

## **BILL ANALYSIS**

Senate Research Center

C.S.H.B. 3263  
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Intergovernmental Relations  
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Committee Report (Substituted)

### **DIGEST**

Currently, within large metropolitan areas, there are a substantial number of deteriorating neighborhoods. A significant contribution to neighborhood decline are large numbers of vacant or distressed properties encumbered with delinquent tax liens, health and safety liens, judgment liens, and other such obstacles that make any private redevelopment uneconomical. These kinds of properties provide no revenue to local taxing units and require the continued expenditure of public funds to safeguard the surrounding property owners. C.S.H.B. 3263 would authorize a municipality to use the tax foreclosure process to acquire vacant and distressed properties for use in urban redevelopment plans which have a principal goal of providing for the construction of low and moderate income homes within declining neighborhoods.

### **PURPOSE**

As proposed, C.S.H.B. 3263 outlines provisions regarding authorization of an interlocal agreement between taxing units that provides for the disposal of tax foreclosed property at less than market value.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 33.54, Tax Code, to provide that except as provided by Subsection (b), rather than of this section, an action relating to the title to property may not be maintained against the purchaser of the property at a tax sale unless the action is commenced by certain dates. Provides that if a person other than the purchaser at the tax sale or the person's, rather than his, successor in interest pays taxes on the property during the applicable limitations period and until the commencement of an action challenging the validity of the tax sale, rather than three years following the date the deed is filed, and that person was not served citation in the suit to foreclose the tax lien, that, rather than the three-year, limitations period does not apply to that person. Provides that when actions are barred by this section, the purchaser at the tax sale or the purchaser's, rather than his, successor in interest has, rather than shall be held to have, full title to the property, precluding all other claims.

SECTION 2. Amends Section 34.05, Tax Code, by amending Subsections (b), (c), and (d), and adding Subsections (h) and (i), to provide that property sold pursuant to Subsections (c) and (d) of this section may be sold for any amount. Deletes text regarding the amount for which property may be sold. Provides that this subsection does not authorize a sale of property in violation of Section 52, Article III, Texas Constitution. Requires the sheriff to sell the property as provided by Subsection (d) of this section, unless the property is sold pursuant to Subsection (h) or (i) of this section before the date set for the public sale, on receipt of a request made under this subsection. Deletes text regarding the rejection of insufficient bids. Authorizes the taxing unit that purchased the property to sell the property at a private sale in lieu of a sale pursuant to Subsections (c) and (d) of this section. Provides that consent of each taxing unit entitled to receive proceeds of the sale under the judgment is not required. Prohibits property sold under this section from being sold for an amount that is less than the lessor of the market value specified in the judgment of foreclosure or the total amount of the judgments against the property. Authorizes the taxing unit that purchased the property to sell the

property at a private sale for an amount less than required under Subsection (h) of this section with the consent of each taxing unit entitled to receive proceeds of the sale under the judgment. Provides that this subsection does not authorize a sale of property in violation of Section 52, Article III, Texas Constitution.

SECTION 3. Amends Chapter 34A, Tax Code, by adding Section 34.051, as follows:

Sec. 34.051. RESALE BY TAXING UNIT FOR THE PURPOSE OF URBAN REDEVELOPMENT. Provides that a municipality is authorized to resell tax foreclosed property for less than the market value specified in the judgment of foreclosure or less than the total amount of the judgments against the property if consent to such a conveyance is evidenced by an interlocal agreement between the municipality and each taxing unit that is a party to the judgment provided, however, that the interlocal agreement complies with the requirements of Subsection (b). Authorizes any taxing unit to enter into an interlocal agreement with the municipality for the resale of tax foreclosed properties to be used for a purpose consistent with the municipality's urban redevelopment plans. Sets forth information to be included in any such interlocal agreement. Prohibits an action attacking the validity of a sale of property pursuant to this section from being instituted after the expiration of one year after the date of the sale and then only after the unconditional tender into the registry of the court of an amount equal to all taxes, penalties, interest, costs, and post-judgment interest of all judgments on which the original foreclosure sale was based.

SECTION 4. Amends Chapter 34A, Tax Code, by adding Section 34.08, as follows:

Sec. 34.08. CHALLENGE TO VALIDITY OF TAX SALE. Sets forth instances in which a person is not prohibited from commencing an action that challenges the validity of a tax sale under this chapter. Prohibits a person from commencing an action challenging the validity of a tax sale after the time set forth in Section 33.54(a)(1) or (2), as applicable to the property, against a subsequent purchaser for value who acquired the property in reliance on the tax sale. Authorizes the purchaser to conclusively presume that the tax sale was valid and shall have full title to the property free and clear of the right, title, and interest of any person that arose before the tax sale, subject only to recorded restrictive covenants and valid easements of record set forth in Section 34.01(d) and subject to applicable rights of redemption. Provides that if a person is not barred from bringing an action challenging the validity of a tax sale under Subsection (b) or any other provisions of this title or applicable law, the person must bring an action no later than two years after the course of action accrues to recover real property claimed by another who pays applicable taxes on the real property before overdue and claims the property under a registered deed executed pursuant to Section 34.01. Provides that Subsection (c) does not apply to a claim based on a forged deed.

SECTION 5. Makes application of this Act prospective to January 1, 1998.

SECTION 6. Emergency clause.  
Effective date: upon passage.

### **SUMMARY OF COMMITTEE CHANGES**

Amends proposed relating clause.

#### **SECTION 1.**

Amends Section 33.54, Tax Code, regarding limitation on actions relating to property sold for taxes.

#### **SECTION 2.**

Amends Section 34.05, Tax Code, regarding certain property sold.

### SECTION 3.

Amends Section 34.051, Tax Code, regarding resale by a taxing unit for the purpose of urban redevelopment.

### SECTION 4.

Amends Section 34.08, Tax Code, regarding a challenge to the validity of a tax sale.