

BILL ANALYSIS

Senate Research Center
80R5540 KCR-F

S.B. 1757
By: Ellis
Intergovernmental Relations
4/10/2007
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 79th Legislature, 2005, adopted the Urban Land Bank Demonstration Program (program) to address the dual needs of insufficient affordable housing and arresting urban plight related to an excessive number of abandoned tax delinquent properties. Under the program, a municipality of 1.9 million people or more is authorized to acquire property that has been abandoned and for which taxes have been delinquent with all taxing jurisdictions in excess of 10 years. Once the property is sold to the Urban Land Bank (bank) at a private sale the bank is authorized to sell the property to an eligible adjacent property owner who has maintained the property, a community development corporation, or a private developer. Current law limits the use of the properties to affordable housing. Lenders are reluctant to make loans on these properties because title companies are reluctant to provide title insurance. Many of these properties have also been abandoned and the record of ownership is not discernable. Under current law, a third party is authorized to file a suit challenging the validity of the initial sale by the bank or, years later, challenge the subsequent resale to another home buyer.

As proposed, S.B. 1757 addresses the concerns raised by the title and financial lending industries and facilitates the issuance of title insurance, which might otherwise take years and cause delays in redeveloping distressed inner-city neighborhoods and creating affordable housing opportunities. This bill also provides a security net by placing a one-year deadline on any and all claims arising from the foreclosure of these otherwise uninsurable properties.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 379D.010, Local Government Code, by amending Subsection (a) and adding Subsection (e), as follows:

(a) Requires the land bank to impose deed restrictions with appropriate terms and conditions on property sold to qualified participating developers and eligible adjacent property owners that require the development and sale or rental of the property to low income households, if the property is sold to a qualified participating developer, or that require the use of the property to be consistent and compatible with the residential character of the neighborhood and any applicable standards for use adopted by the land bank, if the property is sold to an eligible adjacent property owner.

(e) Provides that Subsections (b), (c), and (d) (regarding restrictions on occupancy and use of property) do not apply to property sold to an eligible adjacent property owner.

SECTION 2. Amends Chapter 379D, Local Government Code, by adding Section 379D.015, as follows:

Sec. 379D.015. EFFECT OF SALE TO LAND BANK OR SUBSEQUENT PURCHASERS FOR VALUE; LIMITATION ON CERTAIN CAUSES OF ACTION. Provides that after the first anniversary of a sale of property to a land bank under this chapter (Urban Land Bank Program in Municipality With Population of 1.9 Million or More):

(1) a third party, other than a qualified participating developer or eligible adjacent property owner who purchased the property from the land bank under this chapter or a person with a cause of action based on a right, title, interest, or other claim described by Subdivision (2)(B)(ii), is prohibited from bringing a cause of action to set aside or otherwise challenge the sale of the property to the land bank, including a cause of action that is brought against certain persons; and

(2) a qualified participating developer or eligible adjacent property owner who purchases property from a land bank under this chapter, any other subsequent purchaser for value, or, if applicable, any lender for that developer, owner, or purchaser, has full title to certain property and authorizes such persons to conclusively presume that the sale of the property to the land bank under this chapter was valid and a mortgage on or a subsequent sale of the property complies with this chapter and is subject only to a right, title, interest, or other claim provided by Paragraph (A)(ii).

SECTION 3. Makes application of Section 379D.015, Local Government Code, as added by this Act, prospective.

SECTION 4. Effective date: September 1, 2007.