

By: Coleman, Farrar, Chavez

H.B. No. 2536

Substitute the following for H.B. No. 2536:

By: Solomons

C.S.H.B. No. 2536

A BILL TO BE ENTITLED

AN ACT

relating to urban land bank demonstration programs.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 379C.002, Local Government Code, is amended to read as follows:

Sec. 379C.002. APPLICABILITY. This chapter applies only to home-rule municipalities that~~+~~

~~[(1)]~~ have a population of 500,000 ~~[1.18 million]~~ or more~~+, and~~

~~[(2)] are located predominantly in a county that has a total area of less than 1,000 square miles].~~

SECTION 2. Section 379C.003, Local Government Code, is amended by amending Subdivisions (1) and (3) and adding Subdivisions (1-a), (3-a), (3-b), and (7) to read as follows:

(1) "Affordable" means that the monthly mortgage payment or contract rent does not exceed 30 percent of the applicable median family income for that unit size, in accordance with the income and rent limit rules adopted by the Texas Department of Housing and Community Affairs.

(1-a) "Community housing development organization" or "organization" means an organization that:

(A) meets the definition of a community housing development organization in 24 C.F.R. Section 92.2; ~~and~~

(B) is certified by the municipality as a

community housing development organization;

(C) is governed exclusively by a board of at least five members unrelated by blood, marriage, or business interest; and

(D) is not controlled, directly or indirectly, by any other party through any contract, arrangement, understanding, relationship, voting power, affiliation, trust, proxy, power of attorney, pooling arrangement, security, warrant, partnership, option, discretionary account, joint venture, interlocking directors, or other device, as evidenced by a notarized affidavit signed by each board member.

(3) "Low income household" means a household with a gross income of greater than 50 percent and not greater than 60 [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.

(3-a) "Middle income household" means a household with a gross income of greater than 80 percent and not greater than 100 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.

(3-b) "Moderate income household" means a household with a gross income of greater than 60 percent and not greater than 80 percent of the area median family income, adjusted for household size, for the metropolitan statistical area in which the

1 municipality is located, as determined annually by the United  
2 States Department of Housing and Urban Development.

3 (7) "Very low income household" means a household with  
4 a gross income of not greater than 50 percent of the area median  
5 family income, adjusted for household size, for the metropolitan  
6 statistical area in which the municipality is located, as  
7 determined annually by the United States Department of Housing and  
8 Urban Development.

9 SECTION 3. Section 379C.005, Local Government Code, is  
10 amended to read as follows:

11 Sec. 379C.005. QUALIFIED PARTICIPATING DEVELOPER. To  
12 qualify to participate in an urban land bank demonstration program,  
13 a developer must:

14 (1) have developed ~~[built]~~ three or more housing units  
15 within the three-year period preceding the submission of a proposal  
16 to the land bank seeking to acquire real property from the land  
17 bank;

18 (2) have a development plan approved by the  
19 municipality for the land bank property; and

20 (3) meet any other requirements adopted by the  
21 municipality in the urban land bank demonstration plan.

22 SECTION 4. Sections 379C.007(b) and (c), Local Government  
23 Code, are amended to read as follows:

24 (b) The municipality ~~[city manager or the city manager's~~  
25 ~~designee]~~ shall provide notice of the hearing to all community  
26 housing development organizations and to neighborhood associations  
27 identified by the municipality as serving the neighborhoods in

1 which properties anticipated to be available for sale to the land  
2 bank under this chapter are located.

3 (c) The municipality [~~city manager or the city manager's~~  
4 ~~designee~~] shall make copies of the proposed plan available to the  
5 public not later than the 60th day before the date of the public  
6 hearing.

7 SECTION 5. Section 379C.008, Local Government Code, is  
8 amended by amending Subsection (a) and adding Subsection (j) to  
9 read as follows:

10 (a) Notwithstanding any other law and except as provided by  
11 Subsection (f), property that is ordered sold pursuant to  
12 foreclosure of a tax lien may be sold in a private sale to a land  
13 bank by the officer charged with the sale of the property without  
14 first offering the property for sale as otherwise provided by  
15 Section 34.01, Tax Code, if:

16 (1) the market value of the property as appraised by  
17 the local appraisal district or as specified in the judgment of  
18 foreclosure is less than the total amount due under the judgment,  
19 including all taxes, penalties, and interest, plus the value of  
20 nontax liens held by a taxing unit and awarded by the judgment,  
21 court costs, and the cost of the sale;

22 (2) the property is not improved with a habitable  
23 building or buildings;

24 (3) there are delinquent taxes on the property for a  
25 total of at least five [~~each of the preceding six~~] years; [~~and~~]

26 (4) the municipality has executed with the other  
27 taxing units that are parties to the tax suit an interlocal

1 agreement that enables those units to agree to participate in the  
2 program while retaining the right to withhold consent to the sale of  
3 specific properties to the land bank; and

4 (5) any uninhabitable building located on the property  
5 has been unoccupied for each of the preceding three years.

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

10 SECTION 6. Section 379C.009, Local Government Code, is  
11 amended by amending Subsection (d) and adding Subsection (e) to  
12 read as follows:

13 (d) The deed conveying a property sold by the land bank must  
14 include a right of reverter so that if the qualified participating  
15 developer does not apply for a construction permit and close on any  
16 construction financing within the two-year period following the  
17 later of the date of the conveyance of the property from the land  
18 bank to the qualified participating developer or the expiration of  
19 the period specified by the municipality under Section 379C.011(d),  
20 the property will revert to the land bank for subsequent resale to  
21 another qualified participating developer or conveyance to the  
22 taxing units who were parties to the judgment for disposition as  
23 otherwise allowed under the law.

24 (e) Property acquired by a qualified participating  
25 developer as described by this section that, subsequent to the date  
26 of the developer's acquisition of the property, is ordered sold  
27 pursuant to foreclosure of a tax lien must be sold according to the

1 conditions and requirements of Section 379C.008 to the land bank  
2 from which the property was acquired.

3 SECTION 7. Section 379C.010, Local Government Code, is  
4 amended by amending Subsections (a), (b), (c), and (f) and adding  
5 Subsection (b-1) to read as follows:

6 (a) The land bank shall impose deed restrictions on property  
7 sold to qualified participating developers requiring the  
8 development and sale or rental of the property to very low, low, or  
9 moderate income households. The land bank's deed restrictions on  
10 property described by this subsection must prohibit more than 20  
11 percent of the units developed on the property from being sold to  
12 middle income households. The deed restrictions must require a  
13 participating developer to sell one unit at an affordable price to a  
14 very low income household for each unit the developer sells to a  
15 middle income household.

16 (b) In addition to any units sold to very low income  
17 households under Subsection (a), at ~~At~~ least 30 ~~[25]~~ percent of  
18 the land bank properties sold during any given fiscal year to be  
19 developed for sale shall be deed restricted for sale to households  
20 with gross household incomes not greater than 60 percent of the area  
21 median family income, adjusted for household size, for the  
22 metropolitan statistical area in which the municipality is located,  
23 as determined annually by the United States Department of Housing  
24 and Urban Development.

25 (b-1) At least 80 percent of the land bank properties sold  
26 during any given fiscal year to be developed for sale shall be deed  
27 restricted for sale to households with gross household incomes not

1 greater than 80 percent of the area median family income, adjusted  
2 for household size, for the metropolitan statistical area in which  
3 the municipality is located, as determined annually by the United  
4 States Department of Housing and Urban Development.

5 (c) If property is developed for rental housing, the deed  
6 restrictions must be for a period of not less than 20 [~~15~~] years and  
7 must require that:

8 (1) 100 percent of the rental units be occupied by and  
9 affordable to households with incomes not greater than 60 percent  
10 of area median family income, based on gross household income,  
11 adjusted for household size, for the metropolitan statistical area  
12 in which the municipality is located, as determined annually by the  
13 United States Department of Housing and Urban Development;

14 (2) 40 percent of the units be occupied by and  
15 affordable to households with incomes not greater than 50 percent  
16 of area median family income, based on gross household income,  
17 adjusted for household size, for the metropolitan statistical area  
18 in which the municipality is located, as determined annually by the  
19 United States Department of Housing and Urban Development; or

20 (3) 20 percent of the units be occupied by and  
21 affordable to households with incomes not greater than 30 percent  
22 of area median family income, based on gross household income,  
23 adjusted for household size, for the metropolitan statistical area  
24 in which the municipality is located, as determined annually by the  
25 United States Department of Housing and Urban Development.

26 (f) The land bank or the governing body of the municipality  
27 may modify or add to the deed restrictions imposed under this

1 section. Any modifications or additions made by the governing body  
2 of the municipality must be adopted by the municipality as part of  
3 its plan and must comply with the restrictions set forth in  
4 Subsections (a), (b), (b-1), (c), and (d).

5 SECTION 8. Section 379C.011, Local Government Code, is  
6 amended by amending Subsections (a), (c), and (d) and adding  
7 Subsection (d-1) to read as follows:

8 (a) In this section, "qualified organization" means a  
9 community housing development organization that:

10 (1) contains within its designated geographical  
11 boundaries of operation, as set forth in its application for  
12 certification filed with and approved by the municipality, a  
13 portion of the property that the land bank is offering for sale;

14 (2) has built at least three single-family homes or  
15 duplexes or one multifamily residential dwelling of four or more  
16 units in compliance with all applicable building codes within the  
17 preceding two-year period and within the organization's designated  
18 geographical boundaries of operation; and

19 (3) within the preceding three-year [~~two-year~~] period  
20 has developed [~~built~~] or rehabilitated housing units within a  
21 two-mile [~~one-half-mile~~] radius of the property that the land bank  
22 is offering for sale.

23 (c) Notice must be provided to the qualified organizations  
24 by certified mail, return receipt requested, not later than the  
25 60th day before the beginning of the period in which a right of  
26 first refusal may be exercised.

27 (d) The municipality shall specify in its plan the period

1 during which the right of first refusal provided by this section may  
2 be exercised by a qualified organization. That period must be at  
3 least 90 days in duration and begin at least three ~~[nine]~~ months but  
4 not more than 26 months following ~~[from]~~ the date of the deed of  
5 conveyance of the property to the land bank.

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

11 SECTION 9. Section 379C.013(d), Local Government Code, is  
12 amended to read as follows:

13 (d) The land bank shall maintain in its records for  
14 inspection a complete copy of the sale settlement statement for  
15 each property sold by a qualified participating developer and a  
16 copy of the first page of the mortgage note with the interest rate  
17 and indicating the volume and page number of the instrument as filed  
18 with the county clerk.

19 SECTION 10. Section 379C.008(c), Local Government Code, is  
20 repealed.

21 SECTION 11. (a) The changes in law made by this Act apply  
22 only to an urban land bank demonstration program operating in  
23 conformance with an urban land bank demonstration plan adopted by  
24 the governing body of a municipality on or after the effective date  
25 of this Act. An urban land bank demonstration program operating in  
26 conformance with an urban land bank demonstration plan adopted  
27 before the effective date of this Act is governed by the law in

1 effect at the time the plan was adopted until a subsequent plan is  
2 adopted, and the former law is continued in effect for that purpose.

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

9 SECTION 12. This Act takes effect September 1, 2005.