

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 23, 2005

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB628 by Lucio (Relating to an urban land bank program in certain municipalities.),
Committee Report 1st House, Substituted

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code as it relates to the urban land bank demonstration program by changing the municipalities to which the program would apply and changing the name of the program to the urban land bank program.

The bill would also add a definition for "affordable" for the purposes of the formula used to determine which deed restrictions the land bank shall impose on property sold to qualified participating developers requiring the development and sale or rental of the property to low income households. In addition, the period for which deed restrictions must apply would be changed from 15 years to 20 years for property developed for rental housing.

One of the criteria for when foreclosed property may be sold in a private sale to a land bank without first offering the property for sale as otherwise provided in Section 34.01 of the Tax Code would change from each of the preceding six years to a total of at least five years that there are delinquent taxes on the property.

The bill would take effect September 1, 2005.

Under current statute, the urban land bank demonstration program applies only to the City of Dallas (home-rule municipality with a population of 1.18 million or more and that is located predominantly in a county that has an area of less than 1,000 square miles). The proposed changes in applicability criteria would change the population requirement to 100,000 or more, would remove the home-rule requirement, and would remove the area square milage requirement, which would result in another 22 cities that would be eligible.

Local Government Impact

The fiscal impact would vary by city. As an example, the City of Houston (population 1.9 million), which is the only city that provided data, reports that the administrative and related costs of implementing provisions of the bill would be \$100,000 per year for two new staff, plus starting in fiscal year 2007, there would be other costs attributed to subsidies required to support set asides for low and lower income housing production. The city estimates those other costs would be \$3 million in fiscal year 2007, \$5 million in fiscal year 2008, and \$10 million in both fiscal years 2009 and 2010. The city estimates it would experience revenue gains of \$34,000 in fiscal year 2007, \$105,000 in fiscal year 2008, \$237,000 in fiscal year 2009, and \$383,000 in fiscal year 2010 from new property tax income.

Source Agencies:

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