

BILL ANALYSIS

Senate Research Center
86R9117 JG-F

S.B. 1918
By: Alvarado
Intergovernmental Relations
4/6/2019
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Houston Land Bank was created as the Land Assemblage and Redevelopment Authority (LARA) in 1999 for the purpose of acquiring tax foreclosed properties and returning them to productive use. Over the two decades since the creation of the Houston Land Bank, new state land bank legislation has been adopted in over 15 states across the country, leading to the creation of over 175 local bank programs. Although the land bank statute for Houston was enacted in 2005, it was never implemented because of the stringent impracticality of the statute. As a result, the current Houston Land Bank operates under a patchwork of statutory authorities provided from various codes and chapters available from state law.

Operating under this patchwork of statutory authority has led to limited ability to acquire problem properties, limited flexibility in re-purposing properties, and limited operational funding. Specifically, the Houston Land Bank is restricted to intervening in limited delinquent properties, restricted to re-purposing land solely for affordable housing and operates only under grant money from Houston's Housing and Community Development Department.

S.B. 1918 addresses these issues by replacing the existing chapter for a land bank in Houston while also affirming its statutory origins. S.B. 1918 amends the Local Government Code by adding Chapter 379F to allow the Houston Land Bank to acquire and manage vacant, abandoned, deteriorated, and foreclosed properties in order to return such properties to new productive uses. As proposed, S.B. 1918 facilitates the acquisition of properties by the land bank at tax foreclosure sales, without limiting in any manner the redemption rights of the owners. It also expands S.B. 1918 to provide powerful tools for local governments to improve communities by focusing on re-purposing abandoned properties for productive uses, including affordable housing, workforce housing, public service housing, community-based economic development, food desert solutions, beautification, and parks and recreation.

As proposed, S.B. 1918 amends current law relating to the creation of an urban land bank by certain municipalities, and grants authority to issue bonds.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of directors of a land bank in SECTION 1 (Sections 379F.053 and 379F.055, Local Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle A, Title 12, Local Government Code, by adding Section 379F, as follows:

CHAPTER 379F. URBAN LAND BANK PROGRAM IN MUNICIPALITY WITH POPULATION OF TWO MILLION OR MORE

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 379F.001. SHORT TITLE. Authorizes this chapter to be cited as the Urban Land Bank Program for a Municipality with a Population of Two Million or More.

Sec. 379F.002. APPLICABILITY OF CHAPTER. Provides that this chapter applies only to a municipality with a population of two million or more.

Sec. 379F.003. DEFINITIONS. Defines "board" as the board of directors of a land bank (board), and defines "land bank," "non-qualifying municipality," and "real property."

Sec. 379F.004. APPLICABILITY OF OTHER LAW. Provides that a land bank created under this chapter:

(1) is:

(A) a governmental unit, as defined by Section 101.001 (Definitions), Code of Criminal Procedure;

(B) a local government corporation, as defined by Section 431.003 (Definitions), Transportation Code;

(C) a public nonprofit corporation that has and is authorized to exercise all of the rights, powers, privileges, authority, and functions given by the general laws of this state to nonprofit corporations in this state;

(2) is not:

(A) a program created or operating under Chapter 373 (Community Development in Municipalities) or 374 (Urban Renewal in Municipalities); or

(B) a housing finance corporation under Chapter 394 (Housing Finance Corporations in Municipalities and Counties); and

(3) is required to comply with the requirements of Chapters 551 (Open Meetings) and 552 (Public Information), Government Code.

Sec. 379F.005. PURPOSE. Provides that a land bank created under this chapter exists for the purposes of acquiring, managing, and disposing of vacant, abandoned, and deteriorated properties and returning those properties to productive uses, including affordable housing, workforce housing, public service housing, community-based economic development, food desert solutions, beautification and public art, parks and recreation, flood reduction and storm resiliency, and other uses necessary and appropriate to stabilize communities, improve living conditions, and protect against the displacement of residents of the municipality served by the land bank.

Sec. 379F.006. CONSTRUCTION. Requires this chapter to be construed liberally to carry out the intended purposes as a complete and independent authorization for the performance of each and every act and thing authorized by this chapter, and all powers granted are authorized to be broadly interpreted to carry out the intended purposes and not as a limitation of powers. Provides that, except as otherwise provided by this chapter, a land bank, in the exercise of its powers and duties under this chapter and with respect to real property held by the land bank, has the same amount of control as if the land bank represented a private property owner, and that the land bank is not subject to restrictions imposed by the chapter, ordinance, or resolutions of a local unit of government.

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 379F.051. COMPOSITION OF BOARD. Requires the size, membership, composition, and officers of the board of directors of a land bank, and methods of appointment to the board, to be established by the certificate of formation and the bylaws of the land bank.

Sec. 379F.052. ELIGIBILITY FOR MEMBERSHIP. (a) Defines "public officer."

(b) Provides that a municipal employee is eligible to serve as a member of the board, and notwithstanding any other law to the contrary, a public official is eligible to serve as a member of the board and acceptance of the appointment will neither terminate nor impair service in the public office.

Sec. 379F.053. MEETINGS; ATTENDANCE. (a) Requires the board to meet in regular session according to a schedule adopted by the board.

(b) Authorizes the board to meet in a special session convened by the president of the board in accordance with the bylaws of the board or on written notice signed by a majority of the board members.

(c) Provides that the presence of a majority of the board's total membership constitutes a quorum for any regular or special session.

(d) Requires the board to establish rules related to the attendance and participation of members in regular or special meetings of the board. Authorizes rules adopted under this subsection to provide for the removal from office of a member for failure to comply with the rules if a majority of the remaining members of the board vote for the removal. Provides that removal under this subsection takes effect the first day of the calendar month following the date of the vote. Provides that a person removed under this subsection is ineligible for reappointment to the board unless reappointment is confirmed unanimously by the board.

Sec. 379F.054. BOARD ACTIONS. (a) Requires actions of the board, subject to Subsection (b), to be approved by the affirmative vote of a quorum of the board.

(b) Provides that action on the following matters requires approval by the majority of the total membership of the board:

(1) adopting of bylaws or rules for conduct of the business of the land bank for which the board serves;

(2) hiring or firing of any employee or contractor of the land bank for which the board serves;

(3) incurring debt;

(4) adoption or amendment of the annual budget; and

(5) sale, lease, encumbrance, or alienation of or improvements to real or personal property with a value of more than \$50,000.

(c) Authorizes the board, by majority vote, to delegate the hiring and firing of employees and contractors to a specific officer or committee of the land bank for which the board serves, under terms and to the extent specified by the board.

(d) Prohibits a board member from voting by proxy.

(e) Authorizes a board member to request a recorded vote on any resolution or action of the land bank.

Sec. 379F.055. CONFLICT OF INTEREST. (a) Prohibits a board member or employee of a land bank from acquiring any direct or indirect interest in real property of the land bank, in any real property to be acquired by the land bank, or in any real property to be acquired from the land bank or having any direct or indirect interest in any contract or proposed contract for materials or services to be furnished or used by the land bank.

(b) Provides that the provisions of the former Texas Non-Profit Corporation Act (Article 1396–1.01 et seq., V.T.C.S.) related to powers, standards of conduct, and interest in contracts apply to the directors and officers of the land bank.

(c) Authorizes the board to adopt supplemental rules addressing potential conflicts of interest and ethical guidelines for board members and land bank employees.

Sec. 379F.056. COMPENSATION; REIMBURSEMENT. (a) Provides that board members serve without compensation.

(b) Authorizes the board to reimburse a member for expenses actually incurred in the performance of duties on behalf of the land bank.

SUBCHAPTER C. CREATION, OPERATION, AND DISSOLUTION OF LAND BANK

Sec. 379F.101. CREATION OF LAND BANK. Authorizes the governing body of a municipality to create a land bank by the adoption of an ordinance approving the land bank's certificate of formation and bylaws.

Sec. 379.102. GENERAL POWERS OF LAND BANK. (a) Provides that a land bank has all powers necessary to carry out the purposes of this chapter, including the power to:

(1) adopt, amend, and repeal bylaws for the regulation of the land bank's affairs and the conduct of the land bank's business;

(2) sue and be sued in the land bank's own name and plead and be interpleaded in all civil actions, including actions to clear title to real property of the land bank;

(3) adopt and alter a seal;

(4) borrow funds necessary for the operation of the land bank from private lenders, municipalities, this state, and the federal government;

(5) adopt any policy for procurement that is recognized under state law and permitted for governmental entities, including a policy recognized under Chapters 252 (Purchasing and Contracting Authority of Municipalities) and 271 (Purchasing and Contracting Authority of Municipalities, Counties, and Certain Other Local Governments) of this code, Chapter 431 (Texas Transportation Corporation Act), Transportation Code, and Chapters 2254 (Professional and Consulting Services) and 2269 (Contracting and Delivery Procedures For Construction Projects), Government Code;

(6) issue negotiable revenue bonds and notes under this chapter;

(7) procure insurance or guarantees from this state or the federal government of the payments of any debts or parts of debts incurred by the land bank and pay premiums in connection with those debts;

(8) enter into contracts and other assessments necessary, incidental, or convenient to the performance of the land bank's duties and the exercise of the land bank's powers, including governmental agreements under Subchapter D (Local Government Corporations), Chapter 431, Transportation Code, or interlocal contracts under Section 791.011 (Contracting Authority; Terms), Government Code, for the joint exercise of powers under this chapter;

- (9) enter into contracts and other agreements with the municipality that created the land bank for the performance of services in accordance with Chapter 311 (Tax Increment Financing Act), Tax Code;
- (10) make and execute contracts and other instruments necessary or convenient to the exercise of the land bank's powers;
- (11) procure insurance against losses in connection with the real property, assets, or activities of the land bank;
- (12) invest money in the land bank, at the discretion of the board, in instruments, obligations, securities, or property determined proper by the board and name and use depositories for the land bank's money;
- (13) enter into contracts for the management of, collection of rent from, or sale of real property of the land bank;
- (14) design, develop, construct, demolish, reconstruct, rehabilitate, renovate, relocate, or otherwise improve real property of the land bank;
- (15) set, charge, and collect rents, fees, and charges for the use of real property of the land bank and for services provided by the land bank;
- (16) finance by loan, grant, lease, or otherwise refinance, construct, erect, assemble, purchase, acquire, own, repair, remodel, rehabilitate, modify, maintain, extend, improve, install, sell, equip, expand, add to, operate, or manage real property of the land bank and pay the costs of those activities from the proceeds of loans by persons, corporations, limited or general partnerships, and other entities;
- (17) grant or acquire a license, easement, lease, as lessor or lease, or option with respect to real property of the land bank;
- (18) enter into partnerships, joint ventures, and other collaborative relationships with the municipality that created the land bank and other public and private entities for the ownership, management, development, and disposition of real property of the land bank;
- (19) make application directly or indirectly to any federal, state, county, or municipal government or agency or to any other public or private source for loans, grants, guarantees, or other financial assistance in furtherance of the land bank's public purpose and accept and use the loans, grants, guarantees, or financial assistance or terms prescribed by that federal, state, county, or municipal government or agency to other sources;
- (20) as security for the repayment of any notes or other obligations of the land bank, pledge, mortgage, convey, assign, hypothecate, or otherwise encumber any property of the land bank, including real property, fixtures, personal property, revenue, and other funds, and execute any lease, trust indenture, trust agreement, agreement for the sale of the land bank's notice of other obligation, loan agreement, mortgage, security agreement, or other agreement necessary or desirable as determined by the land bank; and
- (21) hold title to real property for purposes of establishing contracts with public and private nonprofit community land trusts, including long-term lease contracts.

(b) Prohibits a land bank from exercising the power of eminent domain or acquiring real property outside the geographical boundaries of the municipality that created the land bank.

Sec. 379F.103. RESOLUTION OF COMPLEX TITLE QUESTIONS. Authorizes a land bank to provide assistance and guidance to owners of real property for which there are complex, highly divided fractional interests in the real property because of multigenerational intestate distributions, unknown heirs, and other interested parties for whom accurate information cannot be ascertained.

Sec. 379F.104. INTERLOCAL CONTRACTS. (a) Authorizes a land bank to enter into an interlocal contract under Section 791.011, Government Code, with:

(1) a municipality created for a program created by the municipality under Chapter 373 or 374; or

(2) a non-qualifying municipality for the purpose of the land bank conducting land bank activities on behalf of and within the geographical boundaries of the non-qualifying municipality.

(b) Authorizes a land bank, notwithstanding Section 379F.102(b)(2), to acquire real property within the geographical boundaries of a non-qualifying municipality with which it has entered into an agreement under Subsection (a).

Sec. 379F.105. RECORDS AND REPORTS. (a) Requires a land bank to keep accurate minutes of the land bank's meetings and to keep accurate records and books of account that conform with generally accepted principles of accounting and that clearly reflect the income and expenses of the land bank and all transactions in relation to the land bank's real property.

(b) Requires a land bank to maintain and make available for public review and inspection:

(1) an inventory of all real property held by the land bank;

(2) a copy of the sale settlement statement for each real property sold or transferred to a third party; and

(3) a copy of the performance report filed under Subsection (e).

(c) Requires the land bank, not later than the 90th day after the end of the fiscal year of the municipality that created the land bank, to file with the municipality an annual audited financial statement prepared by a certified public accountant.

(d) Provides that financial transactions of a land bank are subject to audit by the municipality that created the land bank.

(e) Requires a land bank, for purposes of evaluating the effectiveness of a land bank created under this chapter, to submit an annual preference report to the municipality that created the land bank not later than November 1 of each year in which the land bank acquires or sells real property in accordance with this chapter.

Sec. 379F.106. STAFF. (a) Authorizes a land bank to employ an executive director, counsel and legal staff, technical experts, and other agents and employees, permanent or temporary, that the land bank may require and may determine the qualifications and set the compensation and benefits of each of those persons.

(b) Authorizes a land bank to enter into contracts and agreements with municipalities for staffing services to be provided to the land bank by those

municipalities or for the land bank to provide such staffing services to those municipalities.

Sec. 379F.107. **ADVISORY COMMITTEE AND NEIGHBORHOOD CONSULTATION.** (a) Requires a land bank to create one or more advisory committees to consult and advise the land bank on:

- (1) properties within the municipality served by the land bank that are imposing the greatest harm on neighborhoods and communities in the municipality;
- (2) neighborhood for new uses of those properties; and
- (3) the range of potential transferees of those properties.

(b) Requires advisory committee membership and neighborhood consultations, as appropriate to the location of the real property of the land bank, to include formal and informal neighborhood-specific community associations, residents' associations, faith communities, community development corporations, and anchor institutions.

Sec. 379F.108. **DISSOLUTION OF LAND BANK.** (a) Authorizes a land bank to be dissolved no earlier than the 60th day after the date an affirmative resolution to dissolve the land bank is approved by two-thirds of the membership of the board and confirmed by resolution of the municipality that created the land bank.

(b) Requires the board, not later than 60 days before the consideration of a resolution of dissolution by the board, to:

- (1) provide to the governing body of the municipality that created the land bank written notice of the board's intent to vote on a resolution for dissolution of the land bank;
- (2) publish the notice in a local newspaper of general circulation; and
- (3) send the notice by certified mail to the trustee of any outstanding bonds of the land bank.

(c) Provides that, on dissolution of the land bank, all real property, personal property, and other assets and obligations of the land bank become the assets and obligations of the municipality that created the land bank.

SUBCHAPTER D. ACQUISITION AND DISPOSITION OF PROPERTY

Sec. 379F.151. **TAX EXEMPT STATUS OF LAND BANK PROPERTY.** Provides that the real property of a land bank, including real property held by a land bank under a long-term lease contract with a community land trust, and the land bank's income and operations are exempt as public property used for public purposes from all license fees, recording fees, and all other taxes imposed by this state or by political subdivisions of this state.

Sec. 379F.152. **TITLE HELD BY LAND BANK.** Requires all real property in a land bank to be held in the name of the land bank.

Sec. 379F.153. **QUIET TITLE ACTIONS.** (a) Requires a land bank to file an action to quiet title as to any real property in which the land bank has an interest. Provides that, for purposes of a quiet title action, the land bank is considered to be the holder of sufficient legal and equitable interests and possessory rights to qualify the land bank as an adequate complainant in the action.

(b) Requires the land bank, before filing an action to quiet title, to conduct an examination of title to determine the identity of all persons and entities possessing a claim or interest in or to the real property. Requires service of the complaint to quiet title to be provided to the interested parties by the following methods:

(1) by first class mail to an identity and address as reasonably ascertainable by an inspection of public records;

(2) in the case of occupied real property, by registered or certified mail addressed to "occupant";

(3) by posting a copy of the notice on the real property;

(4) by publication in a newspaper of general circulation in the municipality in which the property is located; and

(5) by another method the court is authorized to order.

(c) Requires a land bank, as part of the complaint to quiet title, to file an affidavit identifying all parties potentially having an interest in the real property and the form of notice provided.

(d) Requires a court hearing an action under this section to schedule a hearing on the complaint not later than the 90th day after the date of the filing of the complaint and issue a final judgment not later than the 120th day after the date of the filing of the complaint for all matters on which an answer was not filed by an interested party.

(e) Authorizes a land bank to join in a single complaint to quiet title for one or more parcels of real property.

Sec. 379F.154. ACQUISITION OF PROPERTY GENERALLY. (a) Authorizes a land bank to acquire real property by gift, devise, transfer, exchange, foreclosure, purchase, purchase contracts, lease purchase agreements, installment sales contracts, land contracts, or transfers from a municipality on terms as agreed by the land bank and the municipality, or through any other means on terms and in a manner the land bank considers appropriate.

(b) Authorizes a municipality served by a land bank or a non-qualifying municipality that has entered into an interlocal contract with a land bank under Section 379F.104, notwithstanding any other law to the contrary, to transfer to the land bank real property of the municipality or non-qualifying municipality on terms and according to procedures determined by the municipality or non-qualifying municipality.

(c) Authorizes a land bank to acquire real property from this state, the municipality served by the land bank, the county in which that municipality is located, a governmental entity within the county, the federal government, or an agency or department of the federal government.

(d) Requires a land bank to maintain all of its real property in accordance with the laws and ordinances of the jurisdiction in which the real property is located.

Sec. 379F.155. ACQUISITION OF FORECLOSED OR SEIZED PROPERTY. (a) Defines "taxing unit" for purposes of this section.

(b) Authorizes a land bank to submit a written bid to acquire real property at a tax sale conducted in accordance with Section 34.01 (Sale of Property), Tax Code. Provides that the bid:

(1) is required to be in an amount not less than the amount calculated under Section 34.01(b) (relating to the endorsement of a sale of real property), Tax Code; and

(2) is authorized to be submitted in writing in advance of the auction or tendered in person at the auction.

(c) Provides that if the bid submitted under Subsection (b) is the highest bid received at the sale, the land bank:

(1) is required to:

(A) pay in cash the amount of the costs and expenses as described by Section 33.48 (Recovery of Costs and Expenses), Tax Code, and any penalties described by Section 33.07 (Additional Penalty for Collection Costs For Taxes Due Before June 1) or 33.08 (Additional Penalty For Collection Costs For Taxes Due on or After June 1), Tax Code; or

(B) remit payment of the amounts described by Paragraph (A) to the selling officer by check or electronic funds transfer not later than the seventh calendar day after the date of the auction; and

(2) is entitled to credit bid that portion of the bid amount consisting of the amount of the taxes, penalties, and interest set forth in the judgment.

(d) Authorizes a taxing unit that is a party to a judgment of foreclosure for property sold at auction to request that the selling officer bid off the property to the taxing unit in the manner provided by Section 34.01(j) (relating to requiring the officer making a sale of certain real property to bid the property off to the taxing unit that requested the order of sale for a certain amount.), Tax Code, and, if the request is granted, the transfer to the taxing unit prevails over a bid by the land bank if the land bank's bid is the only bid sufficient to satisfy the minimum bid described by Section 34.01(j), Tax Code.

(e) Requires the aggregate amount of all credit bids in a calendar year to be considered satisfied by the aggregate expenditure in that calendar year of an amount equal to or greater than the credit bid amount, which expenditures are attributable directly and indirectly to maintenance, rehabilitation, construction, demolition, and remediation activities. Requires the credit bid, as to any specific tract of property acquired by the credit bid and transferred by a land bank to a public entity described by Section 379F.158(a), to be considered satisfied by that transfer.

(f) Authorizes a land bank to submit a written request to a taxing unit at any time for the commencement of tax foreclosure proceedings for delinquent taxes on real property. Requires the request to include a commitment to tender a bid in the amount specified under Subsection (b). Requires the taxing unit, or the governmental office acting on behalf of the taxing unit, on receipt of the written request, to commence enforcement proceedings in accordance with Section 33.41 (Suit to Collect Delinquent Tax), Tax Code.

(g) Requires the real property, if there is no private third party bid in an amount more than the bid of the land bank, to be sold to the land bank.

(h) Provides that a sale to a land bank under this section is not a sale to a taxing unit under Section 34.01(j) or (p) (relating to prohibiting the sale of certain seized property for less than a certain amount) or 34.21 (Right of Redemption), Tax Code.

(i) Authorizes a land bank to bid an amount higher than the amount calculated under Section 34.01(b), Tax Code, and if that higher bid amount is the highest successful bid, requires the land bank to pay the full amount of the bid in cash.

(j) Provides that the deed to a land bank vests good and perfect title in the land bank to the right, title, and interest owned by the defendants included in the foreclosure judgment, including the defendants' right to the use and possession of the property, subject only to the defendants' right of redemption, the terms of a recorded restrictive covenant running with the land that was recorded before January 1 of the year in which the tax lien on the property arose, a recorded lien that arose under that restrictive covenant that was not extinguished by the judgment foreclosing the tax lien, and each easement of record as of the date of the sale that was recorded before January 1 of the year the tax lien arose.

(k) Provides that a sale of real property to a land bank under this section extinguishes each lien securing payment of the delinquent taxes, penalties, and interest against the property and included in the judgment and does not affect the personal liability of any person for those taxes, penalties, and interest included in the judgment that are not satisfied from the proceeds of the sale.

(l) Authorizes a municipality, and any taxing unit levying property taxes within the geographical jurisdiction of the municipality, to convey tax foreclosed real property owned by the municipality or the taxing unit to the land bank on terms and for an amount of consideration determined by the transferor and the land bank.

Sec. 379F.156. REDEMPTION BY OWNER OF FORECLOSED PROPERTY. (a) Authorizes the owner of real property sold to a land bank under Section 379F.155 to redeem the property in the manner prescribed for owners of real property sold at a tax sale to a purchaser other than a taxing unit under Section 34.21, Tax Code.

(b) Requires the price to be paid by the owner of real property sold to a land bank under this section to redeem the property to be in the amounts set forth in Sections 34.21(a) (relating to authorizing the owner of certain real property sold at a tax sale to a purchaser other than a taxing unit to redeem the property before a certain date by paying the purchaser a certain amount) and (e) (relating to authorizing the owner of certain real property sold at a tax sale to redeem the property in certain ways with certain exceptions), Tax Code. Requires the bid paid by the land bank, for the purposes of calculating the price, to be the aggregate amount of the land bank's bid as described by Section 379F.155(b).

(c) Requires the land bank, if the owner of real property sold to a land bank under Section 379F.155 redeems the property by paying to the land bank the full amount required to redeem as set forth in Sections 34.21(a) and (e), Tax Code, to:

(1) retain an amount equal to the amount paid in cash by the land bank in accordance with Section 379F.155;

(2) retain any redemption premium and any reasonable costs the land bank may have expended on maintenance or environmental remediation of the property being redeemed; and

(3) remit to the county assessor-collector any remaining amounts to be distributed among the taxing units that were parties to the judgment of foreclosure in an amount equal to the proportion of each taxing unit's taxes, penalties, and interest due in accordance with the judgment of foreclosure.

Sec. 379F.157. DISPOSITION OF PROPERTY GENERALLY. (a) Authorizes a land bank to convey, exchange, sell, transfer, lease as lessor, grant, release and demise, pledge, or hypothecate any interest in, on, or to real property of the land bank.

(b) Authorizes a municipality to, in the ordinance creating a land bank, require that a particular form of disposition of real property of the land bank, or any disposition of real property located within a specified jurisdiction of the municipality, be subject to specified voting and approval requirements of the board. Authorizes the board, unless restricted under this subsection, to delegate to officers and employees the authority to enter into and execute agreements, instruments of conveyance, and all other related documents pertaining to the conveyance of real property by the land bank.

(c) Requires a land bank to determine the terms, conditions, form, and substance of consideration necessary and appropriate to convey, exchange, sell, transfer, lease as lessor, grant, or mortgage as mortgagor any interest in, on, or to real property of the land bank. Authorizes consideration to take the form of monetary payments and secured financial obligations, covenants, and conditions related to the present and future use of the property, deed covenants and limitations, contractual commitments of the transferee, mortgage financing, defeasible fees, and other forms of consideration as determined by the board to be in the best interests of the land bank. Requires the board to determine and state in the land bank's policies and procedures the general terms for consideration to be received by the land bank for the transfer of real property of the land bank.

(d) Authorizes the board to authorize in the board's policies governing the disposition of land bank property a program for the disposition of land bank property to owners of contiguous properties.

(e) Authorizes a municipality to recommend that a land bank created by the municipality, and authorizes the land bank to in the land bank's own policies and procedures, establish a hierarchical ranking of priorities for the use of real property conveyed by the land bank, including use for:

- (1) purely public spaces and places;
- (2) flood reduction, storm water retention and drainage, and storm resiliency;
- (3) affordable housing, workforce housing, or public service housing;
- (4) community-based economic development, including retail, commercial, and industrial activities;
- (5) food desert solutions;
- (6) beautification and public art, parks, and recreation;
- (7) conservation areas; and
- (8) community land trusts or other public entities.

Sec. 379F.158. DISPOSITION OF PROPERTY FOR FLOOD CONTROL AND STORM WATER DRAINAGE AND PLANNING. (a) Authorizes a land bank to convey to a public entity such as a flood control district or a municipal parks and recreation department real property held by the land bank:

- (1) for which the highest and best use is flood control or storm water retention or drainage; and

(2) that, as a result of housing and building code restrictions, flood plain elevations, other local, state, or federal laws, or public or private agreements, conditions, and limitations, is no longer capable of being developed or redeveloped.

(b) Authorizes the transfer of real property by a land bank under this section to be:

(1) by grant, deed lease, or other conveyance and is authorized to include additional limitations, restrictions, and conditions determined by the land bank; and

(2) for nominal consideration, for consideration consisting of contractual commitments, for an exchange of real properties, or for other consideration determined by the land bank

SUBCHAPTER E. FINANCING OF LAND BANK OPERATIONS

Sec. 379F.201. GENERAL FINANCING. (a) Authorizes a land bank to receive funding through grants and loans from the municipality that created the land bank, other municipalities, this state, the federal government, and other public or private sources.

(b) Authorizes a land bank to receive and retain payments for services rendered, for rents and leasehold payments received, for consideration for disposition of real and personal property, for proceeds of insurance coverage for losses incurred, for income from investments, and for any other asset or activity permitted under this chapter.

Sec. 379F.202. SALE OF LAND BANK PROPERTY. Requires the proceeds from the sale at the time a land bank sells or otherwise disposes of real property, if any, to be allocated to operations and expenses of the land bank.

Sec. 379F.203. TAX PENALTY FINANCING. Authorizes the governing authority of the municipality that created the land bank, and a taxing unit within the geographical boundaries of the municipality, to increase the amount of the penalty imposed for the nonpayment of real property taxes of the municipality levied within that jurisdiction under Section 33.01 (Penalties and Interest), Tax Code, by increasing the penalty amount on delinquent taxes on July 1, as described by Section 33.01(a) (relating to the penalty a delinquent tax incurs at certain intervals), Tax Code, from 12 percent to 14 percent or a higher amount as determined by the municipality or taxing unit. Provides that the supplemental penalty authorized by this subsection applies only to properties not owned and occupied as a residence homestead as defined by Section 11.13(j)(1) (relating to the definition of "residence homestead"), Tax Code. Requires all such supplemental revenue, if the supplemental penalty is authorized and collected, to be transferred to the land bank.

Sec. 379F.204. COLLECTION OF TAXES ON PROPERTY CONVEYED BY LAND BANK. Requires not more than 75 percent of the real property taxes the municipality that created the land bank collected on real property, excluding any school district or county ad valorem tax, conveyed by a land bank under the laws of this state to be remitted to the land bank. Authorizes the real property taxes of any other taxing unit, as to real property of the land bank, to also be allocated to the land bank in a similar manner under an interlocal agreement between the other taxing unit and the land bank. Requires the specific percentage of those taxes to be remitted to be established by ordinance, resolution, or interlocal cooperation agreement of the land bank. Requires the allocation of property tax revenue to begin with the first taxable year following the date of conveyance and to continue for a period of five years. Requires the funds to be remitted to the land bank in accordance with the administrative procedures established by the assessor-collector of the county in which the land bank is located. Prohibits the allocation of property tax revenue from occurring if those taxes have been previously allocated to a tax increment reinvestment zone, or to secure a debt of the municipality or other taxing unit, unless the municipality or other taxing unit enters into an agreement with the land

bank for the remittance of those funds to the land bank. Requires any property tax revenue allocated to the land bank under this subsection to be excluded from the calculation of ad valorem tax revenue under the municipality's charter.

Sec. 379F.205. ISSUANCE OF BONDS. (a) Authorizes a land bank to issue bonds for the land bank's purposes. Provides that the principal and interest of bonds issued under this section are payable from the land bank's general revenue. Authorizes any bonds issued under this section to be secured by a pledge of any revenue, including grants or contributions from this state, the federal government, or any agency or instrumentality of this state or the federal government, or by a mortgage of any real property of the land bank.

(b) Provides that bonds issued by a land bank are negotiable instruments under the law.

(c) Requires bonds of a land bank issued under this section and the income from those bonds to at all times be free from taxation for state or local purposes under any provision of state law.

(d) Requires bonds issued by a land bank to be authorized by resolution of the board and to be limited obligations of the land bank.

(e) Requires the principal and interest, costs of issuance, and other costs incidental to bonds issued under this section to be payable solely from the income and revenue derived from the sale, lease, or other disposition of the assets of the land bank.

(f) Authorizes the bonds, in the discretion of the land bank, to be additionally secured by mortgage or other security device covering all or part of the project from which the revenue pledged is authorized to be derived.

(g) Provides that any refunding bonds issued are required to be payable from any source described by this section or from the investment of any of the proceeds of the refunding bonds, and are prohibited from constituting an indebtedness or pledge of the general credit of a municipality or any other governmental entity within the meaning of any constitutional or statutory limitation of indebtedness, and are required to contain a recital to that effect.

(h) Authorizes bonds of the land bank to be issued in the form, to be in the denominations, to bear interest, to mature in the manner, and to be executed by one or more members of the board as provided by the resolution authorizing the issuance of the bonds. Authorizes the bonds to be subject to redemption at the option of and in the manner determined by the board in the resolution authorizing the issuance of the bonds.

(i) Authorizes the municipality in which a land bank operates to guarantee, insure, or otherwise become primarily or secondarily obligated on the indebtedness of the land bank subject to all other provisions of state law applicable to municipal indebtedness.

(j) Requires bonds issued by a land bank to be issued, sold, and delivered in accordance with the terms and provisions of a resolution adopted by the board. Authorizes the board to sell the bonds in a manner, either at public or at private sale, and for a price as the board determines to be in the best interests of the land bank. Requires the resolution issuing bonds to be published in a newspaper of general circulation within the jurisdiction of the land bank.

(k) Provides that a board member or a person executing the bonds is not liable personally on any bonds by reason of the issuance of the bonds. Provides that the bonds or other obligations of the land bank are not a debt of the municipality that

created the land bank or of this state and are required to state so on their face. Provides that the municipality, this state, or any revenue or any property of a municipality or this state is not liable for the bond.

SECTION 2. Amends Section 379E.002, Local Government Code, to provide that this chapter (Urban Land Bank Program) applies to certain municipalities, including a municipality to which Chapter 379C (Urban Land Bank Demonstration Program) or 379F, rather than to which Chapter 379C or 379D (Urban Land Bank Program), does not apply.

SECTION 3. Repealer: Chapter 379D (Urban Land Bank Program), Local Government Code.

SECTION 4. Provides that the Houston Land Bank, a public nonprofit corporation evidenced by its amended and restated Certificate of Formation dated September 26, 2018, as filed with the Secretary of State under File No. 155688901, under ordinance dated HCD 18-51, approved and adopted by the city council of the City of Houston on July 25, 2018, and originally created as the Land Assemblage Redevelopment Authority under Subchapter D (Local Government Corporations), Chapter 431, Transportation Code, is a land bank under 379F, Local Government Code, as added by this Act, and requires that the Houston Land Bank continue to possess the statutory authorization by which it was originally created under Subchapter D, Chapter 431, Transportation Code. Requires all actions of the board of directors and employees of the Houston Land Bank, all contracts, agreements, services, and real property acquisitions and dispositions taken before the effective date of this Act to remain unaffected by the adoption of an ordinance under Chapter 379F, Local Government Code, as added by this Act.

SECTION 5. Effective date: September 1, 2019.