

By: Thompson

H.B. No. 3671

Substitute the following for H.B. No. 3671:

By: Menendez

C.S.H.B. No. 3671

A BILL TO BE ENTITLED

AN ACT

relating to the effect of the sale of real property to certain land banks on certain causes of action.

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

SECTION 1. Section 379D.010(a), Local Government Code, is amended to read as follows:

(a) The land bank shall impose deed restrictions with appropriate terms and conditions on property sold to qualified participating developers and eligible adjacent property owners that require:

(1) the development and sale or rental of the property to low income households, if the property is sold to a qualified participating developer; or

(2) the use of the property to be consistent and compatible with the residential character of the neighborhood and any applicable standards for use adopted by the land bank, if the property is sold to an eligible adjacent property owner.

SECTION 2. Section 379D.011, Local Government Code, is amended to read as follows:

Sec. 379D.011. RIGHT OF FIRST REFUSAL IN ELIGIBLE ADJACENT PROPERTY OWNERS; CONDITIONS OF PURCHASE. (a) Property acquired by the land bank shall be offered for sale, at fair market value as determined by the appraisal district in which the property is located, to eligible adjacent property owners under a right of

1 first refusal on terms and conditions developed by the land bank
2 that are consistent with this chapter.

3 (b) To be eligible to exercise a right of first refusal
4 under this section, an owner of property adjacent to property
5 acquired by the land bank:

6 (1) must have owned and continuously occupied that
7 property for at least the five preceding years as that person's
8 principal residence; and

9 (2) must meet any eligibility requirements adopted by
10 the land bank.

11 (c) An adjacent property owner who purchases property under
12 this section may not lease, sell, or otherwise transfer the
13 property to another party before the 10th anniversary of the date
14 the adjacent property owner purchases the property. This
15 prohibition does not apply to a transfer of property, as allowed by
16 policies adopted by the land bank:

17 (1) to a family member of the adjacent property owner;
18 or

19 (2) in the case of the death of the adjacent property
20 owner.

21 SECTION 3. Chapter 379D, Local Government Code, is amended
22 by adding Section 379D.015 to read as follows:

23 Sec. 379D.015. EFFECT OF SALE TO LAND BANK OR SUBSEQUENT
24 PURCHASERS OR LENDERS FOR VALUE; LIMITATION ON CERTAIN CAUSES OF
25 ACTION. After the first anniversary of a sale of property to a land
26 bank under this chapter:

27 (1) a third party, other than a qualified

1 participating developer or eligible adjacent property owner who
2 purchased the property from the land bank under this chapter or a
3 person with a cause of action based on a right, title, interest, or
4 other claim described by Subdivision (2)(A)(ii), may not bring a
5 cause of action to set aside or otherwise challenge the sale of the
6 property to the land bank, including a cause of action that is
7 brought against:

8 (A) a qualified participating developer or
9 eligible adjacent property owner who purchases property from the
10 land bank under Section 379D.009 or 379D.011, as applicable; or

11 (B) any other subsequent purchaser for value or
12 lender for value; and

13 (2) a qualified participating developer or eligible
14 adjacent property owner who purchases property from a land bank
15 under this chapter or any other subsequent purchaser for value or,
16 if applicable, a lender for a developer, owner, or purchaser
17 described by this subdivision or any other subsequent lender for
18 value:

19 (A) has, with the following characteristics, a
20 full title to the property:

21 (i) except as provided by Subparagraph
22 (ii), the title is not subject to any right, title, interest, or
23 other claim a person acquired in the property before or after the
24 sale of the property to the land bank, including a right of first
25 refusal, right of second refusal, and any other right, title,
26 interest, or other claim provided by this chapter, other than the
27 right of reverter provided by Section 379D.009(d); and

1 (ii) the title is subject only to:

2 (a) the recorded restrictive
3 covenants, liens, and valid easements of record described by
4 Section 34.01(n), Tax Code;

5 (b) any rights of redemption
6 applicable to the property;

7 (c) any cause of action to impeach the
8 property deed based on a claim of fraud;

9 (d) the right of reverter provided by
10 Section 379D.009(d) and the recorded deed restrictions described by
11 Section 379D.010; and

12 (e) any right, title, interest, or
13 other claim with respect to the property that arose after the sale
14 of the property to the land bank under a law other than this
15 chapter; and

16 (B) may conclusively presume that:

17 (i) the sale of the property to the land
18 bank under this chapter was valid; and

19 (ii) a mortgage on or a subsequent sale of
20 the property complies with this chapter and is subject only to a
21 right, title, interest, or other claim provided by Paragraph
22 (A)(ii).

23 SECTION 4. Section 379D.015, Local Government Code, as
24 added by this Act, applies only to a cause of action that accrues on
25 or after the effective date of this Act and concerns property that
26 is first purchased by a land bank under Section 379D.015, Local
27 Government Code, on or after the effective date of this Act.

1 SECTION 5. This Act takes effect September 1, 2007.