
Housing Committee

HB 1974

Brief Description: Establishing land banking authorities.

Sponsors: Representatives Hill, Peterson, Parshley, Scott, Thomas, Reed, Simmons, Street, Pollet, Macri and Ormsby.

Brief Summary of Bill

- Allows a county to authorize a land bank to serve the county's urban growth areas.
- Provides a land bank with priority access to surplus land and the ability to obtain tax foreclosed lands from the county before auction.
- Requires the Washington State Housing Finance Commission to develop and administer a competitive grant program for land banks.

Hearing Date: 2/18/25

Staff: Serena Dolly (786-7150).

Background:

Land Banks.

Land banks are public or non-profit entities created to acquire, assemble, manage, and maintain land until the land can be transferred to another owner for redevelopment. Land banks typically operate in a defined geographical area and acquire vacant, abandoned, or foreclosed properties.

Surplus Property.

A state agency or local government may transfer, lease, or otherwise dispose of surplus property if it will be used for affordable housing for low-income households with an income at or below 80% of area median income. Any such transfer, lease, or other disposal may be made to a

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public, private, or nongovernmental body with any mutually agreeable terms and conditions, including a no cost transfer.

Tax Foreclosed Properties.

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 interest and penalties. 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 may initiate foreclosure. 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 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 any excess to the recorded owner of the property. If no bids are received at the tax foreclosure sale, the county acquires the property as "tax title land."

Upon receiving tax title lands, the county must allow any city in which the property is located to purchase the property for the original minimum auction bid. If purchased, the city must transfer the property to a housing authority or an eligible nonprofit for affordable housing development, and the housing authority or nonprofit receiving the property must reimburse the city for the amount paid to purchase the property and any other direct costs.

As an alternative to auction, a county may privately negotiate the sale of tax foreclosed property under certain circumstances, including when the sale is to a governmental agency for a public purpose. The sale must be for no less than the principal amount of unpaid taxes.

Property Tax Exemptions.

Real and personal property owned by public entities, including cities, towns, counties, and housing authorities, is exempt from property taxation.

A public corporation created by a city, town, or county is entitled to the same property tax exemption as the jurisdiction that created it. However, a public corporation must pay an excise tax on its real and personal property equal to the property taxes that would have been paid if the property were privately owned. Exemptions from this excise tax include:

- property listed on a state or federal register of historic sites;
- property used primarily for low-income housing;
- property used as a convention center, performing arts center, public assembly hall, or public meeting place; or
- any blighted property owned or controlled by a public corporation for the purpose of remediation and redevelopment of the property.

Real and personal property owned by nonprofit organizations to provide certain types of housing

is also exempt from property tax, including:

- homes for the aging or the developmentally disabled;
- homeless shelters;
- low-income housing development; and
- low-income rental housing.

Summary of Bill:

Land Bank Authorization.

The legislative authority of a county may authorize a public corporation, a public housing authority, or a nonprofit organization to serve as a land bank in the county's urban growth areas. The legislative authorities of two or more contiguous counties may authorize a regional land bank to be administered in accordance with an interlocal agreement.

Land Bank Advisory Board.

A county authorizing a land bank must establish a Land Bank Advisory Board (Advisory Board) to provide oversight and technical assistance to the land bank. The county executive must appoint nine members to the Advisory Board as follows:

- one member with public or private real estate finance experience;
- one member with affordable housing development experience;
- one member with market rate housing development experience;
- one member with experience in neighborhood and community planning;
- one member with design and architecture experience;
- one member with economic development experience;
- one member representing advocates for affordable housing for marginalized communities;
- one member representing nonprofit housing developers; and
- one member representing renters in the region who is currently a renter.

The county executive must strive to make appointments that reflect the racial and ethnic makeup of the region the land banking authority will cover.

Land Bank Authority.

A land bank may:

- acquire, hold, improve, fund, lease, sell, and engage in predevelopment contracting for land;
- work with public entities, nonprofit developers, and private landowners to acquire, assemble, lease, or land bank parcels;
- lease or sell land to a housing developer at less than market rate in exchange for compliance with affordability requirements;
- negotiate sales with developers without a requirement to sell or lease land to the highest bidder;
- prioritize community needs, such as affordable or workforce housing;
- sell land to any entity for any purpose if it can demonstrate that it is not financially feasible to lease the parcel and the proceeds are directed to affordable housing or permanently

- affordable homeownership; and
- lease properties for temporary uses, if more permanent options are not reasonably available.

A land bank must plan for and facilitate the following mix of housing:

- at least 33 percent affordable to extremely low-income, very low-income, and low-income households;
- no more than 33 percent at market rate; and
- housing affordable to moderate-income households.

Land or property leased or sold by a land bank must include a covenant or deed restriction that the housing units developed or operated must maintain any affordability requirements for at least 99 years.

Land Bank Planning Strategies.

Each land bank must develop a land bank planning strategy that includes:

- land acquisition and disposition policies;
- an equitable framework and equity goals;
- identification of a community vision that includes people who are most impacted by housing and transportation disparities;
- an assessment of the current regulatory environment and identification of possible barriers to affordable housing development;
- an assessment of displacement risk for current low-income residents and underrepresented racial and ethnic minorities;
- a displacement mitigation plan that aligns with the city or county's anti-displacement policies;
- prioritization of homeownership opportunities for underrepresented racial and ethnic minorities, including first-time homeowners qualifying for the Covenant Homeownership Program;
- an assessment of alternate pathways to homeownership, including permanently affordable homeownership, community land trusts, and limited or shared equity cooperatives;
- consideration to the preservation of historical and cultural communities and investments in low-income, very low-income, extremely low-income, and moderate-income housing; and
- consideration of land that may be used for affordable housing.

Land Bank Grants.

The Washington State Housing Finance Commission must develop and administer a competitive grant program for land banks. Grants may be used for:

- land bank planning strategies;
- public improvements; and
- land acquisition.

To be eligible for a grant under this section, each county creating the land bank must:

- levy a local tax dedicated to the construction, acquisition, or rehabilitation of housing

- affordable to households at or below 80 percent of area median income;
- have removed barriers to the siting of permanent supportive housing; and
- have expedited permit issuance timelines for housing affordable to low-income, very low-income, and extremely low-income households.

Up to one percent of the grant funds may be used for the actual costs incurred by an Advisory Board in the performance of its oversight and technical assistance duties.

Surplus Property.

The state, a municipality, or a political subdivision must prioritize the transfer of surplus land to any land bank authorized in the county in which the surplus land is located.

Tax Foreclosed Property.

A land bank may obtain tax foreclosed lands from the county before auction for an amount not less than the principal amount of the unpaid taxes. A city may transfer any property obtained from a county tax foreclosure to a land bank, if the land bank reimburses the city for the amount the city paid to purchase the property and any direct costs incurred.

Property Tax Exemption.

Any property owned or leased by a public corporation or nonprofit organization authorized as a land bank is exempt from property taxation.

Compliance.

Each land bank must perform an annual review of all undeveloped properties held or transferred to determine progress towards the required mix of affordable housing and submit the results of its review to its Advisory Board.

The county authorizing the land bank must conduct an audit of all housing developed on land sold or leased by the land bank to ensure affordability and other conditions continue to be met. Audits must be performed on each property at least every three years. If an audit finds that an owner or manager of housing units is not in compliance with a minor or inadvertent variation of the affordability requirements, the county must direct the land bank to establish a plan to bring the owner or manager into compliance. If an audit finds that an owner or manager of housing units is not in compliance with a significant variance or variances from the affordability or other requirements, the county must provide notification of the noncompliance to any local, state, or federal agency awarding funds for the housing development.

Appropriation: None.

Fiscal Note: Requested on February 14, 2025.

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