



HILARY S. FRANZ
COMMISSIONER OF PUBLIC LANDS

ESHB2003

Leasehold Excise Tax Exemption that will encourage affordable housing developers to build on DNR residential properties.

\$2.25M Capital

- Infrastructure Fund that will allow DNR to make targeted investments on residential properties to convert them into developer-ready lots.
- Leasehold Excise Tax Exemption that will encourage affordable housing developers to build on DNR residential lands.

Housing on DNR Lands

DNR owns thousands of acres of residential trust properties across the state that could be used for housing development.

DNR wants to advance housing projects on its lands to address the lack of available and affordable housing across the state if it can receive an additional tool and investment. DNR already has a diverse portfolio of properties it can leverage to help address the State's housing needs.

The price and availability of buildable land is a key aspect of the housing crisis across the state. By leasing DNR's residentially zoned land for housing, DNR can help address these issues by utilizing DNR properties for housing.

This can provide more affordable home choices near schools, jobs, and transit, and more options for first-time homebuyers. It also reduces the risk of conversion of our forests and farmlands, and will provide more trust revenue for our beneficiaries, including schools, libraries, teachers, and public safety,



Legislative and investment proposals to accelerate housing built on DNR residential properties.

DNR's legislative and budget requests will address the lack of housing. DNR's two proposals are a relatively low investment considering the \$1 billion investment in housing already made by the state.

Leasehold Excise Tax Exemption (Agency Request Legislation)

This agency request legislation (ESHB2003) will amend RCW 82.29A, the Leasehold Excise Tax (LET), to create an exemption for leases on public land when used for the placement of affordable housing. The LET fee is 12.84% of the lease rate.

The bill provides that if a developer commits to creating 100% affordable units for low-and-moderate income households, 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% 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; otherwise, the 12.84% fee would be passed on to those families in increased rent or mortgage fees. Local jurisdictions and beneficiaries would still 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.



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A Public Lands Success Story

DNR already has successful models for residential land transfers to local jurisdictions, such as the 27-acres on Ridgetop to Kitsap County.

The County will use this property to develop workforce housing that minimizes urban-suburban sprawl, while protecting the creek and forested trail access.



While this is a good example of putting public lands to use for housing, it is currently inaccessible to private and nonprofit partners.

DNR proposes expanding this approach for an innovative solution to putting more public lands to use to address the growing housing crises.

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Infrastructure Fund and Feasibility Assessment (\$2.25M Cap)

DNR received funding in the Governor's budget that will allow DNR to start improving infrastructure on viable residential sites. This includes connecting urban lots to drinking water and sewer in areas that greatly need new low and middle-income housing.

By using State funds instead of DNR Trust accounts to pay for this infrastructure, DNR will be able to reduce the cost of the land for the housing provider, by not passing along any improvement costs in the lease rate and appraised value. This innovation addresses the affordable housing crisis by making these public lands more accessible to affordable housing developers, while also maintaining the agency's fiduciary responsibility to the trust beneficiaries.

The Governor's budget also funds a land feasibility assessment and pre-design to create a portfolio of build-ready sites for DNR residential properties.

DNR will hire a contractor to conduct a full assessment/feasibility study on DNR residentially zoned lands to determine the number of lots and acres available; what the current zoning and allowed densities are, and how many units could be built; what development barriers and costs exist; and the what the current appraised value is. This type of feasibility work will significantly expedite housing development and help DNR better leverage our residential properties to build housing on them.

