
Housing Committee

HB 1974

Brief Description: Establishing land banking authorities.

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

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Authorizes counties to create land banks to serve urban growth areas.

Hearing Date: 1/19/26

Staff: Jim Morishima (786-7191).

Background:

Land Banks.

A land bank is generally a public or nonprofit entity created to acquire, assemble, manage, and maintain land until the land is transferred for redevelopment. For example, the Department of Natural Resources maintains a land bank through which property may be purchased and subsequently used to replace less productive public lands.

Surplus Property.

State agencies and local governments may dispose of surplus property if it will be used for affordable housing for low-income households. Disposition of the land may be made to public, private, or nongovernmental bodies with any mutually agreeable terms and conditions, including no-cost transfers.

Tax Foreclosures.

A county treasurer may initiate foreclosure proceedings if property taxes are delinquent for three

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years. After providing notice to the owner and other interested parties, the court may order a foreclosure sale of the property, which is conducted via an auction. The minimum bid at the auction is the total amount of taxes due plus interest and penalties. The sale must be made to the highest bidder, who must pay the amount of taxes owed with the excess going to the property owner. If no bids are received, the county acquires the property.

If the county receives the property in this manner, it must allow any city in which the property is located to purchase the property for the original auction bid. Once purchased, the city must transfer the property to a housing authority or an eligible nonprofit for affordable housing development. Any housing authority or nonprofit receiving the property must reimburse the city for the purchase amount plus any other direct costs.

Property Tax Exemptions.

Real and personal property owned by public entities, including cities, towns, counties, and housing authorities, is exempt from property tax. This exemption applies to public corporations created by these public entities, but the corporation must pay an excise tax equal to the amount of property taxes that would have been due if the property was privately held. Certain types of property are exempt from this excise tax, including:

- 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 space; and
- 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 a nonprofit organization is also exempt from property tax if the property is used for homes for the aging or the developmentally disabled, homeless shelters, low-income housing development, or low-income rental housing.

Summary of Bill:

Land Bank.

The legislative authority of a county may authorize an entity to serve as a land bank within the urban growth areas of the authorizing county. The entity must be a public corporation, public housing authority, or nonprofit organization. Two or more contiguous counties may authorize a regional land bank via an interlocal agreement.

A land bank is authorized to:

- acquire, hold, improve, fund, lease, sell, and engage in predevelopment contracting for land within the urban growth areas of the authorizing county—land acquisitions and dispositions must be consistent with existing local, regional, or state housing plans and the Washington Housing Policy Act, including anti-displacement policies in the comprehensive plans of the county and cities and towns within the county;
- work with other public entities, nonprofit developers, and private landowners to acquire,

- assemble, lease, or 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 the requirement to sell to the highest bidder;
- prioritize community needs, such as affordable housing, workforce housing, grocery stores, or recreational space;
- sell land to any entity for any purpose if the land bank demonstrates that it is not financially feasible to lease the parcel and the proceeds are directed to affordable housing or permanently affordable home ownership; and
- lease property for temporary uses, if more permanent options are not reasonably available.

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

- at least 33 percent affordable to extremely low-income (30 percent or below of median income), very low-income (31 percent to 50 percent of median income), and low-income (51 percent to 80 percent of median income) households;
- no more than 33 percent at market rate; and
- housing affordable to moderate-income households (81 percent to 120 percent of median income).

Land or property leased or sold by the 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.

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.

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 and must strive to make appointments that reflect the racial and ethnic makeup of the region the land bank will cover. The members of the Advisory Board must consist of:

- 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.

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.

The Washington State Housing Finance Commission must develop and administer a competitive grant program for land banks to be used for land bank planning strategies, public improvements, and land acquisition. 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. To be eligible for a grant, the 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.

Surplus Property.

A county authorizing a land bank, and any city or town within the county, must give the land bank priority for acquiring existing surplus land. The surplus land must have a clear title and address payment or forgiveness of any back taxes.

Tax Foreclosures.

A county authorizing a land bank, and any city or town within the county, must give the land bank priority for acquiring properties foreclosed due to nuisance or unpaid taxes. The surplus land must have a clear title and address payment or forgiveness of any back taxes. The land bank may obtain tax foreclosed land 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 the city incurred.

Property Tax Exemption.

Any property owned or leased by a public corporation or nonprofit organization authorized as a land bank is exempt from the property tax. To qualify for the exemption, the land bank must be organized to provide low-cost land for affordable housing development.

Appropriation: None.

Fiscal Note: Available.

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