
SUBSTITUTE HOUSE BILL 1974

State of Washington

69th Legislature

2026 Regular Session

By House Housing (originally sponsored by Representatives Hill, Peterson, Parshley, Scott, Thomas, Reed, Simmons, Street, Pollet, Macri, and Ormsby)

READ FIRST TIME 01/27/26.

1 AN ACT Relating to establishing land banking authorities;
2 amending RCW 36.35.150, 35.21.755, 82.45.010, and 82.45.010; adding a
3 new chapter to Title 35 RCW; creating new sections; providing an
4 effective date; and providing an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that solving the
7 state's housing crisis requires a multipronged approach. Finding,
8 acquiring, and holding land in the predevelopment phase is a time-
9 consuming opportunity cost for all developers and is particularly
10 acute for developers of affordable housing. The legislature also
11 finds that the state needs more affordable housing, and land banks
12 play a crucial role in the housing ecosystem by finding, acquiring,
13 and holding land until a developer is ready to build on the parcel or
14 parcels.

15 (2) The legislature further finds that land banks provide a
16 benefit to neighbors and the community by managing abandoned or
17 underutilized properties, preventing blight and crime, and improving
18 public health and safety. The state intends to enable land banks to
19 operate regionally and provide incentives that result in reduced
20 costs to hold property. In turn, land banks can coordinate with

1 developers throughout their region to build mixed-income developments
2 and give more Washingtonians a place to call home.

3 (3) Therefore, the legislature intends to authorize land banking
4 authorities to:

5 (a) Operate as public land banks that hold property, tax-exempt,
6 while preparing it for affordable housing and public benefit uses
7 included with or attached to affordable housing;

8 (b) Prioritize equity, displacement prevention, and use of land
9 acquisition and disposition strategies to expand capacity and address
10 historical racial segregation, redlining, steering, and land
11 prospecting, that has led to disparities in access to education,
12 living wage employment, affordable housing, and transportation,
13 particularly for Black, indigenous, and other communities of color,
14 to ensure that future development remedies rather than reinforces
15 these patterns; and

16 (c) Provide for governance and decision making that is
17 representative, transparent, and inclusive so that land banking
18 activities reflect the affordable housing needs of the region and
19 help meet locally identified housing and infrastructure benchmarks.

20 NEW SECTION. **Sec. 2.** A public corporation established under RCW
21 35.21.730, a public housing authority established under chapter 35.82
22 RCW, or an entity exempt from taxation under 26 U.S.C. Sec. 501(c)(3)
23 of the internal revenue code of 1986, as amended, may operate as a
24 land bank authority under this act.

25 NEW SECTION. **Sec. 3.** (1) A land bank authority may acquire,
26 hold, manage, improve, lease, transfer, or dispose of property to be
27 used as affordable housing. A land bank authority may also enter into
28 contracts necessary to prepare property for productive use, including
29 clearing title, addressing outstanding liens or taxes, and
30 undertaking predevelopment activities. However, an entity that is
31 exempt from taxation under 26 U.S.C. Sec. 501(c)(3) of the internal
32 revenue code of 1986, as amended, and operating as a land bank
33 authority may not build or construct housing.

34 (2) Land acquisitions and dispositions must:

35 (a) Be consistent with any existing local, regional, or state
36 housing plans and chapter 43.185B RCW, including the antidisplacement
37 policies in the comprehensive plans of the county or city where the
38 land is located; and

1 (b) Demonstrate alignment with adopted local housing targets
2 under chapter 36.70A RCW.

3 (3) A land bank authority may lease or sell land to a housing
4 developer at less than market rate in exchange for compliance with
5 affordability requirements. Such transfers are not required to be
6 made to the highest bidder.

7 (4) At least 50 percent of the land or property leased or sold by
8 a land bank authority must include a covenant or deed restriction
9 that the housing units developed or operated must maintain
10 affordability requirements for at least 30 years as follows:

11 (a) Rental housing units must be affordable to households with an
12 income at or below 80 percent of the area median income; and

13 (b) Owner-occupied housing units must be affordable to households
14 with an income at or below 120 percent of the area median income.

15 NEW SECTION. **Sec. 4.** (1) Each land bank authority must prepare
16 an annual report. The annual report must include:

17 (a) Parcels acquired, held, and transferred during the year;

18 (b) The manner of disposition and alignment with local housing
19 and land use plans;

20 (c) How each action advanced a community benefit;

21 (d) The purchase price and assessed value of each parcel
22 acquired;

23 (e) The sales price and assessed value of each parcel
24 transferred;

25 (f) The number of housing units developed on each parcel
26 transferred;

27 (g) The affordability covenants recorded for each parcel sold;

28 (h) A current board roster; and

29 (i) Progress toward advancing equity, preventing displacement,
30 and meeting locally identified housing needs.

31 (2) A land bank authority must make annual reports publicly
32 available and submit each report to any city or county in which it
33 has acquired or transferred land or property in the last 12 months.
34 Cities and counties receiving an annual report are encouraged to
35 provide feedback on the land bank's activities and alignment with
36 local housing and land use plans to help guide compliance with local
37 and regional housing plans.

1 **Sec. 5.** RCW 36.35.150 and 2016 c 63 s 1 are each amended to read
2 as follows:

3 (1) The county legislative authority may dispose of tax
4 foreclosed property by private negotiation, without a call for bids,
5 for not less than the principal amount of the unpaid taxes in any of
6 the following cases: (a) When the sale is to any governmental agency
7 and for public purposes; (b) when the county legislative authority
8 determines that it is not practical to build on the property due to
9 the physical characteristics of the property or legal restrictions on
10 construction activities on the property; (c) when the property has an
11 assessed value of less than (~~five hundred dollars~~) \$500 and the
12 property is sold to an adjoining landowner; (~~or~~) (d) when no
13 acceptable bids were received at the attempted public auction of the
14 property, if the sale is made within (~~twelve~~) 12 months from the
15 date of the attempted public auction; or (e) when the sale is to an
16 entity operating as a land bank authority under section 2 of this
17 act.

18 (2) A county legislative authority must prioritize the transfer
19 of tax foreclosed property to an entity operating as a land bank
20 authority under section 2 of this act.

21 (3) Except when a county legislative authority purchases the tax
22 foreclosed property for public purposes or transfers the tax
23 foreclosed property to an entity operating as a land bank authority
24 under section 2 of this act, the county legislative authority must
25 give notice to any city in which any tax foreclosed property is
26 located within at least (~~sixty~~) 60 days of acquiring such property,
27 and the county may not dispose of the property at public auction or
28 by private negotiation before giving such notice. The notice must
29 offer the city the opportunity to purchase the property for the
30 original minimum bid under RCW 84.64.080, together with any direct
31 costs incurred by the county in the sale. If the city chooses to
32 purchase the property, the following conditions apply:

33 (a) The city must accept the offer within (~~thirty~~) 30 days of
34 receiving notice, unless the county agrees to extend the offer;

35 (b) The city must provide that the property is suitable and will
36 be used for an affordable housing development as defined in RCW
37 36.130.010; and

38 (c) The city must agree to transfer the property to a local
39 housing authority, land bank authority, or (~~either~~) nonprofit entity
40 eligible to receive assistance from the affordable housing program

1 under chapter 43.185A RCW. The city must be reimbursed by the housing
2 authority, land bank authority, or (~~either~~) nonprofit entity for the
3 amount the city paid to purchase the property together with any
4 direct costs incurred by the city in the transfer to the housing
5 authority, land bank authority, or (~~either~~) nonprofit entity.

6 **Sec. 6.** RCW 35.21.755 and 2020 c 20 s 1011 are each amended to
7 read as follows:

8 (1) A public corporation, commission, or authority created
9 pursuant to RCW 35.21.730, 35.21.660, or 81.112.320 shall receive the
10 same immunity or exemption from taxation as that of the city, town,
11 or county creating the same: PROVIDED, That, except for (a) any
12 property within a special review district established by ordinance
13 prior to January 1, 1976, or listed on or which is within a district
14 listed on any federal or state register of historical sites, or (b)
15 any property owned, operated, or controlled by a public corporation
16 that is used primarily for low-income housing, or that is used as a
17 convention center, performing arts center, public assembly hall,
18 public meeting place, public esplanade, street, public way, public
19 open space, park, public utility corridor, or view corridor for the
20 general public, or (c) any blighted property owned, operated, or
21 controlled by a public corporation that was acquired for the purpose
22 of remediation and redevelopment of the property in accordance with
23 an agreement or plan approved by the city, town, or county in which
24 the property is located, or (d) any property owned, operated, or
25 controlled by a public corporation created under RCW 81.112.320, or
26 (e) any property owned, operated, or controlled by a public
27 corporation operating as a land bank authority under section 2 of
28 this act, any such public corporation, commission, or authority shall
29 pay to the county treasurer an annual excise tax equal to the amounts
30 which would be paid upon real property and personal property devoted
31 to the purposes of such public corporation, commission, or authority
32 were it in private ownership, and such real property and personal
33 property is acquired and/or operated under RCW 35.21.730 through
34 35.21.755, and the proceeds of such excise tax shall be allocated by
35 the county treasurer to the various taxing authorities in which such
36 property is situated, in the same manner as though the property were
37 in private ownership: PROVIDED FURTHER, That the provisions of
38 chapter 82.29A RCW shall not apply to property within a special
39 review district established by ordinance prior to January 1, 1976, or

1 listed on or which is within a district listed on any federal or
2 state register of historical sites and which is controlled by a
3 public corporation, commission, or authority created pursuant to RCW
4 35.21.730 or 35.21.660, which was in existence prior to January 1,
5 1987: AND PROVIDED FURTHER, That property within a special review
6 district established by ordinance prior to January 1, 1976, or
7 property which is listed on any federal or state register of
8 historical sites and controlled by a public corporation, commission,
9 or authority created pursuant to RCW 35.21.730 or 35.21.660, which
10 was in existence prior to January 1, 1976, shall receive the same
11 immunity or exemption from taxation as if such property had been
12 within a district listed on any such federal or state register of
13 historical sites as of January 1, 1976, and controlled by a public
14 corporation, commission, or authority created pursuant to RCW
15 35.21.730 or 35.21.660 which was in existence prior to January 1,
16 1976.

17 (2) As used in this section:

18 (a) "Low-income" means a total annual income, adjusted for family
19 size, not exceeding (~~fifty~~) 50 percent of the area median income.

20 (b) "Area median income" means:

21 (i) For an area within a standard metropolitan statistical area,
22 the area median income reported by the United States department of
23 housing and urban development for that standard metropolitan
24 statistical area; or

25 (ii) For an area not within a standard metropolitan statistical
26 area, the county median income reported by the department of
27 commerce.

28 (c) "Blighted property" means property that is contaminated with
29 hazardous substances as defined under RCW 70A.305.020.

30 NEW SECTION. **Sec. 7.** (1) All real and personal property owned
31 or leased by a nonprofit entity operating as a land bank authority
32 under section 2 of this act is exempt from property taxation.

33 (2) To qualify for this exemption, the nonprofit organization,
34 corporation, or association must be qualified for exemption under
35 section 501(c)(3) of the internal revenue code of 1986 (26 U.S.C.
36 Sec. 501(c)(3)). It must also have been organized to provide low-cost
37 land for affordable housing development.

1 **Sec. 8.** RCW 82.45.010 and 2025 c 159 s 1 are each amended to
2 read as follows:

3 (1) As used in this chapter, the term "sale" has its ordinary
4 meaning and includes any conveyance, grant, assignment, quitclaim, or
5 transfer of the ownership of or title to real property, including
6 standing timber, or any estate or interest therein for a valuable
7 consideration, and any contract for such conveyance, grant,
8 assignment, quitclaim, or transfer, and any lease with an option to
9 purchase real property, including standing timber, or any estate or
10 interest therein or other contract under which possession of the
11 property is given to the purchaser, or any other person at the
12 purchaser's direction, and title to the property is retained by the
13 vendor as security for the payment of the purchase price. The term
14 also includes the grant, assignment, quitclaim, sale, or transfer of
15 improvements constructed upon leased land.

16 (2) (a) The term "sale" also includes the transfer or acquisition
17 within any 36 month period of a controlling interest in any entity
18 with an interest in real property located in this state for a
19 valuable consideration.

20 (b) For the sole purpose of determining whether, pursuant to the
21 exercise of an option, a controlling interest was transferred or
22 acquired within a 36 month period, the date that the option agreement
23 was executed is the date on which the transfer or acquisition of the
24 controlling interest is deemed to occur. For all other purposes under
25 this chapter, the date upon which the option is exercised is the date
26 of the transfer or acquisition of the controlling interest.

27 (c) For purposes of this subsection, all acquisitions of persons
28 acting in concert must be aggregated for purposes of determining
29 whether a transfer or acquisition of a controlling interest has taken
30 place. The department must adopt standards by rule to determine when
31 persons are acting in concert. In adopting a rule for this purpose,
32 the department must consider the following:

33 (i) Persons must be treated as acting in concert when they have a
34 relationship with each other such that one person influences or
35 controls the actions of another through common ownership; and

36 (ii) When persons are not commonly owned or controlled, they must
37 be treated as acting in concert only when the unity with which the
38 purchasers have negotiated and will consummate the transfer of
39 ownership interests supports a finding that they are acting as a
40 single entity. If the acquisitions are completely independent, with

1 each purchaser buying without regard to the identity of the other
2 purchasers, then the acquisitions are considered separate
3 acquisitions.

4 (3) The term "sale" does not include:

5 (a) A transfer by gift, devise, or inheritance.

6 (b) A transfer by transfer on death deed, to the extent that it
7 is not in satisfaction of a contractual obligation of the decedent
8 owed to the recipient of the property.

9 (c) A transfer of any leasehold interest other than of the type
10 mentioned above.

11 (d) A cancellation or forfeiture of a vendee's interest in a
12 contract for the sale of real property, whether or not such contract
13 contains a forfeiture clause, or deed in lieu of foreclosure of a
14 mortgage.

15 (e) The partition of property by tenants in common by agreement
16 or as the result of a court decree.

17 (f) The assignment of property or interest in property from one
18 spouse or one domestic partner to the other spouse or other domestic
19 partner in accordance with the terms of a decree of dissolution of
20 marriage or state registered domestic partnership or in fulfillment
21 of a property settlement agreement.

22 (g) The assignment or other transfer of a vendor's interest in a
23 contract for the sale of real property, even though accompanied by a
24 conveyance of the vendor's interest in the real property involved.

25 (h) Transfers by appropriation or decree in condemnation
26 proceedings brought by the United States, the state or any political
27 subdivision thereof, or a municipal corporation.

28 (i) A mortgage or other transfer of an interest in real property
29 merely to secure a debt, or the assignment thereof.

30 (j) Any transfer or conveyance made pursuant to a deed of trust
31 or an order of sale by the court in any mortgage, deed of trust, or
32 lien foreclosure proceeding or upon execution of a judgment, or deed
33 in lieu of foreclosure to satisfy a mortgage or deed of trust.

34 (k) A conveyance to the federal housing administration or
35 veterans administration by an authorized mortgagee made pursuant to a
36 contract of insurance or guaranty with the federal housing
37 administration or veterans administration.

38 (l) A transfer in compliance with the terms of any lease or
39 contract upon which the tax as imposed by this chapter has been paid

1 or where the lease or contract was entered into prior to the date
2 this tax was first imposed.

3 (m) The sale of any grave or lot in an established cemetery.

4 (n) A sale by the United States, this state or any political
5 subdivision thereof, or a municipal corporation of this state.

6 (o) A sale to a regional transit authority or public corporation
7 under RCW 81.112.320 under a sale/leaseback agreement under RCW
8 81.112.300.

9 (p) A transfer of real property, however effected, if it consists
10 of a mere change in identity or form of ownership of an entity where
11 there is no change in the beneficial ownership. These include
12 transfers to a corporation or partnership which is wholly owned by
13 the transferor and/or the transferor's spouse or domestic partner or
14 children of the transferor or the transferor's spouse or domestic
15 partner. However, if thereafter such transferee corporation or
16 partnership voluntarily transfers such real property, or such
17 transferor, spouse or domestic partner, or children of the transferor
18 or the transferor's spouse or domestic partner voluntarily transfer
19 stock in the transferee corporation or interest in the transferee
20 partnership capital, as the case may be, to other than (i) the
21 transferor and/or the transferor's spouse or domestic partner or
22 children of the transferor or the transferor's spouse or domestic
23 partner, (ii) a trust having the transferor and/or the transferor's
24 spouse or domestic partner or children of the transferor or the
25 transferor's spouse or domestic partner as the only beneficiaries at
26 the time of the transfer to the trust, or (iii) a corporation or
27 partnership wholly owned by the original transferor and/or the
28 transferor's spouse or domestic partner or children of the transferor
29 or the transferor's spouse or domestic partner, within three years of
30 the original transfer to which this exemption applies, and the tax on
31 the subsequent transfer has not been paid within 60 days of becoming
32 due, excise taxes become due and payable on the original transfer as
33 otherwise provided by law.

34 (q) (i) A transfer that for federal income tax purposes does not
35 involve the recognition of gain or loss for entity formation,
36 liquidation or dissolution, and reorganization, including but not
37 limited to nonrecognition of gain or loss because of application of
38 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal
39 revenue code of 1986, as amended.

1 (ii) However, the transfer described in (q)(i) of this subsection
2 cannot be preceded or followed within a 36 month period by another
3 transfer or series of transfers, that, when combined with the
4 otherwise exempt transfer or transfers described in (q)(i) of this
5 subsection, results in the transfer of a controlling interest in the
6 entity for valuable consideration, and in which one or more persons
7 previously holding a controlling interest in the entity receive cash
8 or property in exchange for any interest the person or persons acting
9 in concert hold in the entity. This subsection (3)(q)(ii) does not
10 apply to that part of the transfer involving property received that
11 is the real property interest that the person or persons originally
12 contributed to the entity or when one or more persons who did not
13 contribute real property or belong to the entity at a time when real
14 property was purchased receive cash or personal property in exchange
15 for that person or persons' interest in the entity. The real estate
16 excise tax under this subsection (3)(q)(ii) is imposed upon the
17 person or persons who previously held a controlling interest in the
18 entity.

19 (r) A qualified sale of a manufactured/mobile home community, as
20 defined in RCW 59.20.030.

21 (s)(i) A transfer of a qualified low-income housing development
22 or controlling interest in a qualified low-income housing
23 development, unless, due to noncompliance with federal statutory
24 requirements, the seller is subject to recapture, in whole or in
25 part, of its allocated federal low-income housing tax credits within
26 the four years prior to the date of transfer.

27 (ii) For purposes of this subsection (3)(s), "qualified low-
28 income housing development" means real property and improvements in
29 respect to which the seller or, in the case of a transfer of a
30 controlling interest, the owner or beneficial owner, was allocated
31 federal low-income housing tax credits authorized under 26 U.S.C.
32 Sec. 42 or successor statute, by the Washington state housing finance
33 commission or successor state-authorized tax credit allocating
34 agency.

35 (iii) This subsection (3)(s) does not apply to transfers of a
36 qualified low-income housing development or controlling interest in a
37 qualified low-income housing development occurring on or after July
38 1, 2035.

39 (iv) The Washington state housing finance commission, in
40 consultation with the department, must gather data on: (A) The fiscal

1 savings, if any, accruing to transferees as a result of the exemption
2 provided in this subsection (3)(s); (B) the extent to which
3 transferors of qualified low-income housing developments receive
4 consideration, including any assumption of debt, as part of a
5 transfer subject to the exemption provided in this subsection (3)(s);
6 and (C) the continued use of the property for low-income housing. The
7 Washington state housing finance commission must provide this
8 information to the joint legislative audit and review committee. The
9 committee must conduct a review of the tax preference created under
10 this subsection (3)(s) in calendar year 2033, as required under
11 chapter 43.136 RCW.

12 (t)(i) A qualified transfer of residential property by a legal
13 representative of a person with developmental disabilities to a
14 qualified entity subject to the following conditions:

15 (A) The adult child with developmental disabilities of the
16 transferor of the residential property must be allowed to reside in
17 the residence or successor property so long as the placement is safe
18 and appropriate as determined by the department of social and health
19 services;

20 (B) The title to the residential property is conveyed without the
21 receipt of consideration by the legal representative of a person with
22 developmental disabilities to a qualified entity;

23 (C) The residential property must have no more than four living
24 units located on it; and

25 (D) The residential property transferred must remain in continued
26 use for 50 years by the qualified entity as supported living for
27 persons with developmental disabilities by the qualified entity or
28 successor entity. If the qualified entity sells or otherwise conveys
29 ownership of the residential property the proceeds of the sale or
30 conveyance must be used to acquire similar residential property and
31 such similar residential property must be considered the successor
32 for continued use. The property will not be considered in continued
33 use if the department of social and health services finds that the
34 property has failed, after a reasonable time to remedy, to meet any
35 health and safety statutory or regulatory requirements. If the
36 department of social and health services determines that the property
37 fails to meet the requirements for continued use, the department of
38 social and health services must notify the department and the real
39 estate excise tax based on the value of the property at the time of
40 the transfer into use as residential property for persons with

1 developmental disabilities becomes immediately due and payable by the
2 qualified entity. The tax due is not subject to penalties, fees, or
3 interest under this title.

4 (ii) For the purposes of this subsection (3)(t) the definitions
5 in RCW 71A.10.020 apply.

6 (iii) A "qualified entity" is:

7 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
8 of the federal internal revenue code of 1986, as amended, as of June
9 7, 2018, or a subsidiary under the same taxpayer identification
10 number that provides residential supported living for persons with
11 developmental disabilities; or

12 (B) A nonprofit adult family home, as defined in RCW 70.128.010,
13 that exclusively serves persons with developmental disabilities.

14 (iv) In order to receive an exemption under this subsection
15 (3)(t) an affidavit must be submitted by the transferor of the
16 residential property and must include a copy of the transfer
17 agreement and any other documentation as required by the department.

18 (u)(i) The sale by an affordable homeownership facilitator of
19 self-help housing to a low-income household.

20 (ii) The definitions in this subsection (3)(u) apply to this
21 subsection (3)(u) unless the context clearly requires otherwise.

22 (A) "Affordable homeownership facilitator" means a nonprofit
23 community or neighborhood-based organization that is exempt from
24 income tax under Title 26 U.S.C. Sec. 501(c) of the internal revenue
25 code of 1986, as amended, as of October 1, 2019, and that is the
26 developer of self-help housing.

27 (B) "Low-income" means household income as defined by the
28 department, provided that the definition may not exceed 80 percent of
29 median household income, adjusted for household size, for the county
30 in which the dwelling is located.

31 (C) "Self-help housing" means dwelling residences provided for
32 ownership by low-income individuals and families whose ownership
33 requirement includes labor participation. "Self-help housing" does
34 not include residential rental housing provided on a commercial basis
35 to the general public.

36 (v)(i) A sale or transfer of real property to a qualifying
37 grantee that uses the property for housing for low-income persons and
38 receives or otherwise qualifies the property for an exemption from
39 real and personal property taxes under RCW 84.36.560, 84.36.049,
40 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection

1 (3)(v), "qualifying grantee" means a nonprofit entity as defined in
2 RCW 84.36.560, a nonprofit entity or qualified cooperative
3 association as defined in RCW 84.36.049, a housing authority created
4 under RCW 35.82.030 or 35.82.300, a public corporation established
5 under RCW 35.21.660 or 35.21.730, or a county or municipal
6 corporation. A qualifying grantee that is a county or municipal
7 corporation must record a covenant at the time of transfer that
8 prohibits using the property for any purpose other than for low-
9 income housing for a period of at least 10 years. At a minimum, the
10 covenant must address price restrictions and household income limits
11 for the low-income housing. A qualifying grantee must comply with the
12 requirements described in (v)(i)(A), (B), or (C) of this subsection
13 and must also certify, by affidavit at the time of sale or transfer,
14 that it intends to comply with those requirements.

15 (A) If the qualifying grantee intends to operate existing housing
16 on the property, within one year of the sale or transfer:

17 (I) The qualifying grantee must receive or qualify the property
18 for a tax exemption under RCW 84.36.560, 84.36.049,
19 35.82.210, 35.21.755, or 84.36.010; and

20 (II) The property must be used as housing for low-income persons.

21 (B) If the qualifying grantee intends to develop new housing on
22 the site, within five years of the sale or transfer:

23 (I) The qualifying grantee must receive or qualify the property
24 for a tax exemption under RCW 84.36.560, 84.36.049,
25 35.82.210, 35.21.755, or 84.36.010; and

26 (II) The property must be used as housing for low-income persons.

27 (C) If the qualifying grantee intends to substantially
28 rehabilitate the premises as defined in RCW 59.18.200, within three
29 years:

30 (I) The qualifying grantee must receive or qualify the property
31 for a tax exemption under RCW 84.36.560, 84.36.049,
32 35.82.210, 35.21.755, or 84.36.010; and

33 (II) The property must be used as housing for low-income persons.

34 (ii) If the qualifying grantee fails to satisfy the requirements
35 described in (v)(i)(A), (B), or (C) of this subsection, within the
36 timelines described in (v)(i)(A), (B), or (C) of this subsection, the
37 qualifying grantee must pay the tax that would have otherwise been
38 due at the time of initial transfer, plus interest calculated from
39 the date of initial transfer pursuant to RCW 82.32.050.

1 (iii) If a qualifying grantee transfers the property to a
2 different qualifying grantee within the original timelines described
3 in (v)(i)(A), (B), or (C) of this subsection, neither the original
4 qualifying grantee nor the new qualifying grantee is required to pay
5 the tax, so long as the new qualifying grantee satisfies the
6 requirements as described in (v)(i)(A), (B), or (C) of this
7 subsection within the exemption period of the initial transfer. If
8 the new qualifying grantee fails to satisfy the requirements
9 described in (v)(i)(A), (B), or (C) of this subsection, only the new
10 qualifying grantee is liable for the payment of taxes required by
11 (v)(ii) of this subsection. There is no limit on the number of
12 transfers between qualifying grantees within the original timelines.

13 (iv) Each affidavit must be filed with the department upon
14 completion of the sale or transfer of property, including transfers
15 from a qualifying grantee to a different qualifying grantee. The
16 qualifying grantee must provide proof to the department as required
17 by the department once the requirements as described in (v)(i)(A),
18 (B), or (C) of this subsection have been satisfied.

19 (v) For the purposes of this subsection (3)(v), "low-income" has
20 the same meaning as in (u) of this subsection.

21 (w)(i) Beginning January 1, 2026, the sale of qualified space in
22 a development that qualifies for a property tax exemption under RCW
23 84.36.560, 84.36.049, 35.82.210, 35.21.755, or 84.36.010 to a
24 nonprofit organization, a housing authority, or public corporation
25 for use for an exempt community purpose.

26 (ii) For the purposes of this subsection (3)(w), the following
27 definitions apply:

28 (A) "Affordable housing development" means a development with
29 housing provided to households with a household income that does not
30 exceed 80 percent of median household income at initial occupancy,
31 adjusted for household size, for the county in which the dwelling is
32 located.

33 (B) "Exempt community purpose" means any use to provide a service
34 that benefits affordable housing development tenants or the public
35 including, but not limited to, health clinics, senior day care, food
36 banks, community centers, and early learning facilities.

37 (C) "Nonprofit organization" means an organization exempt from
38 taxation under section 501(c)(3) of the internal revenue code of 1986
39 (26 U.S.C. Sec. 501(c)(3)), as amended.

1 (D) "Qualified space" means any portion of an affordable housing
2 development that is accessible to tenants or the public that
3 constitutes a separate legal parcel of property under chapter 64.32,
4 64.34, or 64.90 RCW.

5 (x) A sale or transfer of real property to an entity operating as
6 a land bank authority under section 2 of this act.

7 (y) A sale or transfer of real property by an entity operating as
8 a land bank authority under section 2 of this act.

9 **Sec. 9.** RCW 82.45.010 and 2025 c 159 s 2 are each amended to
10 read as follows:

11 (1) As used in this chapter, the term "sale" has its ordinary
12 meaning and includes any conveyance, grant, assignment, quitclaim, or
13 transfer of the ownership of or title to real property, including
14 standing timber, or any estate or interest therein for a valuable
15 consideration, and any contract for such conveyance, grant,
16 assignment, quitclaim, or transfer, and any lease with an option to
17 purchase real property, including standing timber, or any estate or
18 interest therein or other contract under which possession of the
19 property is given to the purchaser, or any other person at the
20 purchaser's direction, and title to the property is retained by the
21 vendor as security for the payment of the purchase price. The term
22 also includes the grant, assignment, quitclaim, sale, or transfer of
23 improvements constructed upon leased land.

24 (2)(a) The term "sale" also includes the transfer or acquisition
25 within any 36 month period of a controlling interest in any entity
26 with an interest in real property located in this state for a
27 valuable consideration.

28 (b) For the sole purpose of determining whether, pursuant to the
29 exercise of an option, a controlling interest was transferred or
30 acquired within a 36 month period, the date that the option agreement
31 was executed is the date on which the transfer or acquisition of the
32 controlling interest is deemed to occur. For all other purposes under
33 this chapter, the date upon which the option is exercised is the date
34 of the transfer or acquisition of the controlling interest.

35 (c) For purposes of this subsection, all acquisitions of persons
36 acting in concert must be aggregated for purposes of determining
37 whether a transfer or acquisition of a controlling interest has taken
38 place. The department must adopt standards by rule to determine when

1 persons are acting in concert. In adopting a rule for this purpose,
2 the department must consider the following:

3 (i) Persons must be treated as acting in concert when they have a
4 relationship with each other such that one person influences or
5 controls the actions of another through common ownership; and

6 (ii) When persons are not commonly owned or controlled, they must
7 be treated as acting in concert only when the unity with which the
8 purchasers have negotiated and will consummate the transfer of
9 ownership interests supports a finding that they are acting as a
10 single entity. If the acquisitions are completely independent, with
11 each purchaser buying without regard to the identity of the other
12 purchasers, then the acquisitions are considered separate
13 acquisitions.

14 (3) The term "sale" does not include:

15 (a) A transfer by gift, devise, or inheritance.

16 (b) A transfer by transfer on death deed, to the extent that it
17 is not in satisfaction of a contractual obligation of the decedent
18 owed to the recipient of the property.

19 (c) A transfer of any leasehold interest other than of the type
20 mentioned above.

21 (d) A cancellation or forfeiture of a vendee's interest in a
22 contract for the sale of real property, whether or not such contract
23 contains a forfeiture clause, or deed in lieu of foreclosure of a
24 mortgage.

25 (e) The partition of property by tenants in common by agreement
26 or as the result of a court decree.

27 (f) The assignment of property or interest in property from one
28 spouse or one domestic partner to the other spouse or other domestic
29 partner in accordance with the terms of a decree of dissolution of
30 marriage or state registered domestic partnership or in fulfillment
31 of a property settlement agreement.

32 (g) The assignment or other transfer of a vendor's interest in a
33 contract for the sale of real property, even though accompanied by a
34 conveyance of the vendor's interest in the real property involved.

35 (h) Transfers by appropriation or decree in condemnation
36 proceedings brought by the United States, the state or any political
37 subdivision thereof, or a municipal corporation.

38 (i) A mortgage or other transfer of an interest in real property
39 merely to secure a debt, or the assignment thereof.

1 (j) Any transfer or conveyance made pursuant to a deed of trust
2 or an order of sale by the court in any mortgage, deed of trust, or
3 lien foreclosure proceeding or upon execution of a judgment, or deed
4 in lieu of foreclosure to satisfy a mortgage or deed of trust.

5 (k) A conveyance to the federal housing administration or
6 veterans administration by an authorized mortgagee made pursuant to a
7 contract of insurance or guaranty with the federal housing
8 administration or veterans administration.

9 (l) A transfer in compliance with the terms of any lease or
10 contract upon which the tax as imposed by this chapter has been paid
11 or where the lease or contract was entered into prior to the date
12 this tax was first imposed.

13 (m) The sale of any grave or lot in an established cemetery.

14 (n) A sale by the United States, this state or any political
15 subdivision thereof, or a municipal corporation of this state.

16 (o) A sale to a regional transit authority or public corporation
17 under RCW 81.112.320 under a sale/leaseback agreement under RCW
18 81.112.300.

19 (p) A transfer of real property, however effected, if it consists
20 of a mere change in identity or form of ownership of an entity where
21 there is no change in the beneficial ownership. These include
22 transfers to a corporation or partnership which is wholly owned by
23 the transferor and/or the transferor's spouse or domestic partner or
24 children of the transferor or the transferor's spouse or domestic
25 partner. However, if thereafter such transferee corporation or
26 partnership voluntarily transfers such real property, or such
27 transferor, spouse or domestic partner, or children of the transferor
28 or the transferor's spouse or domestic partner voluntarily transfer
29 stock in the transferee corporation or interest in the transferee
30 partnership capital, as the case may be, to other than (i) the
31 transferor and/or the transferor's spouse or domestic partner or
32 children of the transferor or the transferor's spouse or domestic
33 partner, (ii) a trust having the transferor and/or the transferor's
34 spouse or domestic partner or children of the transferor or the
35 transferor's spouse or domestic partner as the only beneficiaries at
36 the time of the transfer to the trust, or (iii) a corporation or
37 partnership wholly owned by the original transferor and/or the
38 transferor's spouse or domestic partner or children of the transferor
39 or the transferor's spouse or domestic partner, within three years of
40 the original transfer to which this exemption applies, and the tax on

1 the subsequent transfer has not been paid within sixty days of
2 becoming due, excise taxes become due and payable on the original
3 transfer as otherwise provided by law.

4 (q)(i) A transfer that for federal income tax purposes does not
5 involve the recognition of gain or loss for entity formation,
6 liquidation or dissolution, and reorganization, including but not
7 limited to nonrecognition of gain or loss because of application of
8 26 U.S.C. Sec. 332, 337, 351, 368(a)(1), 721, or 731 of the internal
9 revenue code of 1986, as amended.

10 (ii) However, the transfer described in (q)(i) of this subsection
11 cannot be preceded or followed within a 36 month period by another
12 transfer or series of transfers, that, when combined with the
13 otherwise exempt transfer or transfers described in (q)(i) of this
14 subsection, results in the transfer of a controlling interest in the
15 entity for valuable consideration, and in which one or more persons
16 previously holding a controlling interest in the entity receive cash
17 or property in exchange for any interest the person or persons acting
18 in concert hold in the entity. This subsection (3)(q)(ii) does not
19 apply to that part of the transfer involving property received that
20 is the real property interest that the person or persons originally
21 contributed to the entity or when one or more persons who did not
22 contribute real property or belong to the entity at a time when real
23 property was purchased receive cash or personal property in exchange
24 for that person or persons' interest in the entity. The real estate
25 excise tax under this subsection (3)(q)(ii) is imposed upon the
26 person or persons who previously held a controlling interest in the
27 entity.

28 (r) A qualified sale of a manufactured/mobile home community, as
29 defined in RCW 59.20.030, that takes place on or after June 12, 2008,
30 but before December 31, 2018.

31 (s)(i) A transfer of a qualified low-income housing development
32 or controlling interest in a qualified low-income housing
33 development, unless, due to noncompliance with federal statutory
34 requirements, the seller is subject to recapture, in whole or in
35 part, of its allocated federal low-income housing tax credits within
36 the four years prior to the date of transfer.

37 (ii) For purposes of this subsection (3)(s), "qualified low-
38 income housing development" means real property and improvements in
39 respect to which the seller or, in the case of a transfer of a
40 controlling interest, the owner or beneficial owner, was allocated

1 federal low-income housing tax credits authorized under 26 U.S.C.
2 Sec. 42 or successor statute, by the Washington state housing finance
3 commission or successor state-authorized tax credit allocating
4 agency.

5 (iii) This subsection (3)(s) does not apply to transfers of a
6 qualified low-income housing development or controlling interest in a
7 qualified low-income housing development occurring on or after July
8 1, 2035.

9 (iv) The Washington state housing finance commission, in
10 consultation with the department, must gather data on: (A) The fiscal
11 savings, if any, accruing to transferees as a result of the exemption
12 provided in this subsection (3)(s); (B) the extent to which
13 transferors of qualified low-income housing developments receive
14 consideration, including any assumption of debt, as part of a
15 transfer subject to the exemption provided in this subsection (3)(s);
16 and (C) the continued use of the property for low-income housing. The
17 Washington state housing finance commission must provide this
18 information to the joint legislative audit and review committee. The
19 committee must conduct a review of the tax preference created under
20 this subsection (3)(s) in calendar year 2033, as required under
21 chapter 43.136 RCW.

22 (t)(i) A qualified transfer of residential property by a legal
23 representative of a person with developmental disabilities to a
24 qualified entity subject to the following conditions:

25 (A) The adult child with developmental disabilities of the
26 transferor of the residential property must be allowed to reside in
27 the residence or successor property so long as the placement is safe
28 and appropriate as determined by the department of social and health
29 services;

30 (B) The title to the residential property is conveyed without the
31 receipt of consideration by the legal representative of a person with
32 developmental disabilities to a qualified entity;

33 (C) The residential property must have no more than four living
34 units located on it; and

35 (D) The residential property transferred must remain in continued
36 use for 50 years by the qualified entity as supported living for
37 persons with developmental disabilities by the qualified entity or
38 successor entity. If the qualified entity sells or otherwise conveys
39 ownership of the residential property the proceeds of the sale or
40 conveyance must be used to acquire similar residential property and

1 such similar residential property must be considered the successor
2 for continued use. The property will not be considered in continued
3 use if the department of social and health services finds that the
4 property has failed, after a reasonable time to remedy, to meet any
5 health and safety statutory or regulatory requirements. If the
6 department of social and health services determines that the property
7 fails to meet the requirements for continued use, the department of
8 social and health services must notify the department and the real
9 estate excise tax based on the value of the property at the time of
10 the transfer into use as residential property for persons with
11 developmental disabilities becomes immediately due and payable by the
12 qualified entity. The tax due is not subject to penalties, fees, or
13 interest under this title.

14 (ii) For the purposes of this subsection (3)(t) the definitions
15 in RCW 71A.10.020 apply.

16 (iii) A "qualified entity" is:

17 (A) A nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3)
18 of the federal internal revenue code of 1986, as amended, as of June
19 7, 2018, or a subsidiary under the same taxpayer identification
20 number that provides residential supported living for persons with
21 developmental disabilities; or

22 (B) A nonprofit adult family home, as defined in RCW 70.128.010,
23 that exclusively serves persons with developmental disabilities.

24 (iv) In order to receive an exemption under this subsection
25 (3)(t) an affidavit must be submitted by the transferor of the
26 residential property and must include a copy of the transfer
27 agreement and any other documentation as required by the department.

28 (u)(i) A sale or transfer of real property to a qualifying
29 grantee that uses the property for housing for low-income persons and
30 receives or otherwise qualifies the property for an exemption from
31 real and personal property taxes under RCW 84.36.560, 84.36.049,
32 35.82.210, 35.21.755, or 84.36.010. For purposes of this subsection
33 (3)(u), "qualifying grantee" means a nonprofit entity as defined in
34 RCW 84.36.560, a nonprofit entity or qualified cooperative
35 association as defined in RCW 84.36.049, a housing authority created
36 under RCW 35.82.030 or 35.82.300, a public corporation established
37 under RCW 35.21.660 or 35.21.730, or a county or municipal
38 corporation. A qualifying grantee that is a county or municipal
39 corporation must record a covenant at the time of transfer that
40 prohibits using the property for any purpose other than for low-

1 income housing for a period of at least 10 years. At a minimum, the
2 covenant must address price restrictions and household income limits
3 for the low-income housing. A qualifying grantee must comply with the
4 requirements described in (u)(i)(A), (B), or (C) of this subsection
5 and must also certify, by affidavit at the time of sale or transfer,
6 that it intends to comply with those requirements.

7 (A) If the qualifying grantee intends to operate existing housing
8 on the property, within one year of the sale or transfer:

9 (I) The qualifying grantee must receive or qualify the property
10 for a tax exemption under RCW 84.36.560, 84.36.049,
11 35.82.210, 35.21.755, or 84.36.010; and

12 (II) The property must be used as housing for low-income persons.

13 (B) If the qualifying grantee intends to develop new housing on
14 the site, within five years of the sale or transfer:

15 (I) The qualifying grantee must receive or qualify the property
16 for a tax exemption under RCW 84.36.560, 84.36.049,
17 35.82.210, 35.21.755, or 84.36.010; and

18 (II) The property must be used as housing for low-income persons.

19 (C) If the qualifying grantee intends to substantially
20 rehabilitate the premises as defined in RCW 59.18.200, within three
21 years:

22 (I) The qualifying grantee must receive or qualify the property
23 for a tax exemption under RCW 84.36.560, 84.36.049,
24 35.82.210, 35.21.755, or 84.36.010; and

25 (II) The property must be used as housing for low-income persons.

26 (ii) If the qualifying grantee fails to satisfy the requirements
27 described in (u)(i)(A), (B), or (C) of this subsection, within the
28 timelines described in (u)(i)(A), (B), or (C) of this subsection, the
29 qualifying grantee must pay the tax that would have otherwise been
30 due at the time of initial transfer, plus interest calculated from
31 the date of initial transfer pursuant to RCW 82.32.050.

32 (iii) If a qualifying grantee transfers the property to a
33 different qualifying grantee within the original timelines described
34 in (u)(i)(A), (B), or (C) of this subsection, neither the original
35 qualifying grantee nor the new qualifying grantee is required to pay
36 the tax, so long as the new qualifying grantee satisfies the
37 requirements as described in (u)(i)(A), (B), or (C) of this
38 subsection within the exemption period of the initial transfer. If
39 the new qualifying grantee fails to satisfy the requirements
40 described in (u)(i)(A), (B), or (C) of this subsection, only the new

1 qualifying grantee is liable for the payment of taxes required by
2 (u)(ii) of this subsection. There is no limit on the number of
3 transfers between qualifying grantees within the original timelines.

4 (iv) Each affidavit must be filed with the department upon
5 completion of the sale or transfer of property, including transfers
6 from a qualifying grantee to a different qualifying grantee. The
7 qualifying grantee must provide proof to the department as required
8 by the department once the requirements as described in (u)(i)(A),
9 (B), or (C) of this subsection have been satisfied.

10 (v) For the purposes of this subsection (3)(u), "low-income"
11 means household income as defined by the department, provided that
12 the definition may not exceed 80 percent of median household income,
13 adjusted for household size, for the county in which the dwelling is
14 located.

15 (v)(i) The sale of qualified space in a development that
16 qualifies for a property tax exemption under RCW 84.36.560,
17 84.36.049, 35.82.210, 35.21.755, or 84.36.010 to a nonprofit
18 organization, a housing authority, or public corporation for use for
19 an exempt community purpose.

20 (ii) For the purposes of this subsection (3)(v), the following
21 definitions apply:

22 (A) "Affordable housing development" means a development with
23 housing provided to households with a household income that does not
24 exceed 80 percent of median household income at initial occupancy,
25 adjusted for household size, for the county in which the dwelling is
26 located.

27 (B) "Exempt community purpose" means any use to provide a service
28 that benefits affordable housing development tenants or the public
29 including, but not limited to, health clinics, senior day care, food
30 banks, community centers, and early learning facilities.

31 (C) "Nonprofit organization" means an organization exempt from
32 taxation under section 501(c)(3) of the internal revenue code of 1986
33 (26 U.S.C. Sec. 501(c)(3)), as amended.

34 (D) "Qualified space" means any portion of an affordable housing
35 development that is accessible to tenants or the public that
36 constitutes a separate legal parcel of property under chapter 64.32,
37 64.34, or 64.90 RCW.

38 (w) A sale or transfer of real property to an entity operating as
39 a land bank authority under section 2 of this act.

1 (x) A sale or transfer of real property by an entity operating as
2 a land bank authority under section 2 of this act.

3 NEW SECTION. **Sec. 10.** (1) This section is the tax preference
4 performance statement for the tax preferences in sections 6 through 9
5 of this act. This performance statement is only intended to be used
6 for subsequent evaluation of the tax preferences. It is not intended
7 to create a private right of action by any party or be used to
8 determine eligibility for preferential tax treatment.

9 (2) The legislature categorizes this tax preference as one
10 intended to induce certain designated behavior by taxpayers, as
11 indicated in RCW 82.32.808(2) (a).

12 (3) It is the legislature's specific public policy objective to:

13 (a) Encourage sales or transfers of real property to land bank
14 authorities that intend the property to be used for affordable
15 housing; and

16 (b) Reduce the cost of land for housing development by allowing
17 land bank authorities to own land or property without being subject
18 to state or local property tax and to sell land or property without
19 being subject to the real estate excise tax.

20 (4) If a review finds that the tax preferences in sections 6
21 through 9 of this act have not reduced the cost of land for housing
22 development, then the legislature intends to consider repealing the
23 tax preferences.

24 (5) In order to obtain the data necessary to perform the review
25 in subsection (4) of this section, the joint legislative audit and
26 review committee may refer to any available data source, including
27 county records identifying the assessed value, sales value, and
28 number of housing units developed for any property acquired or
29 transferred by a land bank authority.

30 NEW SECTION. **Sec. 11.** The provisions of RCW 82.32.805 do not
31 apply to sections 6 through 9 of this act.

32 NEW SECTION. **Sec. 12.** Sections 2 through 4 and 7 of this act
33 constitute a new chapter in Title 35 RCW.

34 NEW SECTION. **Sec. 13.** Section 8 of this act expires January 1,
35 2030.

1 NEW SECTION. **Sec. 14.** Section 9 of this act takes effect
2 January 1, 2030.

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