

1-1 By: Ellis S.B. No. 1757  
1-2 (In the Senate - Filed March 9, 2007; March 21, 2007, read  
1-3 first time and referred to Committee on Intergovernmental  
1-4 Relations; April 23, 2007, reported adversely, with favorable  
1-5 Committee Substitute by the following vote: Yeas 3, Nays 0;  
1-6 April 23, 2007, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1757 By: Patrick

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to certain real property transactions involving certain  
1-11 land banks.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subsection (a), Section 379D.010, Local  
1-14 Government Code, is amended to read as follows:

1-15 (a) The land bank shall impose deed restrictions with  
1-16 appropriate terms and conditions on property sold to qualified  
1-17 participating developers and eligible adjacent property owners  
1-18 that require:

1-19 (1) the development and sale or rental of the property  
1-20 to low income households, if the property is sold to a qualified  
1-21 participating developer; or

1-22 (2) the use of the property to be consistent and  
1-23 compatible with the residential character of the neighborhood and  
1-24 any applicable standards for use adopted by the land bank, if the  
1-25 property is sold to an eligible adjacent property owner.

1-26 SECTION 2. Section 379D.011, Local Government Code, is  
1-27 amended to read as follows:

1-28 Sec. 379D.011. RIGHT OF FIRST REFUSAL IN ELIGIBLE ADJACENT  
1-29 PROPERTY OWNERS; CONDITIONS OF PURCHASE. (a) Property acquired by  
1-30 the land bank shall be offered for sale, at fair market value as  
1-31 determined by the appraisal district in which the property is  
1-32 located, to eligible adjacent property owners under a right of  
1-33 first refusal on terms and conditions developed by the land bank  
1-34 that are consistent with this chapter.

1-35 (b) To be eligible to exercise a right of first refusal  
1-36 under this section, an owner of property adjacent to property  
1-37 acquired by the land bank:

1-38 (1) must have owned and continuously occupied that  
1-39 property for at least the five preceding years as that person's  
1-40 principal residence; and

1-41 (2) must meet any eligibility requirements adopted by  
1-42 the land bank.

1-43 (c) An adjacent property owner who purchases property under  
1-44 this section may not lease, sell, or otherwise transfer the  
1-45 property to another party before the 10th anniversary of the date  
1-46 the adjacent property owner purchases the property. This  
1-47 prohibition does not apply to a transfer of property, as allowed by  
1-48 policies adopted by the land bank:

1-49 (1) to a family member of the adjacent property owner;

1-50 or

1-51 (2) in the case of the death of the adjacent property  
1-52 owner.

1-53 SECTION 3. Chapter 379D, Local Government Code, is amended  
1-54 by adding Section 379D.015 to read as follows:

1-55 Sec. 379D.015. EFFECT OF SALE TO LAND BANK OR SUBSEQUENT  
1-56 PURCHASERS OR LENDERS FOR VALUE; LIMITATION ON CERTAIN CAUSES OF  
1-57 ACTION. After the first anniversary of a sale of property to a land  
1-58 bank under this chapter:

1-59 (1) a third party, other than a qualified  
1-60 participating developer or eligible adjacent property owner who  
1-61 purchased the property from the land bank under this chapter or a  
1-62 person with a cause of action based on a right, title, interest, or  
1-63 other claim described by Subdivision (2)(A)(ii), may not bring a

2-1 cause of action to set aside or otherwise challenge the sale of the  
2-2 property to the land bank, including a cause of action that is  
2-3 brought against:

2-4 (A) a qualified participating developer or  
2-5 eligible adjacent property owner who purchases property from the  
2-6 land bank under Section 379D.009 or 379D.011, as applicable; or

2-7 (B) any other subsequent purchaser for value or  
2-8 lender for value; and

2-9 (2) a qualified participating developer or eligible  
2-10 adjacent property owner who purchases property from a land bank  
2-11 under this chapter or any other subsequent purchaser for value or,  
2-12 if applicable, a lender for a developer, owner, or purchaser  
2-13 described by this subdivision or any other subsequent lender for  
2-14 value:

2-15 (A) has, with the following characteristics, a  
2-16 full title to the property:

2-17 (i) except as provided by Subparagraph  
2-18 (ii), the title is not subject to any right, title, interest, or  
2-19 other claim a person acquired in the property before or after the  
2-20 sale of the property to the land bank, including a right of first  
2-21 refusal, right of second refusal, and any other right, title,  
2-22 interest, or other claim provided by this chapter, other than the  
2-23 right of reverter provided by Section 379D.009(d); and

2-24 (ii) the title is subject only to:

2-25 (a) the recorded restrictive  
2-26 covenants, liens, and valid easements of record described by  
2-27 Section 34.01(n), Tax Code;

2-28 (b) any rights of redemption  
2-29 applicable to the property;

2-30 (c) any cause of action to impeach the  
2-31 property deed based on a claim of fraud;

2-32 (d) the right of reverter provided by  
2-33 Section 379D.009(d) and the recorded deed restrictions described by  
2-34 Section 379D.010; and

2-35 (e) any right, title, interest, or  
2-36 other claim with respect to the property that arose after the sale  
2-37 of the property to the land bank under a law other than this  
2-38 chapter; and

2-39 (B) may conclusively presume that:

2-40 (i) the sale of the property to the land  
2-41 bank under this chapter was valid; and

2-42 (ii) a mortgage on or a subsequent sale of  
2-43 the property complies with this chapter and is subject only to a  
2-44 right, title, interest, or other claim provided by Paragraph  
2-45 (A)(ii).

2-46 SECTION 4. Section 379D.015, Local Government Code, as  
2-47 added by this Act, applies only to a cause of action that accrues on  
2-48 or after the effective date of this Act and concerns property that  
2-49 is first purchased by a land bank under Section 379D.015, Local  
2-50 Government Code, on or after the effective date of this Act.

2-51 SECTION 5. This Act takes effect September 1, 2007.

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