

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 26, 2009

TO: Honorable Yvonne Davis, Chair, House Committee on Urban Affairs

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

IN RE: HB3240 by Martinez, "Mando" (Relating to a municipal program for foreclosure on and improvement of certain property, and the subsequent sale of the property as affordable housing.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would add Chapter 255 to the Local Government Code to authorize a municipality by ordinance to adopt a program to allow the municipality to foreclose on certain properties and delay the payment of back taxes to other taxing entities until the property has been improved and sold as affordable housing. The bill stipulates the program requirements, including allowing the municipality to negotiate with another taxing entity to establish an amount to be paid for back taxes owed to the other entity on the property. Under the program, a municipality would not be required to pay another taxing entity any amount for penalties or interest associated with taxes owed on a property sold under a program if the improvement and sale of the property as affordable housing provides a public interest to the taxpayers of the other taxing entity.

If a municipality was to foreclose on a property, improve the property, and sell the property to a state or federally recognized affordable housing program under a program established under Chapter 255, the municipality would be allowed to retain an amount from the sale that is equal to the increase in value of the property from improvements made by the municipality for the sale to the affordable housing program.

If the municipality was to sell the property to a purchaser other than a state or federal affordable housing program, the municipality would be required to pay the other taxing entities the negotiated amount of the taxes owed to the other entity and may not retain an amount equal to the increase in value. The municipality would also be required to pay the other taxing entities penalties and interest owed on the taxes owed to the entity. If the proceeds of a sale of a property are not sufficient to cover the payment of taxes owed to the other entity, the municipality would be required to make payment from the sales proceeds on a pro rata basis.

Local Government Impact

It is anticipated that costs of establishing a program would not have a significant fiscal impact on a municipality. Costs of operating a foreclosure program would depend on the number of properties involved, although it is anticipated that a municipality could recoup costs and experience a revenue gain. Because of the variables involved, the fiscal impact to municipalities cannot be estimated.

The other taxing units to whom taxes on a property are owed could experience a revenue loss or could recover owed taxes, depending on to whom and for what purposes improvement and sale of property occur and on negotiations with the municipality. Because of the variables involved, the fiscal impact to other taxing units cannot be estimated.

Source Agencies:

LBB Staff: JOB, DB