

**SUBJECT:** City liens against substandard property

**COMMITTEE:** Urban Affairs — favorable, without amendment

**VOTE:** 8 ayes — Hill, Conley, Bailey, Davila, Ehrhardt, Thompson, Tillery, Woolley

1 nay — Staples

**WITNESSES:** For — Bob McFarland

Against — None

**BACKGROUND:** Local Government Code Chapter 214 allows cities to repair, remove or demolish substandard buildings and attach a lien against the property to cover the costs. Such liens are subordinate only to tax liens and to previously recorded bona fide mortgage liens on the property.

**DIGEST:** HB 307 would specify that a city's lien would be subordinate only to a mortgage lien that existed before the city attached its lien and before September 1, 1995. The bill would take immediate effect if approved by two-thirds of the membership of each house.

**SUPPORTERS SAY:** This bill, by giving city liens precedence over any mortgage liens that attached to substandard property after September 1, 1995, would give cities an incentive to repair or demolish structures that present health or safety hazards to a neighborhood. The bill provides that a mortgage company's lien would take precedence only if it attached to the property before the city attached its lien *and* before September 1, 1995.

**OPPONENTS SAY:** This proposed change would be unfair to lienholders, who, even though they are not in actual possession of the property, could have their rights usurped by a city. Mortgage companies that are negotiating with other companies about a lien would be undermined by city action in placing a lien on the property. The mortgage company would be penalized for the condition of the property, even though it had no direct control of that condition.

NOTES: The 73rd Legislature enacted HB 333 by Gallegos, establishing additional procedures for municipal substandard-building cases and for judicial review. The bill detailed various requirements on owners, lienholders and mortgagees and cities.