

# SENATE BILL REPORT

## EHB 2558

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As of February 27, 2014

**Title:** An act relating to disposing tax foreclosed property to cities for affordable housing purposes.

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

**Sponsors:** Representatives Fey, Jinkins and Freeman.

**Brief History:** Passed House: 2/13/14, 56-42.

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/25/14.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Alison Mendiola (786-7483)

**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.

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.

Tax-Foreclosed Property. 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.

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*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 county may dispose of tax-foreclosed property by private negotiation, without a call for bids, and for at least the principle amount of unpaid taxes in any of the following cases: (1) when the sale is to any governmental agency and for public purposes; (2) when the county legislative authority determines that it is not practical to build on the property due to the physical characteristics of the property or legal restrictions on construction activities on the property; (3) when the property has an assessed value of less than \$500 and the property is sold to an adjoining landowner; or (4) when no acceptable bids were received at the attempted public auction of the property, if the sale is made within 12 months from the date of the attempted public auction.

**Summary of Bill:** Upon receiving tax title land, the county must give notice to any city in which any tax foreclosed property is located within 60 days of acquiring the property. The notice must offer the city the opportunity to purchase the property for no more than the amount of the unpaid taxes, including any tax-deferral lien amounts, interest, penalties, and costs, under the following conditions:

- the city must accept the offer within 30 days of receiving notices, unless the county agrees to extend the offer;
- the city must provide that the property is suitable and will be used for affordable housing development; 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, administered by the Department of Commerce.

The county may negotiate with the city to allow the city to defer payment for any period that the city owns the property.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill is another tool in the toolbox to provide opportunities for affordable housing. A county that sells tax-foreclosed property to a city for the purpose of affordable housing will still get the same amount of money as they would have if they sold it to a different party. This process has worked well in other states.

**Persons Testifying:** PRO: Representative Fey, prime sponsor; Randall Lewis, city of Tacoma.