. See note following RCW 82.45.010.

Construction—Severability—1975 1st ex.s. c 278: See notes following RCW 11.08.160.

LEASES OF REAL OR PERSONAL PROPERTY OR PROPERTY RIGHTS WITH OR WITHOUT
OPTION TO PURCHASE—1963 ACT

RCW 35.42.200 Leases authorized—Ballot proposition. Any city or town may execute leases for a period of years with or without an option to purchase with the state or any of its political subdivisions, with the government of the United States, or with any private party for the lease of any real or personal property, or property rights: PROVIDED, That with respect only to leases that finance the acquisition of property by the lessee, the aggregated portions of lease payments over the term of the lease which are allocable to principal shall constitute debt, which shall not result in a total indebtedness in excess of one and one-half percent of the taxable property of such city or town computed in accordance with RCW 39.36.030, unless a proposition in regard to whether or not such a lease may be executed is submitted to the voters for their approval or rejection in the same manner that bond issues for capital purposes are

submitted, and the voters approve the same. [1990 c 205 s 1; 1965 c 7 s 35.42.200. Prior: 1963 c 170 s 1.]

RCW 35.42.210 Exercise of option to purchase. If at the time an option to purchase is exercised the remaining amount to be paid in order to purchase the real or personal property leased after crediting the rental payments toward the total purchase price therefor does not result in a total indebtedness in excess of one and one-half percent of the taxable property of such city or town computed in accordance with RCW 39.36.030, such a city or town may exercise its option to purchase such property. If such remaining amount to be paid to purchase such leased property will result in a total indebtedness in excess of one and one-half percent of the taxable property of such city or town, a proposition in regard to whether or not to purchase the property shall be submitted to the voters for approval or rejection in the same manner that bond issues for capital purposes are submitted to the voters. [1965 c 7 s 35.42.210. Prior: 1963 c 170 s 2.]

RCW 35.42.220 Budgeting rental payments—Bids—Construction of agreement where rental equals purchase price. The annual budget of a city shall provide for the payment of rental that falls due in the year for which the budget is applicable: PROVIDED, That if the cost of the real or personal property to be leased exceeds the amounts specified in RCW 35.23.352 prior to the execution of a lease with option to purchase therefor, the city or town shall call for bids in accordance with RCW 35.23.352: PROVIDED, That if at the expiration of a lease with option to purchase a city or town exercises such an option, the fact that the rental payments theretofore made equal the amount of the purchase price of the real or personal property involved in such lease shall not preclude the agreement from being a lease with option to purchase up to the date of the exercising of the option. [1965 c 7 s 35.42.220. Prior: 1963 c 170 s 3.]