



Leasing DNR Land for Housing



DNR aims advance to housing projects on its lands to address the lack of available and affordable housing

Washington State has identified the need to:

BUILD MORE THAN 1 MILLION HOMES + **OVER THE NEXT 20 YEARS** = **50,000+ NEW HOMES EACH YEAR**

The DNR already has a diverse commercial leasing portfolio and knows how to manage land and assets, making housing a natural addition to the public benefit that our lands provide.

While there are many reasons behind the housing crises, the price and availability of buildable land is a key piece of the problem. By leasing our residentially zoned land for housing, DNR may be able to reduce a significant cost of building, making it more affordable for renters and homeowners. It also means more affordable home choices near schools, jobs, and transit, and more options for first-time homebuyers. Moreover, utilizing DNR lands that are already surrounded by development and urban infrastructure can reduce sprawl into our forests and farmlands.

These residentially zoned lands currently generate little to no income for trust beneficiaries; leasing for housing will provide new revenue for our beneficiaries, including schools, libraries, and public safety. **This innovation helps to address the housing crisis by using residentially zoned public lands in meaningful ways.**



Next Steps

Commissioner Franz has issued a Commissioner's Order directing staff to explore what it will take to generate affordable housing on public land. To prepare these lands for partnerships and develop these sites, DNR is working to address three major and timely questions as part of a comprehensive plan in moving this work forward, balancing the built environment with social and equity considerations and community needs.

What is the development potential on the sites?

We must understand the varying conditions that frame the potential opportunities (and challenges) on the sites. This includes zoning and density considerations, infrastructure costs and needs, and appraised value and lease rate implications.

What are the local affordable goals?

DNR will engage with the local jurisdictions, Tribes, and community members to have a better understanding of the unique housing issues facing the families where our land is located. Understanding these issues will help us craft strategies and partnerships that are in line with local needs and interests, as well as with DNR's mission and vision for our public lands.

How can DNR prioritize its actions moving forward to optimize the impact of its land?

Based on this work, DNR will prioritize sites for housing development and collaborate with partners to find creative solutions for local community housing needs.



Solving the housing crises across our state requires new partnerships and creative solutions, which is why DNR is committed to being part of the solution and leveraging public land for this public benefit.



Tools to Incentivize Permanently Affordable Housing

In 2024, DNR was successful in creating the first ever tax incentive to build affordable housing on public lands, thanks to broad bipartisan support. HB2003 amended the Leasehold Excise Tax code (RCW82.29A) to create an exemption for leases on public land when used for the placement of affordable housing. The leasehold excise tax (LET) is 12.84% of a lease rate and is only charged to private entities leasing public land.



Commissioner of Public Lands Hilary Franz and South Puget Sound Habitat for Humanity CEO Elizabeth Walker at a Womens Build event in Tumwater, Washington.

The bill provides that if a developer commits to creating 100% affordable units for low- and-moderate income households (0-115% area median income), they are eligible to receive a LET exemption for the full duration of the lease, provided the lease is at least 20 years. Additionally, this bill requires DNR and a lessee to prioritize housing for low-income households, or those families who are in the 0-80% Area Median Income (AMI) range, when utilizing this exemption.

This exemption is intended to incentivize the placement of affordable housing on leased DNR land, and ultimately reduce the burden on low-to-moderate income households by ensuring that the 12.84% fee is not passed on to families as increased rent or mortgage fees. Local jurisdictions will receive a portion of the lease income as DNR trust beneficiaries, in addition to the economic benefits of new housing development and affordable housing in their own local communities.



Frequently Asked Questions

How long can DNR lease land?

“DNR can lease lands for residential use for up to 99 years.”

Who will own the structures on the property?

All leases are structured as a ground lease, with DNR maintaining ownership of the land, and the primary lease holder (developer) will be responsible for all development and improvements on the property, as well as permanently managing the housing units on site.

How is the Lease Rate calculated?

Unlike other local or state agencies, DNR cannot donate land or lease for \$1/year. DNR must follow ‘fair market value’ for public lands, per Washington State law. However, DNR will work with the lessee during lease negotiations to set a rate that works for both DNR and the housing provider, to ensure sustainable and fair rents for the future households.

What lands are available?

DNR has lands across the state, with parcels ranging from ½ an acre to 400 acres. However, for affordable housing projects, DNR is looking at parcels in a city or urban growth area, where local planning districts have specifically zoned for residential development. DNR staff are working with a consultant to build a portfolio of properties best suitable for affordable housing and help minimize the upfront financial burden of feasibility studies.



Steps to Lease DNR Land for Affordable Housing

DNR is partnering with communities to lease vacant lands to further the states affordable housing goals and provide housing units for overburdened communities and vulnerable populations. The revenue generated from the leases supports our trust beneficiaries, including schools, libraries, teachers, and public safety. Any entity wishing to lease land for affordable housing should contact DNR staff to discuss potential projects.

STEP ONE (1):

Identify the property

Contact the DNR to learn about available residential properties and criteria. Staff will work with the applicant to identify a viable property, or assess if a specific property has the zoning, infrastructure, and any other entitlements to support the project that's proposed. If the property does not have the needed improvements and requires additional pre-development work, DNR can enter into a lease with phased development if the lessee wishes to pursue the needed improvements on their own.

STEP TWO (2):

Submit an Application-to-Lease

An Application-to-Lease is available upon request, with a \$25 fee. In addition to the application, DNR requests a clear written proposal from the applicant and demonstrated means to complete the project.

This should include:

- Demonstrated experience in affordable housing project management, and a clearly identified entity responsible for the permanent management of the housing development
- Identified target income limits of the development, and if the project will be requesting the leasehold excise tax exemption
- Anticipated timeline for initiating development, once feasibility has been satisfied and the lease successfully executed
- Background information on the organizations financing structure, either for the proposed project or organization as a whole
- **Optional:** If known, include the number of projected units, any infrastructure improvements required, timeline to apply for other state funding (if needed) and the preferred length of feasibility or due diligence before entering into lease negotiations



Steps to Lease DNR Land for Affordable Housing (cont.)

STEP THREE (3):

DNR issues the notice of Intent-to-Lease

DNR must publish a notice to lease for 30 days. Once that has been completed, DNR is clear to enter into negotiations. The lease negotiations must begin within 90 days after the intent to lease; however, that does not preclude long feasibility study periods or additional time to secure financing.

STEP FOUR (4):

At this point, there are several items that happen in parallel:

- DNR initiates SEPA review and Tribal consultation
- DNR issues the applicant a Land Use License for feasibility and environmental reviews
- Fair Market Rent must be established. This can be through the internal DNR appraisal team, or by hiring an outside firm to establish fair market rent. Lease rate can be negotiated during the lease process.
- Lease document negotiations commence. A lease can be signed once SEPA, Tribal consultation, and lease negotiations are complete.



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