

SUBJECT: Allowing Houston alternative foreclosure sales to charitable organizations

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 8 ayes — Hill, Bailey, Davila, Ehrhardt, Staples, Thompson, Tillery, Woolley
0 nays
1 absent — Conley

WITNESSES: For — Milby Hart, Houston Habitat for Humanity; Dan Doherty, City of Houston
Against — None

DIGEST: CSHB 740 would authorize the City of Houston to establish an alternate manner for the sale of foreclosed property when that property is being sold to a charitable organization holding that property to improve it for low-income housing. The bill would take immediate effect if approved by two-thirds of the membership of each house.

SUPPORTERS SAY: The City of Houston holds over 200 properties that it has foreclosed on because of delinquent taxes. Many of these properties are unmarketable as residential properties, making it very difficult for the city to receive a sufficient value for the property to pay the taxes. The property may no longer be worth enough to pay the taxes under the best of circumstances, much less at a foreclosure sale.

The City of Houston would like to sell these properties to charitable organizations that construct low- to middle-income housing — Habitat for Humanity for example. Nonprofit organizations are allowed to defer the property tax assessments on property they hold in order to build low-income housing. Once a family moves in, the new homeowner would start paying the taxes. The problem is that the current foreclosure laws impede such transactions.

CSHB 740 would allow the City of Houston to use an alternative foreclosure-sale procedure when the sale is being made to a charitable organization. The city could simply decide to sell the foreclosed property

to these charitable groups and thereby avoid the notice and auction provisions that it must follow in other foreclosure sales.

The bill would merely facilitate sale of foreclosed property to these charitable organizations; it is not meant to make it easier to foreclose.

**OPPONENTS
SAY:**

The point of having a foreclosure sale on property that is delinquent on taxes is to make sure that such property is placed back on the tax rolls as soon as possible and to pay the back taxes. Yet this bill would authorize sale of property at a price that would essentially forgive the taxes owed and would also take the property off of the tax rolls for at least a year, probably longer.

NOTES:

The committee substitute added the requirement that the alternative foreclosure sale method could only be used when the property is being sold to a charitable organization that would acquire the property to improve it for low income housing.

CSHB 741 by Farrar, also on today's calendar, would relieve the City of Houston from any liability under the Texas Tort Claims Act involved in the foreclosure sale of such property. Another related bill, CSHB 742 by Farrar, would exclude the resale of property by a taxing unit from notice requirements for sale of property by a municipality under the Local Government Code and would apply statewide. CSHB 742 was reported favorably by the Urban Affairs Committee on April 10 and recommended for the Local and Consent Calendar.