

BILL ANALYSIS

H.B. 4211
By: Noble
State Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee that there are residential developments in Texas that have been structured as business entities, where individuals purchase ownership interests in the development, and that current law does not address this type of ownership in which residential arrangements are controlled by business entities. The bill author has also informed the committee that, if ownership entitles the investor to direct title to the property, it can create uncertainty for investors, particularly regarding their rights to possess, transfer, or sell their interests. The bill author has further informed the committee that the lack of statutory clarity and oversight leaves individuals vulnerable to unfair treatment, legal disadvantages, and deceptive practices, as such managing entities can impose restrictive rules, high fees, or discriminatory practices that would be unlawful in traditional housing contexts. H.B. 4211 seeks to address these issues by providing a regulatory framework for business entity-owned residential arrangements to ensure that individuals investing in these arrangements receive basic protections similar to traditional property owners.

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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 4211 amends the Property Code to require an agreement for the purchase of an interest in a managing entity to disclose to the purchaser that the agreement is for the purchase of an interest in the entity and not in any residential property itself. The bill prohibits the purchase agreement and any other agreement or rules governing the residential arrangement or the ownership interest in the entity from requiring that a dispute concerning the arrangement or interest be brought before a tribunal other than a court established under state or federal law.

H.B. 4211 prohibits a managing entity from taking an action with respect to an interest in an entity in a manner that would be a violation of the Texas Fair Housing Act if the interest in the entity were an interest in real property, including the following actions:

- restricting the transfer of the interest;
- imposing requirements to maintain the interest; or
- refusing to grant an interest to an otherwise qualified person.

The bill, notwithstanding any provision in an agreement between the owner and the managing entity, authorizes an owner of an interest in a managing entity to transfer the interest without approval from the managing entity. The bill prohibits a managing entity from charging a fee for

or share in the proceeds of the transfer of an interest in the managing entity from an owner to a subsequent purchaser. The bill establishes that a violation of its provisions relating to business entity-owned residential arrangements is a deceptive trade practice under the Deceptive Trade Practices-Consumer Protection Act and that those provisions expressly do not apply to a timeshare plan, defined by reference to the Texas Timeshare Act.

H.B. 4211 establishes that the religious organization, private club, and appraisal exemption under the Texas Fair Housing Act does not apply to the sale, rental, or occupancy of a dwelling that is a single-family house, duplex, triplex, or quadruplex located on a subdivided lot in a parcel of land 25 acres or greater owned by a religious organization, association, or society or a nonprofit institution or organization operated, supervised, or controlled by or in conjunction with a religious organization, association, or society.

H.B. 4211 defines the following terms for purposes of the bill's provisions:

- "business entity" as a partnership, corporation, joint venture, limited liability company, or other business organization or business association, however organized;
- "managing entity" as a business entity that owns residential property used in a residential arrangement;
- "residential arrangement" as an arrangement in which the purchaser of an interest in a business entity is entitled to exclusive possession of residential property owned by the entity as long as the purchaser holds the interest in the business entity; and
- "residential property" as the real property and improvements for a single-family house, duplex, triplex, or quadruplex.

EFFECTIVE DATE

September 1, 2025.