HOUSE BILL REPORT
E2SHB 1974

As Passed Legislature

Title: An act relating to establishing land banking authorities.

Brief Description: Establishing land banking authorities.

Sponsors: House Committee on Finance (originally sponsored by 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];
Finance: 2/3/26, 2/6/26 [DP2S(w/o sub HOUS)].

Floor Activity:

Passed House: 2/12/26, 59-37.
Senate Amended.
Passed Senate: 3/5/26, 30-19.
House Concurred.
Passed House: 3/11/26, 59-37.
Passed Legislature.

Brief Summary of Engrossed Second Substitute Bill

- Allows a city or county to authorize a public corporation, housing authority, or nonprofit organization to operate as a land bank authority and establish a land bank.

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.

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.

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).

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 10 members: Representatives Berg, Chair; Street, Vice Chair; Mena, Ramel, Santos, Scott, Springer, Walen, Wylie and Zahn.

Minority Report: Without recommendation. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell and Chase.

Staff: Serena Dolly (786-7150).

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.

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.

Housing Authority Tax Exemption.

The property of a housing authority is exempt from state and local taxes and special assessments. However, in lieu of the taxes and assessments, a housing authority may agree to reimburse a governing authority for improvements, services, and facilities furnished for the benefit of a housing project.

Summary of Engrossed Second Substitute Bill:

Land Bank.

A city or county may, by ordinance or resolution, authorize a public corporation, public housing authority, or nonprofit organization to operate a land bank. The ordinance or resolution must, at a minimum, state the public purpose of the land banking authority, describe the land bank authority's governance or oversight structure, and authorize the land bank authority to acquire, hold, lease, and transfer real property. The legislative authorities of two or more contiguous counties may authorize the establishment of a land bank to be administered by an interlocal agreement.

A land bank is authorized to:

- acquire, hold, improve, fund, lease, sell, or dispose of property to be used as affordable housing—real property held in the inventory of a land bank must be legally owned by the land bank authority;
- 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:

- real property 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; 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 federally tax-exempt 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.

Housing Authority Tax Exemption.

A land bank authority owned, operated, or controlled by a housing authority is exempt from state and local taxes and special assessments. The land bank authority does not have the option to agree to reimburse a governing authority for improvements, services, and facilities furnished for the benefit of a housing project. This tax exemption is exempt from the automatic 10-year expiration for new tax preferences.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 12, 2026.

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

Staff Summary of Public Testimony (Housing):

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.

Staff Summary of Public Testimony (Finance):

(In support) Land banks primarily work with land that most people do not want. It is land that takes time to get ready before it can be used for affordable housing development. This bill incentivizes and gives benefits to some of our nonprofits and entities like our housing authorities that are already doing land banking work. It will allow land banks to leverage property tax and real estate excise tax exemptions, clear titles, address outstanding liens, undertake predevelopment activities, and gain priority access to tax-foreclosed properties. The goal is to increase the amount of land developed as housing. Allowing land banks to hold and prepare land for development gives developers more certainty at purchase and a clear path to construction. This means projects will move forward more quickly. Once homes are built, the properties will be taxed like any other development. The affordability requirements in the bill provide flexibility for mixed-income developments to deliver more affordable homes overall.

(Opposed) None.

Persons Testifying (Housing): 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 Testifying (Finance): Representative Natasha Hill, prime sponsor; Ami Manning, Spokane Regional Land Bank and Spokane Low Income Housing Consortium; Krosbie Carter, 1DROP; and Matt Hoffman, Starter Home Production Plan Team, BHI Land Strategy Team, and Maul Foster and Alongi, Inc.

Persons Signed In To Testify But Not Testifying (Housing): None.

Persons Signed In To Testify But Not Testifying (Finance): None.