

BILL ANALYSIS

C.S.H.B. 2476
By: Garcia
Defense & Veterans' Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

As housing costs rise across Texas, low-income veterans deserve additional investment from the state to expand their access to reasonably priced housing. At the same time, many of our communities are home to vacant or tax-delinquent properties, which drive down property values and reduce local tax revenue. C.S.H.B. 2476 seeks to increase veterans' access to affordable housing while reducing the number of unused or blighted areas in communities across the state by providing for the creation of a veterans' land bank program.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 2 of this bill.

ANALYSIS

Veterans' Land Bank Program and Veterans' Land Bank

C.S.H.B. 2476 amends the Government Code to require the Texas State Affordable Housing Corporation (TSAHC) to establish a veterans' land bank program for the purpose of acquiring, holding, and transferring real property to provide affordable housing for veterans who are members of low-income households. A sale or other transfer of property for use in connection with the program is a sale for a public purpose. The bill provides that the bill's provisions establishing the program control to the extent of any conflict between those provisions and the statutory provisions governing the Texas Department of Housing and Community Affairs.

Property Held by a Veterans' Land Bank

C.S.H.B. 2476 provides that property held by TSAHC under the program may include property acquired by TSAHC from a sale pursuant to a foreclosure of a tax lien and other property acquired by or transferred to TSAHC.

Private Sale of Property Ordered Sold Pursuant to a Foreclosure

C.S.H.B. 2476 provides that property that is ordered sold pursuant to a foreclosure may be sold to TSAHC for the purpose of the program in the manner provided by the Tax Code. If consent is given by the taxing units that are a party to the judgment, such property may be sold to TSAHC for the program for less than the specified market value of the property or less than the total of all taxes, penalties, and interest, plus the value of nontax liens held by a taxing unit and awarded

by the judgment, court costs, and the cost of the sale. The bill provides that the deed of conveyance of such property sold to TSAHC conveys to TSAHC the right, title, and interest acquired or held by each taxing unit that was a party to the judgment, subject to the right of redemption.

Veterans' Land Bank Plan

C.S.H.B. 2476 requires TSAHC to operate the program in conformance with a land bank plan and provides the following with respect to a plan:

- a plan must be adopted annually by TSAHC;
- a plan may be amended from time to time;
- in developing the plan, TSAHC must consider any other housing plans adopted by a municipality or county in which TSAHC intends to implement the program.

The state low income housing plan must also include the land bank plan developed under the bill's provisions.

Resale of Property Acquired Under Foreclosure

C.S.H.B. 2476 provides the following compliance requirements with respect to each subsequent resale by TSAHC of property under the program:

- within the 10-year period following the date of acquisition, TSAHC must sell a property to a veteran who is a member of low-income household; and
- if after 10 years a qualified veteran has not purchased the property, the property must be transferred from TSAHC to the taxing units who were parties to the judgment for disposition as otherwise allowed under the law.

Imposition of Deed Restrictions

C.S.H.B. 2476 requires TSAHC to impose deed restrictions on property sold to veterans through the program requiring the subsequent sale or rental of the property to veterans who are members of low-income households. The bill provides the following:

- if the deed restrictions imposed are for a term of years, the deed restrictions renew automatically;
- TSAHC may modify or add to the deed restrictions; and
- any modifications or additions made by TSAHC must be adopted by TSAHC as part of its plan and must comply with the minimum requirements for deed restrictions.

Recordkeeping

C.S.H.B. 2476 requires TSAHC to maintain in its records for inspection a copy of the sale settlement statement for each property sold through the veterans' land bank program.

Annual Performance Report

C.S.H.B. 2476 requires TSAHC, for purposes of evaluating the effectiveness of the program, to prepare an annual performance report not later than November 1 of each year. The performance report must include the following:

- a complete and detailed written accounting of all money and properties received and disbursed by TSAHC through the program during the preceding state fiscal year;
- for each property acquired by TSAHC during the preceding state fiscal year:
 - the street address of the property;
 - the legal description of the property;
 - the date TSAHC took title to the property;
 - the name and mailing address of the property owner of record at the time of the acquisition;

- the amount of taxes and other costs owed at the time of the foreclosure, if the property was acquired under the bill's provisions; and
- the assessed value of the property on the tax roll at the time of the foreclosure if the property was acquired from a sale pursuant to foreclosure of a tax lien; and
- for each property sold by TSAHC during the preceding state fiscal year:
 - the street address of the property;
 - the legal description of the property; and
 - the price paid by the purchaser.

TSAHC must provide copies of the performance report to any taxing units who were parties to a sale pursuant to foreclosure of a tax lien and TSAHC must maintain copies of the performance report available for public review.

Definitions

C.S.H.B. 2476 sets out the following definitions, among others, for purposes of its provisions:

- "affordable" means that the monthly mortgage payment does not exceed 30 percent of the applicable median family income for that housing unit size, in accordance with the income limit rules adopted by the Texas Department of Housing and Community Affairs; and
- "low-income household" means a household with an income of not greater than 80 percent of the area median family income, based on gross household income, adjusted for household size, for a municipality or, if located in an area that is not part of a municipality, a county, as determined annually by HUD.

Property Tax Exemption

C.S.H.B. 2476 amends the Tax Code to establish that acquiring, holding, and transferring unimproved real property under a veterans' land bank program as or on behalf of TSAHC is a charitable function of a charitable organization for property tax exemption purposes. The exemption applies only to a property tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 2476 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

With respect to definitions set out by the bill, the substitute does the following:

- omits contract rent from the definition of "affordable," whereas the introduced included contract rent in that definition;
- increases the household income cap for the purpose of defining a "low-income household" from not greater than 60 percent of the area median family income, as in the introduced, to not greater than 80 percent of that median income; and
- omits definitions of the following terms, which appeared in the introduced:
 - community housing development organization;
 - qualified participating developer; and
 - veterans' land bank.

Whereas the introduced required TSAHC to adopt a veterans' land bank program and establish or approve a veterans' land bank for the purpose of acquiring, holding, and transferring unimproved real property to provide affordable housing, the substitute does the following:

- omits the requirement for TSAHC to establish or approve a veterans' land bank for those purposes;
- requires TSAHC to establish only a veterans' land bank program for those purposes;
- omits the specification that property acquired, held, or transferred is unimproved real property; and
- requires the sale of property under the program to a qualified veteran, whereas the introduced required the sale of property to a qualified participating developer.

With respect to property held under the program, the substitute replaces the requirement that appeared in the introduced for that property to include property that is ordered sold pursuant to foreclosure of a tax lien in a private sale to a veterans' land bank with an authorization for such property to include property sold to TSAHC pursuant to foreclosure of a tax lien in the manner provided by the Tax Code.

The substitute omits the following provisions that appeared in the introduced:

- provisions that provided for a qualified developer to participate in the program;
- a requirement for the plan to include TSAHC's plan for affordable housing development on parcels of real property;
- a provision requiring TSAHC, before adopting a plan, to hold a public hearing on the proposed plan and providing for public notice of the hearing;
- provisions relating to the sale of foreclosed property to a veterans' land bank without first offering the property for sale;
- a requirement for the deed conveying property sold by a veterans' land bank to include a right of reverter with respect to a qualified participating developer;
- provisions regarding the imposition of deed restrictions on property sold to participating qualified developers;
- provisions regarding a qualified organization's right of first refusal for property offered for sale by a veterans' land bank; and
- a provision requiring the veterans' land bank to comply with state open meetings law and state public information law and to keep minutes of its meetings and adhere to generally accepted accounting principles.

The substitute omits from the required contents of the program performance report the following information that the introduced required:

- for each property sold to a qualified participating developer:
 - the maximum incomes allowed for the households by the terms of sale; and
 - the source and amount of any public subsidy made available to facilitate the sale or rental of the property;
- for each property sold by such a developer, the buyer's household income and a description of all use and sale restrictions; and
- for each property developed for rental housing with an active deed restriction, a copy of the most recent annual report filed by the owner with the veterans' land bank.

Whereas the introduced required the veterans' land bank to provide notice of the availability of the performance report for review to the organizations and neighborhood associations in which are located properties sold or transferred to the land bank, the substitute requires TSAHC to provide copies of the performance report to any taxing units.

Whereas the introduced required the veterans' land bank to maintain in its records for inspection a copy of the sale settlement for each property sold by a qualified developer and a copy of the first page of the mortgage note with the interest rate and indicating the volume and page number of the instrument as filed with the county clerk, the substitute requires TSAHC to maintain in its records for inspection a copy of the sale settlement statement for each property sold through the veterans' land bank program.