

BILL ANALYSIS

Senate Research Center
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S.B. 1722
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

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 in Dallas.

As proposed, S.B. 1722 expands the application of the program to all home-rule municipalities with a population over 750,000 and fine-tunes the demonstration program.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 379C.002, Local Government Code, as follows:

Sec. 379C.002. **APPLICABILITY.** Provides that this chapter applies only to certain home-rule municipalities.

SECTION 2. Amends Section 379C.003, Local Government Code, by amending Subdivisions (1) and (3) and adding Subdivisions (1-a), (3-a), and (3-b), to define "affordable," "middle income household," and "moderate income household." Redefines "community housing development organization," "organization," and "low income household."

SECTION 3. Amends Section 379C.005, Local Government Code, as follows:

Sec. 379C.005. **QUALIFIED PARTICIPATING DEVELOPER.** Sets forth amended requirements for a developer, to qualify to participate in an urban land bank demonstration program.

SECTION 4. Amends Sections 379C.007(b) and (c), Local Government Code, as follows:

(b) Requires the mayor or the mayor's designee, rather than the city manager or the city manager's designee, to provide notice of the hearing to all community housing development organizations and to neighborhood associations identified by the municipality as serving the neighborhoods in which properties anticipated to be available for sale to the land bank under this chapter are located.

(c) Makes conforming changes.

SECTION 5. Amends Section 379C.008, Local Government Code, by amending Subsections (a) and (d) and adding Subsection (j), as follows:

(a) Authorizes property that is ordered sold pursuant to foreclosure of a tax lien to be sold in a private sale to a land bank by the officer charged with the sale of the property without first offering the property for sale as otherwise provided by Section 34.01 (Sale of Property), Tax Code, if the property falls under certain conditions, including that the

property is not improved with habitable buildings, rather than with buildings, and the that there are delinquent taxes on the property for a total of five, rather than six, years.

(d) Requires each person who was a defendant to the judgment, or that person's attorney, for any sale of property under this chapter, to be given, no later than 30th, rather than 90th, day before the date of sale, written notice of the proposed method of sale of the property.

(j) Provides that property sold to and held by the land bank for subsequent resale is eligible for an exemption from ad valorem taxes for a period not to exceed three years from the date of acquisition.

SECTION 6. Amends Section 379C.009(d), Local Government Code, to require that the deed conveying a property sold by the land bank include a right of reverter so that if the qualified participating developer does not apply for a construction permit and close on any construction financing within the two-year period following the later of the date of the 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), the property will revert to the land bank for subsequent resale to another qualified participating developer or conveyance to the taxing units who were parties to the judgment for disposition as otherwise allowed under the law.

SECTION 7. Amends Section 379C.010, Local Government Code, by amending Subsections (a), (b), (c), and (f) and adding Subsection (b-1), as follows:

(a) Requires the land bank to impose deed restrictions on property sold to qualified participating developers requiring the development and sale or rental of the property to low or moderate income households, except that not more than 20 percent of the units in any given area may be made available to middle income households.

(b) Requires that at least 30, rather than 25, percent of the land bank properties sold during any given fiscal year to be developed for sale to be deed restricted for sale to households with gross household incomes not greater than 60 percent of the area median family income, adjusted for household size, for the metropolitan statistical area in which the municipality is located, as determined annually by the United States Department of Housing and Urban Development.

(b-1) Requires at least 50 percent of the land bank properties sold during any given fiscal year to be developed for sale to be deed restricted for sale to households with gross household incomes not greater than 80 percent of the area median family income, adjusted for household size, for the metropolitan statistical area in which the municipality is located, as determined annually by the United States Department of Housing and Urban Development.

(c) Requires the deed, if property is developed for rental housing, to be for a period of not less than 20, rather than 15, years and that certain units adhere to certain requirements.

(f) Makes conforming changes.

SECTION 8. Amends Section 379C.011, Local Government Code, by amending Subsections (a), (c), (d), and (e) and adding Subsections (d-1) and (e-1), as follows:

(a) Redefines "qualified organization."

(c) Requires the notice to be provided to the qualified organizations by certified mail, return receipt requested, not later than the 60th day before the beginning of the period in which a right of first refusal may be exercised.

(d) Requires the municipality to specify in its plan the period during which the right of first refusal provided by this section may be exercised by a qualified organization. Requires that period to be at least 90 days in duration and begin at least three, rather than

nine, months but not more than 26 months following the date of the deed of conveyance of the property to the land bank.

(d-1) Requires that the interlocal agreement executed under Section 379C.008(a)(4) to provide tax abatement for the property until the expiration of that period, if the land bank conveys the property to a qualified organization before the expiration of the period specified by the municipality under Subsection (d).

(e) Authorizes the land bank to sell the property to any other qualified participating developer at the same price that the land bank offered the property to the qualified organizations, if all qualified organizations notify the land bank that they are declining to exercise their right of first refusal during the specified period, or if an offer to purchase the property is not received from a qualified organization during that period, except as provided by Subsection (e-1).

(e-1) Provides that the price for the property is the lesser of the market value for the property or 15 percent of the qualified developer's subsequent sales price for the property, if the property sold to another qualified participating developer under Subsection (e) is to be occupied by a middle income household. Requires the land bank to contribute any difference in the price of the property under this subsection and the price under Subsection (e) to a fund used to subsidize the affordability of properties to be sold to low income households.

SECTION 9. Amends Section 379.013(d), Local Government Code, to require the land bank to maintain in its records for inspection a complete copy of the sale settlement statement for each property sold by a qualified participating developer and a copy of the first page of the mortgage note with the interest rate and indicating the volume and page number of the instrument as filed with the county clerk.

SECTION 10. (a) Makes application of this Act prospective.

(b) Provides that Section 379C.008(j), Local Government Code, as added by this Act, does not affect tax liability accruing before the effective date of this Act. Provides that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 11. Effective date: September 1, 2005.