

HOUSE BILL REPORT

HB 1974

As Reported by House Committee On:
Housing

Title: An act relating to establishing land banking authorities.

Brief Description: Establishing land banking authorities.

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

Brief History:

Committee Activity:

Housing: 2/18/25, 1/19/26, 1/22/26 [DPS].

Brief Summary of Substitute Bill

- Authorizes land banks to be created to serve urban growth areas.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Peterson, Chair; Hill, Vice Chair; Richards, Vice Chair; Entenman, Gregerson, Lekanoff, Reed, Thomas, Timmons and Zahn.

Minority Report: Without recommendation. Signed by 7 members: Representatives Low, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Manjarrez, Assistant Ranking Minority Member; Barkis, Connors, Dufault and Engell.

Staff: Jim Morishima (786-7191).

Background:

Land Banks.

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

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.

Tax Foreclosures.

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

Real Estate Excise Tax Exemptions.

Real estate transactions, including the sale and transfer of property, are subject to the real estate excise tax (REET). The amount of tax depends on a variety of factors, including the type of land involved and the sale price of the property. Some real estate transactions are

exempt from the REET, including transfers by gift or inheritance and sales by the federal, state, or local government.

Summary of Substitute Bill:

Land Bank.

A public corporation, public housing authority, or nonprofit organization may operate as a land bank. A land bank is authorized to:

- acquire, hold, improve, fund, lease, sell, or dispose of property to be used as affordable housing;
- enter into contracts necessary to prepare property for productive use, including clearing title, addressing outstanding liens or taxes, and undertaking predevelopment activities; and
- lease or sell land to a housing developer at less than market rate in exchange for compliance with affordability requirements—such transfers are not required to be to the highest bidder.

Land acquisitions and dispositions must be consistent with existing local, regional, or state housing plans, including antidisplacement policies in the comprehensive plans of the county and cities and towns within the county. Land acquisitions must also demonstrate alignment with adopted local housing targets. A nonprofit entity operating as a land bank may not build or construct housing.

At least 50 percent of the land or property leased or sold by a land bank must include a covenant or deed restriction that the housing units maintain affordability requirements for at least 30 years. Rental units must be affordable to households with an income at or below 80 percent of the area median income. Owner-occupied housing units must be affordable to households with an income at or below 120 percent of the area median income.

Each land bank must prepare an annual report that must include:

- parcels acquired, held, and transferred during the year;
- the manner of disposition and alignment with local housing and land use plans;
- how each action advanced a community benefit;
- the purchase price and assessed value of each parcel acquired;
- the sales price and assessed value of each parcel transferred;
- the number of housing units developed on each parcel transferred;
- the affordability covenants recorded for each parcel sold;
- the current board roster; and
- progress toward advancing equity, preventing displacement, and meeting locally identified housing needs.

The land bank must make annual reports publicly available and submit each report to any

city or county in which it has acquired or transferred land in the last 12 months. Cities and counties receiving an annual report are encouraged to provide feedback on the land bank's activities and alignment with local housing and land use plans to help guide compliance with local and regional housing plans.

Tax Foreclosures.

A county legislative authority must give the land bank priority for acquiring tax foreclosed properties. The property may be sold to the land bank for an amount not less than the principal amount of the unpaid taxes and may be made without a call for bids. 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.

A land bank that is a public corporation is exempt from the excise tax in lieu of property tax. A land bank that is a nonprofit entity is exempt from property taxation if the entity is organized to provide low-cost land for affordable housing development. This tax exemption is exempt from the automatic 10-year expiration for new tax preferences.

Real Estate Excise Tax Exemption.

Sales or transfers of land to, or by, a land bank are exempt from the real estate excise tax. This tax exemption is exempt from the automatic 10-year expiration for new tax preferences.

Substitute Bill Compared to Original Bill:

The substitute bill:

- removes requirements for county authorization of land banks, establishment of county land bank advisory boards, development of land bank planning strategies, and annual county audits;
- allows a public corporation, public housing authority, or nonprofit entity to operate as a land bank authority;
- allows a land bank authority to acquire, hold, manage, improve, lease, transfer, or dispose of property to be used as affordable housing, but prohibits a nonprofit land bank authority from building or constructing housing;
- removes the authority for the land bank to work with public entities, nonprofit developers, or tribes to acquire, assemble, lease or dispose of parcels;
- removes the requirement that partnerships should support opportunities to build capacity for small and emerging developers;
- removes the requirement that transfers of surplus properties to land banks be prioritized;

- eliminates the requirement that a land bank authority must plan for and facilitate a mix of low-income, moderate-income, and market rate housing and conduct annual reviews to monitor compliance;
- requires at least 50 percent of the land or property leased or sold by a land bank authority to include a covenant or deed restriction that the housing units must maintain affordability requirements for at least 30 years as follows: rental housing units must be affordable to households with an income at or below 80 percent of the area median income; and owner-occupied housing units must be affordable to households with an income at or below 120 percent of the area median income;
- requires each land bank authority to prepare an annual report, which must be publicly available and submitted to any city or county in which it has acquired or transferred land or property in the last 12 months;
- removes the competitive grant program;
- exempts all real property sold or transferred by or to a land bank authority from real estate excise tax (REET);
- requires the Joint Legislative Audit and Review Committee to conduct a review of whether the new property tax and REET exemptions reduce the cost of land for housing development; and
- exempts the new property tax and REET exemptions from the automatic 10-year expiration for new tax preferences.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

As part of a pilot project, testimony in this section of the bill report was summarized by generative artificial intelligence and reviewed for accuracy by non-partisan legislative staff. Generative artificial intelligence was used only in this section of the bill report; all other sections were prepared by non-partisan legislative staff without the use of any generative artificial intelligence.

(In support) The testimony expressed strong support for legislation establishing a coordinated land banking framework as a necessary tool to address Washington’s ongoing housing affordability crisis. Testimony emphasized that land costs and acquisition barriers are major contributors to high housing prices and that coordinated land banks would help assemble, prepare, and transfer underutilized, surplus, or tax-foreclosed properties for affordable housing development. The bill was described as expanding eligibility to nonprofits and public entities, creating priority access to land, enabling title clearing and

lien resolution, and providing tax and fee exemptions that lower overall development costs. Supporters highlighted that these tools would create a reliable pipeline of development-ready land, reduce predevelopment risk, and allow housing to be built based on community needs rather than market speculation. The testimony further underscored that the proposal aligns with local housing plans, state housing targets, and existing affordability standards, while promoting mixed-income communities and long-term affordability. Equity and anti-displacement provisions were described as essential, particularly for communities disproportionately impacted by homelessness and housing instability, including youth, people of color, and other historically excluded groups. Overall, the testimony characterized the bill as a comprehensive, accountable, and flexible approach that complements other housing policies, supports a wider range of developers, and equips communities with a proactive mechanism to increase affordable housing supply statewide.

(Opposed) None.

Persons Testifying: Representative Natasha Hill, prime sponsor; Patience Malaba, HDC Seattle-King County; Matt Hoffman, Maul Foster and Alongi, Inc.; Ami Manning, Spokane Regional Land Bank and Spokane Low Income Housing Consortium; Chris Collier, Housing Authority of Snohomish County; Reggie Brown, 1DROP; Erin Chapman-Smith, Roots Young Adult Shelter; Reggie Brown, 1DROP; and Kelsey Hulse, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.