
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1974

State of Washington

69th Legislature

2026 Regular Session

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

READ FIRST TIME 02/09/26.

1 AN ACT Relating to establishing land banking authorities;
2 amending RCW 36.35.150, 35.21.755, and 35.82.210; adding a new
3 chapter to Title 35 RCW; and creating new sections.

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

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

14 (2) The legislature further finds that land banks provide a
15 benefit to neighbors and the community by managing abandoned or
16 underutilized properties, preventing blight and crime, and improving
17 public health and safety. The state intends to enable land banks to
18 operate regionally and provide incentives that result in reduced
19 costs to hold property. In turn, land banks can coordinate with
20 developers throughout their region to build mixed-income developments
21 and give more Washingtonians a place to call home.

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

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

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

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

18 NEW SECTION. **Sec. 2.** (1) A city or county legislative authority
19 may authorize the establishment of a land bank by a public
20 corporation established under RCW 35.21.730, a public housing
21 authority established under chapter 35.82 RCW, or an entity exempt
22 from federal income taxation under 26 U.S.C. Sec. 501(c)(3) of the
23 internal revenue code of 1986, as amended. The city or county
24 legislative authority must adopt an ordinance or resolution
25 authorizing such entity to establish and operate a land bank. At a
26 minimum, the ordinance or resolution must:

27 (a) State the public purpose of the land bank authority,
28 including acquiring, holding, managing, and transferring property for
29 affordable housing consistent with adopted local housing plans and
30 chapter 36.70A RCW;

31 (b) Describe the governance or oversight structure applicable to
32 the land bank authority; and

33 (c) Authorize the land bank authority to acquire, hold, lease,
34 and transfer real property, including transfers at less than fair
35 market value in exchange for affordability requirements authorized
36 under this chapter.

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

1 NEW SECTION. **Sec. 3.** (1) A land bank authority may acquire,
2 hold, manage, improve, lease, transfer, or dispose of real property
3 to be used as affordable housing. Real property held in the inventory
4 of a land bank must be legally owned by the land bank authority. A
5 land bank authority may also enter into contracts necessary to
6 prepare property for productive use, including clearing title,
7 addressing outstanding liens or taxes, and undertaking predevelopment
8 activities. However, an entity that is exempt from taxation under 26
9 U.S.C. Sec. 501(c)(3) of the internal revenue code of 1986, as
10 amended, and operating a land bank authority may not build or
11 construct housing.

12 (2) Land acquisitions and dispositions must:

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

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

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

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

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

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

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

33 (a) Real property parcels acquired, held, and transferred during
34 the year;

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

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

38 (d) The purchase price and assessed value of each parcel
39 acquired;

1 (e) The sales price and assessed value of each parcel
2 transferred;

3 (f) The number of housing units developed on each parcel
4 transferred;

5 (g) The affordability covenants recorded for each parcel sold;
6 and

7 (h) Progress toward advancing equity, preventing displacement,
8 and meeting locally identified housing needs.

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

16 NEW SECTION. **Sec. 5.** The definitions in this section apply
17 throughout this chapter unless the context clearly requires
18 otherwise.

19 (1) "Land bank" means the inventory of real property acquired,
20 held, leased, or transferred by a land bank authority for purposes
21 consistent with this chapter.

22 (2) "Land bank authority" means an entity authorized by ordinance
23 or resolution of a city or county legislative authority to establish
24 and operate a land bank under this chapter.

25 **Sec. 6.** RCW 36.35.150 and 2016 c 63 s 1 are each amended to read
26 as follows:

27 (1) The county legislative authority may dispose of tax
28 foreclosed property by private negotiation, without a call for bids,
29 for not less than the principal amount of the unpaid taxes in any of
30 the following cases: (a) When the sale is to any governmental agency
31 and for public purposes; (b) when the county legislative authority
32 determines that it is not practical to build on the property due to
33 the physical characteristics of the property or legal restrictions on
34 construction activities on the property; (c) when the property has an
35 assessed value of less than (~~five hundred dollars~~) \$500 and the
36 property is sold to an adjoining landowner; (~~or~~) (d) when no
37 acceptable bids were received at the attempted public auction of the
38 property, if the sale is made within (~~twelve~~) 12 months from the

1 date of the attempted public auction; or (e) when the sale is to an
2 entity operating a land bank authority under section 2 of this act.

3 (2) A county legislative authority must prioritize the transfer
4 of tax foreclosed property to an entity operating a land bank
5 authority under section 2 of this act.

6 (3) Except when a county legislative authority purchases the tax
7 foreclosed property for public purposes or transfers the tax
8 foreclosed property to an entity operating a land bank authority
9 under section 2 of this act, the county legislative authority must
10 give notice to any city in which any tax foreclosed property is
11 located within at least (~~sixty~~) 60 days of acquiring such property,
12 and the county may not dispose of the property at public auction or
13 by private negotiation before giving such notice. The notice must
14 offer the city the opportunity to purchase the property for the
15 original minimum bid under RCW 84.64.080, together with any direct
16 costs incurred by the county in the sale. If the city chooses to
17 purchase the property, the following conditions apply:

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

20 (b) The city must provide that the property is suitable and will
21 be used for an affordable housing development as defined in RCW
22 36.130.010; and

23 (c) The city must agree to transfer the property to a local
24 housing authority, land bank authority, or (~~either~~) nonprofit entity
25 eligible to receive assistance from the affordable housing program
26 under chapter 43.185A RCW. The city must be reimbursed by the housing
27 authority, land bank authority, or (~~either~~) nonprofit entity for the
28 amount the city paid to purchase the property together with any
29 direct costs incurred by the city in the transfer to the housing
30 authority, land bank authority, or (~~either~~) nonprofit entity.

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

33 (1) A public corporation, commission, or authority created
34 pursuant to RCW 35.21.730, 35.21.660, or 81.112.320, or a land bank
35 authority established under section 2 of this act that is operated by
36 a public corporation, shall receive the same immunity or exemption
37 from taxation as that of the city, town, or county creating the same:
38 PROVIDED, That, except for (a) any property within a special review
39 district established by ordinance prior to January 1, 1976, or listed

1 on or which is within a district listed on any federal or state
2 register of historical sites, or (b) any property owned, operated, or
3 controlled by a public corporation that is used primarily for low-
4 income housing, or that is used as a convention center, performing
5 arts center, public assembly hall, public meeting place, public
6 esplanade, street, public way, public open space, park, public
7 utility corridor, or view corridor for the general public, or (c) any
8 blighted property owned, operated, or controlled by a public
9 corporation that was acquired for the purpose of remediation and
10 redevelopment of the property in accordance with an agreement or plan
11 approved by the city, town, or county in which the property is
12 located, or (d) any property owned, operated, or controlled by a
13 public corporation created under RCW 81.112.320, or (e) any property
14 owned, operated, or controlled by a public corporation operating a
15 land bank authority under section 2 of this act, any such public
16 corporation, commission, or authority shall pay to the county
17 treasurer an annual excise tax equal to the amounts which would be
18 paid upon real property and personal property devoted to the purposes
19 of such public corporation, commission, or authority were it in
20 private ownership, and such real property and personal property is
21 acquired and/or operated under RCW 35.21.730 through 35.21.755, and
22 the proceeds of such excise tax shall be allocated by the county
23 treasurer to the various taxing authorities in which such property is
24 situated, in the same manner as though the property were in private
25 ownership: PROVIDED FURTHER, That the provisions of chapter 82.29A
26 RCW shall not apply to property within a special review district
27 established by ordinance prior to January 1, 1976, or listed on or
28 which is within a district listed on any federal or state register of
29 historical sites and which is controlled by a public corporation,
30 commission, or authority created pursuant to RCW 35.21.730 or
31 35.21.660, which was in existence prior to January 1, 1987: AND
32 PROVIDED FURTHER, That property within a special review district
33 established by ordinance prior to January 1, 1976, or property which
34 is listed on any federal or state register of historical sites and
35 controlled by a public corporation, commission, or authority created
36 pursuant to RCW 35.21.730 or 35.21.660, which was in existence prior
37 to January 1, 1976, shall receive the same immunity or exemption from
38 taxation as if such property had been within a district listed on any
39 such federal or state register of historical sites as of January 1,
40 1976, and controlled by a public corporation, commission, or

1 authority created pursuant to RCW 35.21.730 or 35.21.660 which was in
2 existence prior to January 1, 1976.

3 (2) As used in this section:

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

6 (b) "Area median income" means:

7 (i) For an area within a standard metropolitan statistical area,
8 the area median income reported by the United States department of
9 housing and urban development for that standard metropolitan
10 statistical area; or

11 (ii) For an area not within a standard metropolitan statistical
12 area, the county median income reported by the department of
13 commerce.

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

16 **Sec. 8.** RCW 35.82.210 and 2000 c 187 s 2 are each amended to
17 read as follows:

18 (1) The property of an authority is declared to be public
19 property used for essential public and governmental purposes and such
20 property and an authority shall be exempt from all taxes and special
21 assessments of the city, the county, the state or any political
22 subdivision thereof: PROVIDED, HOWEVER, That, except for any property
23 owned by a land bank authority operated by a housing authority under
24 section 2 of this act, in lieu of such taxes an authority may agree
25 to make payments to the city or the county or any such political
26 subdivision for improvements, services and facilities furnished by
27 such city, county or political subdivision for the benefit of a
28 housing project, but in no event shall such payments exceed the
29 amount last levied as the annual tax of such city, county or
30 political subdivision upon the property included in said project
31 prior to the time of its acquisition by the authority.

32 (2) For the sole purpose of the exemption from tax under this
33 section:

34 (a) "Authority," in addition to the meaning in RCW 35.82.020,
35 also means tribal housing authorities (~~and~~), intertribal housing
36 authorities(~~-~~), and a land bank authority owned, operated, or
37 controlled by a housing authority under section 2 of this act.

38 (b) "Intertribal housing authority" means a housing authority
39 created by a consortium of tribal governments to operate and

1 administer housing programs for persons of low income or senior
2 citizens for and on behalf of such tribes.

3 (c) "Tribal government" means the governing body of a federally
4 recognized Indian tribe.

5 (d) "Tribal housing authority" means the tribal government or an
6 agency or branch of the tribal government that operates and
7 administers housing programs for persons of low income or senior
8 citizens.

9 NEW SECTION. **Sec. 9.** (1) All real and personal property owned
10 by a nonprofit entity operating a land bank authority under section 2
11 of this act is exempt from property taxation.

12 (2) To qualify for this exemption, the nonprofit entity must be
13 exempt from taxation under 26 U.S.C. Sec. 501(c)(3) of the internal
14 revenue code of 1986, as amended.

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

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

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

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

28 (b) Reduce the cost of land for housing development by allowing
29 land bank authorities to own land or property without being subject
30 to state or local property tax and to sell land or property without
31 being subject to the real estate excise tax.

32 (4) If a review finds that the tax preferences in sections 7
33 through 9 of this act have not reduced the cost of land for housing
34 development, then the legislature intends to consider repealing the
35 tax preferences.

36 (5) In order to obtain the data necessary to perform the review
37 in subsection (4) of this section, the joint legislative audit and
38 review committee may refer to any available data source, including

1 county records identifying the assessed value, sales value, and
2 number of housing units developed for any property acquired or
3 transferred by a land bank authority.

4 NEW SECTION. **Sec. 11.** The provisions of RCW 82.32.805 do not
5 apply to sections 7 through 9 of this act.

6 NEW SECTION. **Sec. 12.** Sections 2 through 5 and 9 of this act
7 constitute a new chapter in Title 35 RCW.

--- **END** ---