

BILL ANALYSIS

C.S.H.B. 2536
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Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Providing affordable housing to those who need it is a continual challenge to the urban areas of Texas. A land bank is a tool that facilitates the development and provision of affordable housing in urban areas, especially by transferring tax-delinquent sites to the bank for sale to affordable housing developers. Under current law, the urban land bank demonstration program is only allowed only in Dallas.

The purpose of this bill is to expand the application of the program to all home-rule municipalities with a population over 500,000 as well as fine tuning the demonstration program.

C.S.H.B. 2536 provides for the establishment of urban land bank demonstration programs

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2536 amends Section 379C, Local Government Code, as follows:

The substitute applies to home-rule municipalities that have a population of 500,000 or more. The substitute defines "affordable" and various types of housing income levels. It also provides requirements for the community housing development organization, qualified participating developers, and municipalities.

The substitute provides that the local appraisal district determine the market value of a property sold in a private sale to the land bank under this section. Such property must have delinquent taxes for a total of at least five (5) years, must not have been improved with a habitable building, and any uninhabitable building located on the property has been unoccupied for each of the preceding three (3) years. Also, property sold to and held by the land bank for subsequent resale is eligible for an ad valorem tax exemption for no longer than three (3) years from the date of acquisition.

The substitute provides that the qualified participating developer must apply for a construction permit and close on financing with the two-year period following the later of the date of conveyance of the property from the land bank to the qualified participating developer or the expiration of the period specified by the municipality under Section 379C.011(d) or else property will revert back to land bank. Property sold pursuant to foreclosure of tax lien must be sold to the land bank from which property was acquired with certain conditions and requirements.

The substitute provides for mandatory deed restrictions that require the property developed through the land bank to be sold or rented to very low, low or moderate income households, but it allows up to 20 percent to be sold or rented to middle income households. The substitute provides that at least 30 percent of land bank properties must be deed restricted for sale to households with gross household incomes not greater than 60 percent of the area median family income based on certain factors. The substitute requires that at least 80 percent of land bank properties be deed restricted for sale to households with gross household incomes not greater than 80 percent of the area median family income based on certain factors.

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The substitute requires the deed restrictions period for rental housing be not less than 20 years and that the rental units be occupied by and made affordable to households of certain income levels.

The substitute requires a qualified organization, within the previous three years, to have developed or rehabilitated housing units within a certain distance, a two-mile radius, of the property the land bank is offering for sale.

The substitute requires that notice must be provided to the qualified organizations no later than the 60th day before the beginning of the period in which a right of first refusal may be exercised. The right of first refusal period must be at least 90 days in duration and begin at least three months but not more than 26 months following the date of the deed of conveyance. If land bank conveys property before expiration of this period, the interlocal agreement executed may provide tax abatement for the property until the expiration period ends.

The substitute requires a complete copy of the sale settlement statement for each property sold by a qualified developer to be maintained in the land bank's records.

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 2536 modifies the original bill by lowering the population bracket from 750,000 to 500,000.

The substitute modifies the original by redefining "low income household" to between 50 and 60 percent of area median family income (AMI).

The substitute modifies the original by creating a definition of "very low income household" which is an income of not greater than 50 percent of AMI.

The substitute modifies the original bill by making the municipality, instead of the mayor or mayor's office, the entity that provides notice of the hearing and copies of the proposed plan required under Sections 379.007 (b) and (c), Local Government Code.

The substitute modifies the original bill by removing the proposed change to Section 379C.008, Subsection (d), Local Government Code. The substitute would leave the statutory 90 day notice to defendants to the judgment unchanged.

The substitute modifies the original by adding language to the original bill that provides that any uninhabitable building located on the property sold must have been unoccupied for each of the preceding three years.

The substitute modifies the original bill by adding the provision that property acquired by a qualified participating developer which subsequently is ordered sold pursuant to foreclosure of a tax lien must be sold according to the conditions and requirements of Section 379C.008 to the land bank from which the property was acquired.

The substitute modifies the original bill by adding "very low" to the deed restrictions required on properties sold to participating developers by the land bank.

The substitute modifies the original by clarifying the language of the original bill prohibiting more than 20 percent of the units developed on the property from being sold to middle income households.

The substitute modifies the original by changing 50 percent of land bank properties sold to households with gross household incomes not more greater than 80 percent of the AMI to 80 percent.

The substitute modifies the original by ensuring that the deed restrictions require participating developers to sell one unit at an affordable price to a very low income household for each unit the developer sells to a middle income household.

The substitute modifies the original by adding language that states that the 30 percent of land bank properties required to be developed for sale to households with gross incomes not greater than 60 percent of AMI are in addition to any units sold to very low income households.

The substitute modifies the original bill by increasing from one-half mile to two-miles the radius discussed in Section 8, Subsection (a)(3). The substitute also replaces the word "must" in Section 8, Subsection (d-1) with "may."

The substitute modifies the original by removing Subsection (e-1) from Section 8 of the original bill.

The substitute modifies the original bill by repealing Section 379C.008(c), Local Government Code.