

SENATE BILL REPORT

E2SHB 1974

As Reported by Senate Committee On:
Housing, February 18, 2026

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: Passed House: 2/12/26, 59-37.

Committee Activity: Housing: 2/18/26 [DP-WM, w/oRec].

Brief Summary of Bill

- Authorizes public corporations, public housing authorities, and certain nonprofit entities, if authorized by a city or county ordinance or resolution, to operate land bank authorities.
- Specifies requirements for such ordinances and resolutions; powers and duties of land bank authorities; and affordability requirements for leased or sold land bank property.
- Prioritizes the transfer of tax foreclosed properties to land bank authorities.
- Provides property and in-lieu tax exemptions for land bank authorities.

SENATE COMMITTEE ON HOUSING

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Bateman, Chair; Alvarado, Vice Chair; Orwall, Salomon and Trudeau.

Minority Report: That it be referred without recommendation.

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.

Signed by Senators Goehner, Ranking Member; Gildon.

Staff: John Kim (786-7453)

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 Foreclosed Property. 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.

A county legislative authority may dispose of tax foreclosed property by private negotiation, without a call for bids, for not less than the principal amount of the unpaid taxes in any of the following cases:

- when the sale is to any governmental agency and for public purposes;
- when the county legislative authority determines 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;
- when the property has an assessed value less than \$500 and the property is sold to an adjoining landowner; or
- 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.

Property Tax Exemptions and In-Lieu Excise Taxes. 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 in-lieu 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 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.

Property of public housing authorities are also subject to a tax in lieu of property taxes and special assessments. The public housing authority may agree to make payments to the city or the county or any political subdivision for improvements, services, and facilities furnished by such city, county, or political subdivision for the benefit of a housing project. Such payments may not exceed the amount last levied as the annual tax of such city, county, or political subdivision upon the property included in said project prior to the time of its acquisition by the public housing authority.

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.

Tax Preference Performance Statement. All new tax preference legislation is required to include a tax preference performance statement that identifies the public policy objectives of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

Summary of Bill: Land Bank Authorities. A city or county legislative authority may authorize the establishment of a land bank by a public corporation, a public housing authority, or an entity exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code. A nonprofit organization operating a land bank may not build or construct housing.

A land bank authority is defined as an entity authorized by ordinance or resolution of a city or county legislative authority to establish and operate a land bank. A land bank is defined as the inventory of real property acquired, held, leased, or transferred by a land bank authority for purposes consistent with the act.

Authorizing Ordinances or Resolutions. The city or county legislative authority must adopt an ordinance or resolution authorizing an entity to establish and operate a land bank. At a minimum, the ordinance or resolution must:

- state the public purpose of the land bank authority, including acquiring, holding, managing, and transferring property for affordable housing consistent with adopted local housing plans and the Growth Management Act;
- describe the governance or oversight structure applicable to the land bank authority; and

- authorize the land bank authority to acquire, hold, lease, and transfer real property, including transfers at less than fair market value in exchange for affordability requirements authorized under the chapter created by the bill.

The legislative authorities of two or more contiguous counties may authorize the establishment of a land bank to be administered in accordance with an interlocal agreement.

Powers. A land bank authority may:

- acquire, hold, manage, improve, lease, transfer, or dispose of real property to be used as affordable housing, provided that 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 made to the highest bidder.

Land acquisitions and dispositions must:

- be consistent with any existing local, regional, or state housing plans and the Washington Housing Policy Act, including the anti-displacement policies in the comprehensive plans of the county or city where the land is located; and
- demonstrate alignment with adopted local housing targets under the Growth Management Act.

Affordability Requirements. At least 50 percent of the land or property leased or sold by a land bank authority must include a covenant or deed restriction that the housing units developed or operated 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.

Annual Report. Each land bank authority must prepare an annual report. The annual report 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.

A land bank authority must make annual reports publicly available and submit each report to any city or county in which it has acquired or transferred land or property 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 Foreclosed Property. County legislative authorities may dispose of tax foreclosed property by private negotiation, without a call for bids and for not less than the principal amount of the unpaid taxes, when the sale is to an entity operating a land bank authority. A county legislative authority must prioritize the transfer of tax foreclosed property to an entity operating a land bank authority.

For a transfer of a tax foreclosed property to a land bank authority, a county legislative authority is exempt from notice requirements to the city in which the property is located. Existing provisions requiring the consent of, and reimbursement to, cities for the transfer of tax foreclosed properties apply to transfers to land bank authorities.

Property Tax and In-Lieu Excise Tax Exemptions. All real and personal property owned by a nonprofit entity operating a land bank authority is exempt from property taxation.

The nonprofit entity must be exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

Property owned, operated, or controlled by a public corporation operating a land bank authority is exempt from the in-lieu excise tax.

Property owned by a land bank authority operated by a public housing authority is exempt from the in-lieu tax applicable to public housing authority property.

Tax Preference Performance Statement. A tax preference performance statement is included, stating the public policy objective is to:

- encourage sales or transfers of real property to land bank authorities that intend the property to be used for affordable housing; and
- reduce the cost of land for housing development by allowing land bank authorities to own land or property without being subject to state or local property tax and to sell land or property without being subject to the real estate excise tax.

The Legislature intends to consider repealing the preference if a JLARC review finds that the tax preference has not reduced the cost of land for housing development. The act is not subject to the automatic expiration for tax preferences.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: No public hearing held.

Persons Testifying: No one.

Persons Signed In To Testify But Not Testifying: No one.