



Final Scoping Memo

Audit Name	Evaluating Aquatic Land Lease Rates
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Audit Summary

The Department of Natural Resources (DNR) manages 2.6 million acres of state-owned aquatic lands. DNR leases this land to businesses, local governments, or the public at different rates for various purposes, including marinas, aquaculture and more.

Many stakeholders are unclear how rates are set, and there are concerns that state law and DNR processes may result in unfair rates for certain industries or the state. While many aquaculture stakeholders shared no concerns about current rates, some are concerned about the potential for unfair rates due to DNR's unclear and inconsistent process. DNR says they negotiate those rates on a case-by-case basis with no set method or criteria, which could cause unfair rates. DNR sets rent for marinas using a formula prescribed in statute, but some leaseholders said that the use of upland parcels can also result in unfair rates.

This audit will broadly examine how aquatic lease rates are determined, and then analyze lease data and processes to assess fairness across certain leaseholders and for the state.

Audit Value

This audit could provide legislators, stakeholders, and citizens with transparency into how lease rates for state-owned aquatic lands are set in Washington. It could assess whether improvements should be made to DNR processes and state law, in order to foster fairer rates for leaseholders and the state.

Proposed Audit Objectives and Sub-Objectives

This proposed audit will address the following objectives:

1. How are lease rates set for state-owned aquatic lands in Washington?
 - a. How does statute authorize and direct DNR to set lease rates?
 - b. What are DNR's processes for setting lease rates?
2. Does the process for determining lease rates of aquatic lands lead to fair rates for leaseholders and the state?
 - a. Are lease rates similar for leases that share similar characteristics? If not, why?
 - b. Does the state receive appropriate revenue from leases, recognizing that DNR must balance other public benefits? If not, why?
 - c. If there are unfair rates, what is the impact on leaseholders, the state and the public?
3. Are there opportunities to improve state law or DNR processes to foster fairer aquatic land lease rates?
 - a. Do any laws need to be changed that would foster fairer lease rates?
 - b. Does DNR need to change how it administers aquatic leases that would foster fairer lease rates?
 - c. Are there other processes for setting lease rates that could better foster fairness?

Estimated Time and Resources

Hours	5,000
Issuance Date	January 2024