

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1679
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Local Government
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The City of Houston Land Bank was created as the Land Assemblage and Redevelopment Authority (LARA) in 1999, prior to any of the current local land bank laws being enacted in Texas, for the purpose of acquiring tax foreclosed properties and returning them to productive use. The first—and current—land bank statute for Houston was enacted in 2005 but was never implemented because of impracticality issues in the underlying statute. As a result, the current Houston Land Bank operates under a patchwork of other statutory authorities provided by general state law.

Operating under this patchwork of statutory authority has diminished the Houston Land Bank's ability to acquire problem properties and repurpose these properties and has limited its 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. 1679 addresses these issues by amending the Local Government Code to add Chapter 379H that creates the Houston Land Bank by taking into consideration best practices of land banks across the nation. The Houston Land Bank will be authorized to acquire and manage vacant, abandoned, deteriorated, and foreclosed properties in order to return such properties to new productive uses. As proposed, S.B. 1679 facilitates the acquisition of properties by the land bank at tax foreclosure sales without limiting in any manner the redemption rights of the owners. S.B. 1679 provides powerful tools for local governments to improve communities by focusing on repurposing abandoned properties for tax producing and public uses, including affordable housing, flood control, workforce housing, public service housing, community-based economic development, food desert solutions, beautification, and parks and recreation. S.B. 1679 also creates a joint interim committee to study land banks.

The committee substitute makes the following changes:

Amends Section 379H.055 (Conflict of Interest) to clarify that the provision not only applies to board members or employees but also relatives of the board members or employees within the first degree of consanguinity or affinity; and

Amends Section 379H.157 (Disposition of Property Generally) to specify for how long the land bank can hold property for which it holds fee simple title. If the land bank holds fee simple title to a property, it must convey, exchange, sell, transfer, or otherwise dispose of its fee simple interest within five years. The substitute provides the following exemptions to the five-year retention limit:

where property is held by the land bank under a long-term lease contract with a nonprofit, governmental unit, a local government corporation, or other governmental entity;

where the municipality or a source of funding requires the land bank to hold and assemble one or more parcels of land for a period of time longer than five years for the purpose of fulfilling specific program or funding goals related to creating or developing affordable housing, supporting community-based economic development, the creation of parks or other public places, or in support of other goals identified by the municipality or source of funding;

where the property held by the land bank and the land bank has determined that the highest and best use of the property is for flood control, storm water retention or drainage, and the land bank has not yet transferred the property to a public entity; or

where the property is the subject of active court proceedings or subject to a court order that would make compliance with both this subsection and the court's order impossible.

C.S.S.B. 1679 amends current law relating to the creation of an urban land bank by certain municipalities.

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 Subtitle A, Title 12, Local Government Code, by adding Chapter 379H, as follows:

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

SUBCHAPTER A. GENERAL PROVISIONS

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

Sec. 379H.003. DEFINITIONS. Defines "board," "land bank," "non-qualifying municipality," and "real property."

Sec. 379H.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), Civil Practice and Remedies Code;

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

(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 created 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. 379H.005. PURPOSE. Provides that a land bank created under this chapter exists for the purpose of acquiring, managing, and disposing of vacant, abandoned, deteriorated, non-revenue generating, and non-tax producing properties and converting those properties to productive uses. Provides that productive uses of a property include the development of housing that serves a wide range of local needs, including affordable housing, long-term affordable housing, workforce housing, public service housing, mixed-income housing, community-based economic development, food desert solutions, parks and recreation, flood reduction and storm resiliency, and other uses necessary and appropriate to return properties to the tax rolls, stabilize communities, improve living conditions, and protect against the displacement of residents of the municipality served by the land bank.

Sec. 379H.006. CONSTRUCTION. Requires that this chapter 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 requires that all powers granted 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 the land bank is not subject to restrictions imposed by the charter, ordinances, or resolutions of a local unit of government.

SUBCHAPTER B. BOARD OF DIRECTORS

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

Sec. 379H.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 law to the contrary, a public officer 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. 379H.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:

(1) convened by the president of the board in accordance with the bylaws of the board; or

(2) 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. 379H.054. BOARD ACTIONS. (a) Requires that actions of the board, subject to Subsection (b), be approved by the affirmative vote of a quorum of the board.

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

(1) adoption 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. 379H.055. CONFLICT OF INTEREST. (a) Prohibits a board member or employee of a land bank, or a relative of a member or employee within the first degree of consanguinity or affinity, as determined by Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code, from:

(1) 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

(2) 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., Vernon's Texas Civil Statutes) related to powers, standards of conduct, and interests 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. 379H.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. 379H.101. CREATION OF LAND BANK. (a) 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.

(b) Provides that approval by the governing body of a municipality of the certificate of formation and bylaws of a corporation created under Chapter 431 (Texas Transportation Corporation Act), Transportation Code, that will serve as a land bank under this chapter is sufficient to create a land bank under this section.

(c) Prohibits a land bank's certificate of formation and bylaws approved under this section from being changed or amended unless the governing body of the municipality for which the land bank was created approves the change or amendment by the adoption of an ordinance.

Sec. 379H.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, Transportation Code, and Chapters 2254 (Professional and Consulting Services) and 2269 (Contracting and Delivery Procedures for Construction Projects), Government Code;

(6) 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;

(7) enter into contracts and other agreements 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;

(8) 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;

(9) make and execute contracts and other instruments necessary or convenient to the exercise of the land bank's powers;

(10) procure insurance against losses in connection with the real property, assets, or activities of the land bank;

(11) invest money of 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;

(12) enter into contracts for the management of, collection of rent from, or sale of real property of the land bank;

(13) design, develop, construct, demolish, reconstruct, rehabilitate, renovate, relocate, or otherwise improve real property of the land bank;

(14) 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;

(15) 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;

(16) grant or acquire a license, easement, lease, as lessor or lessee, or option with respect to real property of the land bank;

(17) 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;

(18) 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 on terms prescribed by that federal, state, county, or municipal government or agency or other source;

(19) 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 notes of other obligation, loan agreement, mortgage, security agreement, or other agreement necessary or desirable as determined by the land bank;

(20) hold title to real property for purposes of establishing contracts with public and private nonprofit entities, including long-term lease contracts; and

(21) perform any other appropriate action as necessary to carry out the purposes of this chapter or to comply with a requirement under other law.

(b) Prohibits a land bank from:

(1) exercising the power of eminent domain; or

(2) acquiring real property outside the geographical boundaries of the municipality that created the land bank.

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

(1) a municipality 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 379H.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. 379H.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 a 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 performance 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. 379H.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 to 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. 379H.107. ADVISORY COMMITTEE AND NEIGHBORHOOD CONSULTATION. (a) Requires a land bank to create one or more advisory committees to consult with 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 priorities for new uses of those properties; and

(3) the range of potential transferees of those properties.

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

Sec. 379H.108. DISSOLUTION OF LAND BANK. (a) Authorizes a land bank to be dissolved not 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 less 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; and

(2) publish the notice in a local newspaper of general circulation.

(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. 379H.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. 379H.152. TITLE HELD BY LAND BANK. Requires that all real property acquired by a land bank be held in the name of the land bank.

Sec. 379H.153. QUIET TITLE ACTIONS. (a) Authorizes 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 that service of the complaint to quiet title 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:

(1) schedule a hearing on the complaint not later than the 90th day after the date of the filing of the affidavit under Subsection (c); and

(2) 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. 379H.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 379H.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. 379H.155. ACQUISITION OF FORECLOSED OR SEIZED PROPERTY. (a) Defines "taxing unit."

(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 an amount calculated by an officer of an order of 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, other than penalties described by Sections 33.07 and 33.08, Tax Code, 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 the termination of a sale by a taxing unit), 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 that the aggregate amount of all credit bids in a calendar year 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 that 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 379H.158(a), 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, other than residential real property legally owned and occupied. Authorizes a land bank to submit a written request to a taxing unit under this subsection for legally occupied residential real property only if the property is five or more years delinquent.

(g) Requires that a request submitted under Subsection (f) 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.

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

(i) 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) or 34.21 (Right of Redemption), Tax Code.

(j) 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, the land bank is required to pay the full amount of the bid in cash.

(k) 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.

(l) Provides that a sale of real property to a land bank under this section:

(1) extinguishes each lien securing payment of the delinquent taxes, penalties, and interest against the property and included in the judgment; and

(2) 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.

(m) 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.

(n) Provides that a bid submitted by a land bank in accordance with this section is considered a bid for the amount calculated under Section 34.01(b), Tax Code, and received under Section 34.01(j), Tax Code.

Sec. 379H.156. REDEMPTION BY OWNER OF FORECLOSED PROPERTY. (a) Authorizes the owner of real property sold to a land bank under Section 379H.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 that the price to be paid by the owner of real property sold to a land bank under this section to redeem the property be in the amounts set forth in Sections 34.21(a) (relating to the redemption of property by the owner of real property) and (e) (relating to certain amounts an owner of real property is authorized to redeem), Tax Code. Requires that the bid paid by the land bank, for the purposes of calculating the price, be the aggregate amount of the land bank's bid as described by Section 379H.155(b).

(c) Requires the land bank, if the owner of real property sold to a land bank under Section 379H.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 379H.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. 379H.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) Requires a land bank, for real property that the land bank holds fee simple title to, to convey, exchange, sell, transfer, or otherwise dispose of the fee simple interest in the property not later than the last day of the fifth consecutive year during which the land bank continuously holds the fee simple title. Provides that this subsection does not apply to real property that a land bank holds fee simple title to:

(1) that is subject to a long-term lease with:

(A) a nonprofit organization that is incorporated or holds a certificate of authority under Chapter 22 (Nonprofit Corporations), Business Organizations Code;

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

(C) a governmental unit, as defined by Section 101.001, Civil Practices and Remedies Code;

(2) for which the land bank is required, by the municipality that created the land bank or an entity that funds the land bank, to hold and assemble one or more parcels of real property for a period that is longer than five years for the purpose of fulfilling specific program or funding goals related to creating or developing affordable housing, supporting community-based economic development, creating parks and other public places, or supporting other goals required by the municipality or entity described by this subdivision;

(3) for which a determination has been made by the land bank that the best use of the real property is for flood control or storm water retention or drainage and the real property has not yet been transferred to a public entity such as a flood control district or a municipal parks and recreation department under Section 379H.158; or

(4) that is the subject of an active proceeding in a court of competent jurisdiction or is subject to a court order that conflicts with this subsection.

(c) Authorizes a municipality, in the ordinance creating a land bank, to 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.

(d) Requires a land bank, subject to Subsection (b), 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.

(e) 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.

(f) 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) production of housing, including affordable housing, long-term affordable housing, workforce housing, public service housing, and mixed-income housing;

(2) community-based economic development, including retail, commercial, and industrial activities;

(3) parks and other purely public spaces and places;

(4) flood reduction, storm water retention and drainage, and storm resiliency;

(5) food desert solutions;

(6) conservation areas; and

(7) other purposes necessary and appropriate to convert properties to the tax rolls, stabilize communities, improve living conditions, and protect against the displacement of residents of the municipality served by the land bank.

Sec. 379H.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 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.

Sec. 379H.159. AFFORDABLE HOUSING POLICY. Authorizes the board of a land bank to adopt a policy requiring that a percentage, as determined by the board based on local needs and available land bank inventory, of residential units constructed on residential real property conveyed by the land bank be deed restricted for housing that is affordable to households with an income of not greater than 80 percent of the area

median family income, adjusted for household size, for the municipality, as determined annually by the United States Department of Housing and Urban Development.

SUBCHAPTER E. FINANCING OF LAND BANK OPERATIONS

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

Sec. 379H.203. COLLECTION OF TAXES ON PROPERTY CONVEYED BY LAND BANK. Requires that 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 Texas laws 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 that the specific percentage of those taxes to be remitted be established by ordinance, resolution, or interlocal cooperation agreement of the land bank. Requires that the allocation of property tax revenue begin with the first taxable year following the date of conveyance and continue for a period of five years. Requires that the funds 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 that any property tax revenue allocated to the land bank under this subsection be excluded from the calculation of ad valorem tax revenue under the municipality's charter.

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

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

SECTION 4. (a) Provides that a joint interim committee is created to study land banks.

(b) Sets forth the composition of the committee.

(c) Requires the appropriate appointing authority, in making appointments under Subsection (b) of this section, if practicable, to prioritize appointing members who:

(1) serve in a leadership role of a municipality's department of housing, housing and community development, or a related department;

(2) are employed by a nonprofit or other organization that advocates for or develops affordable housing;

- (3) are employed by a nonprofit or other organization that advocates for or supports long-term affordable housing, including a community land trust;
- (4) have expertise as a real estate agent, particularly expertise or knowledge of neighborhoods impacted by vacant and abandoned properties;
- (5) have expertise in urban planning or a related field;
- (6) are licensed as an attorney and have expertise in laws related to real estate, real estate finance, or development;
- (7) are residents of or leaders of a community-based organization that serves neighborhoods impacted by vacant, abandoned, and deteriorated properties; or
- (8) have expertise in the enforcement of unpaid taxes, which may include leaders or representatives from a county tax assessor-collector.

(d) Requires the committee to convene at the call of the presiding officer.

(e) Provides that the committee has all other powers and duties provided to a special or select committee by the rules of the Texas Senate (senate) and Texas House of Representatives (house), by Subchapter B (Committees and Committee Procedure), Chapter 301 (Legislative Organization), Government Code, and by policies of the senate and house committees on administration.

(f) Provides that the members of the committee are entitled to reimbursement from the contingent expense fund of the senate and the contingent expense fund of the house equally for expenses incurred in carrying out the provisions of this section in accordance with the rules of the senate and house and the policies of the senate and house committees on administration.

(g) Requires the lieutenant governor, the speaker of the house of representatives, and the governor, not later than the 60th day after the effective date of this Act, to appoint the members of the interim committee created under this section.

(h) Requires the committee to study:

(1) powers of land banks to acquire and dispose of real property;

(2) impacts of land banks on flood reduction, storm water retention and drainage, and storm resiliency;

(3) impacts of land banks on affordable housing, workforce housing, or public service housing;

(4) funding mechanisms of land banks;

(5) impacts of land banks on tax base from properties conveyed by a land bank; and

(6) land banks, including land bank enabling legislation, from other states.

(i) Requires the committee, not later than January 15, 2023, to prepare and submit to the lieutenant governor, the speaker of the house, and the governor a written report summarizing the results of the study conducted under Subsection (h) of this section, including any legislative recommendations for changes to Chapter 379H, Local Government Code, as added by this Act, that may appear necessary or advisable based on the results of the study.

(j) Provides that the committee is abolished and this section expires September 1, 2023.

SECTION 5. Provides that, notwithstanding Section 379H.157(b), Local Government Code, as added by this Act, an urban land bank established under Chapter 379H, Local Government Code, as added by this Act, that holds fee simple title to real property before the effective date of this Act is not required to convey, exchange, sell, transfer, or otherwise dispose of the real property, as required by that subsection, until the last day of the fifth consecutive year during which the urban land bank holds the fee simple title on and after the effective date of this Act.

SECTION 6. 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, Chapter 431, Transportation Code, is a land bank under 379H, Local Government Code, as added by this Act, and is required to continue to possess the statutory authorization by which it was originally created under Subchapter D, Chapter 431, Transportation Code. Requires that 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 remain unaffected by the adoption of an ordinance under Chapter 379H, Local Government Code, as added by this Act.

SECTION 7. Effective date: September 1, 2021.