

HOUSE BILL REPORT

SSB 6337

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to disposing tax foreclosed property to cities for affordable housing purposes.

Brief Description: Disposing tax foreclosed property to cities for affordable housing purposes.

Sponsors: Senate Committee on Human Services, Mental Health & Housing (originally sponsored by Senators Darneille, Miloscia, McCoy, Hasegawa, Conway and Chase).

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/22/16, 2/23/16 [DPA].

**Brief Summary of Substitute Bill
(As Amended by Committee)**

- Requires counties holding tax foreclosed real property to offer to sell the property to the city in which it sits.
- Requires the city purchasing the property to agree to transfer the property to a housing authority or nonprofit entity eligible to receive assistance from the Affordable Housing Program.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass as amended. Signed by 6 members: Representatives Ryu, Chair; Robinson, Vice Chair; Zeiger, Assistant Ranking Minority Member; Appleton, Hickel and Sawyer.

Minority Report: Do not pass. Signed by 1 member: Representative Wilson, Ranking Minority Member.

Staff: David Rubenstein (786-7153).

Background:

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

Tax Foreclosure Process.

Every county assesses and collects property taxes each year. The assessment of the tax creates a lien on the property until the tax is paid. If an owner does not pay on time, the taxes are delinquent and subject to a 12-percent interest-rate charge as well as additional penalty charges that are added to the assessment. A tax lien takes priority over all other interests in the property, including a mortgage, judgment, debt, or obligation.

If real property taxes are delinquent for three years, the county treasurer must file a certificate of delinquency in the county superior court, which is used to initiate an action for foreclosure on the tax lien. After providing notice to the owner and all parties with a recorded interest in the property, the court may issue a judgment to foreclose the tax lien and order a tax foreclosure sale of the property.

A tax foreclosure sale must be made to the highest bidder at a public auction. The minimum bid is set on behalf of the county at the total amount of taxes due, including interest and penalties. The highest successful bidder must pay the amount of taxes owed and the county refunds the excess to the recorded owner of the property.

County Tax Title Lands.

If no bids are received at the tax foreclosure sale, the county is considered the bidder on the minimum amount and acquires the property as "tax title land." The county holds such property in trust for all the taxing districts, but does not pay the delinquent taxes. Tax title land is tax exempt during the period it is held by the county.

The county may sell tax title land when the sale is determined to be in the best interest of the county. The sale generally must follow the procedures of a tax foreclosure sale, including a public auction to the highest bidder. However, the county may choose to dispose of tax title lands by private negotiation and without a call for bids under the following circumstances:

- the sale is for a public purpose to any governmental agency;
- the county determines that it is not practicable to build on the property due to the physical characteristics or legal restrictions on the property;
- the property has been assessed for less than \$500 and is sold to an adjoining landowner; or
- the sale is made within 12 months from an attempted public sale where no acceptable bids were received.

The sale, under such circumstances, must be for no less than the principal amount of unpaid taxes.

Proceeds from a sale of tax title lands must be distributed in the following priority: (1) the amount to reimburse the county for the costs of foreclosure and sale; (2) any remainder to reimburse the state for any taxes deferred under a tax deferment program; and (3) the remainder to be justly apportioned among the tax districts.

Affordable Housing Program.

The Department of Commerce (Department) administers the Affordable Housing Program (AHP), which develops and coordinates public and private resources targeted to meet the affordable housing needs of households below 80 percent of a county's median family income. The AHP funds projects, including new construction, rehabilitation, or acquisition of housing for low-income households.

Organizations eligible to receive assistance include:

- local governments;
- local housing authorities;
- nonprofit community or neighborhood-based organizations;
- federally recognized Indian tribes in the state; and
- regional or statewide nonprofit housing assistance organizations.

These eligible organizations may receive loans to purchase land for affordable housing development and supportive services. These loans are funded through a program administered by the Housing Finance Commission in coordination with the Department.

Summary of Amended Bill:

Upon receiving tax title lands, the county must give notice to any city in which the property is located within 60 days of acquiring the property unless the property is first acquired by a county legislative authority for public purposes. The county may not dispose of the property before providing the notice. The notice must include an offer to the city to purchase the property for original minimum bid from the auction at which the county acquired the property together with any direct costs incurred by the county in the sale. If the city agrees, the sale must have the following conditions:

- the city must accept the offer within 30 days of receiving notice, unless the county agrees to extend the offer;
- the city must provide that the property is suitable and will be used for affordable housing development; and
- the city must agree to transfer the property to an affordable housing authority or other nonprofit entity eligible to receive assistance from the AHP, which must reimburse the city for the amount the city paid to the county plus the city's direct costs in the transfer.

Amended Bill Compared to Substitute Bill:

The amendment makes the following changes:

- tax title lands are exempt from the offer process described in the bill if the land is purchased by a county legislative authority for public purposes;
- provides that conditions applicable to the purchase only apply if the city chooses to purchase the property; and
- requires a city to reimburse the county for the county's direct costs incurred in the sale and the city to be reimbursed by the affordable housing entity for the city's direct cost.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The City of Tacoma has requested this bill to provide another tool in the toolbox for affordable housing, though this is not the only solution. Property near downtown Tacoma that could have been used for affordable housing is caught in tax-title status. An amendment would align this bill with the version that passed from the House of Representatives. Finally, the bill provides that the city must be reimbursed for its costs.

(Opposed) None.

Persons Testifying: Briahna Murray, City of Tacoma; and Mike Shaw, King County.

Persons Signed In To Testify But Not Testifying: None.