

SUBJECT: Eligibility requirements for property for a homestead land bank program

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Hilderbran, Otto, Christian, Elkins, Gonzalez, Lyne, Murphy, Villarreal, Woolley

0 nays

2 absent — Martinez Fischer, Ritter

WITNESSES: For — Rebecca Giello, City of Austin; (*Registered, but did not testify*: Bee Moorhead, Texas Impact; Jim Robinson, Texas Association of Appraisal Districts)

Against — None

BACKGROUND: Under Local Government Code, ch. 373A, certain municipalities may adopt a homestead land bank program in which foreclosed-upon property can be sold to the land bank without first offering it for public sale if the taxes had been delinquent for at least five years, the market value of the land was less than the amount due under the judgment, the land had not been improved with a building, and the implicated taxing authorities agreed.

DIGEST: HB 2197 would amend Local Government Code, sec. 373A.208 to make changes to the criteria under which property would be eligible for acquisition by a land bank.

The bill would remove the requirement that a property have a market value less than the total amount due under the foreclosure judgment. A property also would be eligible for the program if it was not improved with a habitable building or with an uninhabitable building that was occupied as a residence by a person who was legally entitled to do so.

Under HB 2197, the owner would not be able to receive any sales proceeds unless they exceeded the total amount due under the judgment. Taxing units would be prohibited from consenting to the sale of a property

for a reduced amount if the market value exceeded the total amount due under the judgment.

The bill would take effect September 1, 2011.

**SUPPORTERS
SAY:**

The Homestead Preservation District was created by the city of Austin in 2007 to mitigate the effects of gentrification in East Austin caused by rising property taxes. The current eligibility requirements for a property to be considered for the land bank was appropriate at the time, but property values in East Austin have risen substantially. There are very few properties that qualify for acquisition by the land bank, and the land bank currently has no properties.

HB 2197 would increase the number of properties available to the land bank by allowing properties worth more than the total amount of the judgment due and properties with buildings occupied illegally to be considered. This larger pool of eligible properties would increase the opportunity for affordable housing development.

Under current law, the property owner has the right to object to the sale of the property to the land bank, in which case it would be sold under the Tax Code. However, if a property owner wants foreclosed property to be sold to the land bank, then that is the owner's right.

**OPPONENTS
SAY:**

HB 2197 could affect businesses and private citizens interested in purchasing foreclosed property. By relaxing the requirements for property eligible for acquisition by a land bank, the bill could divert land that becomes available from potential consumers or businesses.