
**Community Development, Housing &
Tribal Affairs Committee**

HB 2558

Brief Description: Disposing tax foreclosed property to cities for affordable housing purposes.

Sponsors: Representatives Fey, Jinkins and Freeman.

Brief Summary of Bill

- Requires a county to offer to sell its tax title lands to a city if the property will be used for affordable housing development purposes.

Hearing Date: 1/28/14

Staff: Sean Flynn (786-7124).

Background:

Tax Foreclosure Process

Every county assesses and collects property taxes each year. The assessment of the tax creates a lien on the property until the tax is paid. If an owner does not pay on time, the taxes are delinquent and subject to a 12 percent interest rate charge as well as additional penalty charges that are added to the assessment. A tax lien takes priority over all other interests in the property, including a mortgage, judgment, debt, or obligation.

If real property taxes are delinquent for three years, the county treasurer must file a certificate of delinquency in the county superior court, which is used to initiate an action for foreclosure on the tax lien. After providing notice to the owner and all parties with a recorded interest in the property, the court may issue a judgment to foreclose the tax lien and order a tax foreclosure sale of the property.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A tax foreclosure sale must be made to the highest bidder at a public auction. The minimum bid is set on behalf of the county at the total amount of taxes due, including interest and penalties. The highest successful bidder must pay the amount of taxes owed and the county refunds the excess to the recorded owner of the property.

County Tax Title Lands

If no bids are received at the tax foreclosure sale, the county is considered the bidder on the minimum amount and acquires the property as "tax title land." The county holds such property in trust for all the taxing districts, but does not pay the delinquent taxes. Tax title land is tax exempt during the period it is held by the county.

The county may sell tax title land when the sale is determined to be in the best interest of the county. The sale generally must follow the procedures of a tax foreclosure sale, including a public auction to the highest bidder. However, the county may choose to dispose of tax title lands by private negotiation and without a call for bids under the following circumstances:

- the sale is for a public purpose to any governmental agency;
- the county determines that it is not practicable to build on the property due to the physical characteristics or legal restrictions on the property;
- the property has been assessed for less than \$500 and is sold to an adjoining landowner;
- or
- the sale is made within 12 months from an attempted public sale where no acceptable bids were received.

The sale under such circumstances must be for no less than the principal amount of unpaid taxes.

Proceeds from a sale of tax title lands must be distributed in the following priority: (1) the amount to reimburse the county for the costs of foreclosure and sale; (2) any remainder to reimburse the state for any taxes deferred under a tax deferral program; and (3) the remainder to be justly apportioned among the tax districts.

Affordable Housing Program

The Department of Commerce (COM) administers the Affordable Housing Program, which develops and coordinates public and private resources targeted to meet the affordable housing needs of households below 80 percent of a county's median family income. The Affordable Housing Program funds projects, including new construction, rehabilitation, or acquisition of housing for low-income households.

Organizations eligible to receive assistance include:

- local governments;
- local housing authorities;
- non-profit community or neighborhood-based organizations;
- federally recognized Indian tribes in the state; and
- regional or statewide nonprofit housing assistance organizations.

These eligible organizations may receive loans to purchase land for affordable housing development and supportive services. These loans are funded through a program administered by the Housing Finance Commission in coordination with the COM.

Summary of Bill:

Upon receiving tax title lands, the county must give notice to any city in which the property is located within 60 days of acquiring the property. The county may not dispose of the property before providing the notice. The notice must include an offer to the city to purchase the property for the amount of unpaid taxes, under the following conditions:

- the city must accept the offer within 30 days of receiving the notice, unless extended by the county;
- the city must provide that the property is suitable and will be used for affordable housing development purposes; and
- the city must agree to transfer the property to a local housing authority or other entity eligible to receive assistance from the Affordable Housing Program.

The county may negotiate with the city to allow the city to defer payment of all real property taxes levied on the property for the period that the city owns the property. The deferred tax must be paid with interest by the eligible entity upon the transfer of the property.

Appropriation: None.

Fiscal Note: Requested on 1/24/2014.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.