

By: Rodriguez, Dukes, Coleman

H.B. No. 525

A BILL TO BE ENTITLED

AN ACT

relating to the creation of homestead preservation districts, reinvestment zones, and other programs to increase home ownership and provide affordable housing.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle A, Title 12, Local Government Code, is amended by adding Chapter 373A to read as follows:

CHAPTER 373A. HOMESTEAD PRESERVATION DISTRICTS AND REINVESTMENT ZONES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 373A.001. PURPOSE. The purpose of this chapter is to:

(1) promote the ability of municipalities to increase home ownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in disadvantaged neighborhoods;

(2) protect a municipality's interest in improving economic and social conditions within disadvantaged communities by enhancing the viability of home ownership among low-income and moderate-income residents in areas experiencing economic pressures; and

(3) provide municipalities with a means to expand and protect the homestead interests of low-income and moderate-income families.

Sec. 373A.002. DEFINITIONS. In this chapter:

1 (1) "Central business district" means a compact and
2 contiguous geographical area of a municipality in which at least 90
3 percent of the land is used or zoned for commercial purposes and
4 that has historically been the primary location in the municipality
5 where business has been transacted.

6 (2) "Community housing development organization" has
7 the meaning assigned by 42 U.S.C. Section 12704.

8 (3) "District" means a homestead preservation
9 district designated under Subchapter B.

10 (4) "Taxing unit" has the meaning assigned by Section
11 1.04, Tax Code.

12 (5) "Trust" means a homestead land trust created or
13 designated under Subchapter C.

14 (6) "Zone" means a homestead preservation
15 reinvestment zone created under Subchapter D.

16 Sec. 373A.003. APPLICABILITY OF CHAPTER. This chapter
17 applies only to a municipality with a population of more than
18 650,000 that is located in a uniform state service region with fewer
19 than 550,000 occupied housing units as determined by the most
20 recent United States decennial census.

21 [Sections 373A.004-373A.050 reserved for expansion]

22 SUBCHAPTER B. GENERAL POWERS AND DUTIES

23 Sec. 373A.051. MUNICIPAL POWER TO DESIGNATE DISTRICT. (a)
24 To promote and expand the ownership of affordable housing and to
25 prevent the involuntary loss of homesteads by existing homeowners
26 living in the area, the governing body of a municipality by
27 ordinance may designate as a homestead preservation district an

1 area in the municipality that is eligible under Section 373A.052.

2 (b) The ordinance must describe the boundaries of the
3 district and designate the powers that apply to the district under
4 this chapter.

5 Sec. 373A.052. ELIGIBILITY FOR DESIGNATION. (a) To be
6 designated as a district under this subchapter, an area must be
7 composed of census tracts forming a spatially compact area
8 contiguous to a central business district and with:

9 (1) fewer than 25,000 residents;

10 (2) fewer than 8,000 households;

11 (3) a number of owner-occupied households that does
12 not exceed 50 percent of the total households in the area;

13 (4) housing stock at least 55 percent of which was
14 built at least 45 years ago;

15 (5) an unemployment rate that is greater than 10
16 percent;

17 (6) an overall poverty rate that is at least two times
18 the poverty rate for the entire municipality; and

19 (7) in each census tract within the area, a median
20 family income that is less than 60 percent of the median family
21 income for the entire municipality.

22 (b) An area that is designated as a district under this
23 subchapter may retain its designation as a district regardless of
24 whether the area continues to meet the eligibility criteria
25 provided by this section, except that an area that does not elect to
26 retain its designation as permitted by this subsection must meet
27 all eligibility criteria to be considered for subsequent

1 redesignation as a district.

2 Sec. 373A.053. INVENTORY OF PROPERTIES. (a) The
3 municipality and any county containing all or the greatest portion
4 of the district shall each prepare on an annual basis an inventory
5 of all land owned by the municipality or county, as appropriate, in
6 the district and the current and projected uses of the land.

7 (b) The municipality and the county shall prepare on an
8 annual basis a list of parcels of land for which delinquent taxes
9 have been owed for a period of two or more years.

10 (c) The municipality and the county shall make the
11 inventories prepared under Subsection (a) available to the public
12 on request.

13 Sec. 373A.054. ADDITIONAL METHODS OF INCREASING THE SUPPLY
14 OF AFFORDABLE HOUSING. A municipality that designates a district
15 under Section 373A.051 may provide tax-exempt bond financing, offer
16 density bonuses, or provide other incentives to increase the supply
17 of affordable housing and maintain the affordability of existing
18 housing for low-income and moderate-income families.

19 [Sections 373A.055-373A.100 reserved for expansion]

20 SUBCHAPTER C. HOMESTEAD LAND TRUST

21 Sec. 373A.101. CREATION. The governing body of a
22 municipality by ordinance may create or designate under this
23 subchapter one or more homestead land trusts, including a land
24 trust operated by a community housing development organization
25 certified by the municipality, to operate in an area that includes a
26 district designated by the municipality.

27 Sec. 373A.102. NATURE OF TRUST. A trust must be a nonprofit

1 organization that is:

2 (1) created to acquire and hold land for the benefit of
3 developing and preserving long-term affordable housing in the
4 district; and

5 (2) exempt from federal income taxation under Section
6 501(a), Internal Revenue Code of 1986, by being certified as an
7 exempt organization under Section 501(c)(3), Internal Revenue Code
8 of 1986.

9 Sec. 373A.103. PURPOSE OF TRUST. The purpose of a trust is
10 to:

11 (1) control local land use and reduce absentee
12 ownership;

13 (2) provide affordable housing for low-income and
14 moderate-income residents in the community;

15 (3) promote resident ownership and control of housing;

16 (4) keep housing affordable for future residents; and

17 (5) capture the value of public investment for
18 long-term community benefit.

19 Sec. 373A.104. BOARD OF DIRECTORS. (a) A trust shall be
20 governed by a board of directors.

21 (b) The governing body of the municipality shall appoint the
22 directors of a trust created by the municipality.

23 (c) The initial board of a trust created by the municipality
24 must be composed of four members of the governing body of the
25 municipality and three residents of the district.

26 (d) If a trust holds land that provides at least 100 housing
27 units, at least one-third of the board members must reside in

1 housing units located on land held by the trust.

2 Sec. 373A.105. TITLE TO LAND. (a) A trust may retain title
3 to land it acquires and may lease housing units located on the land
4 or sell housing units located on the land under long-term ground
5 leases, as provided by Section 373A.106.

6 (b) A trust may not transfer title to any land owned by the
7 trust without obtaining:

8 (1) a unanimous vote of the board members of the trust;

9 (2) approval by the municipality and county in which
10 the land is located, as provided through a resolution of the
11 governing bodies of the municipality and county adopted with the
12 affirmative vote of four-fifths of the members following a public
13 hearing; and

14 (3) the provision by the board of the trust of advance
15 notice to all persons who own or rent housing units located on land
16 owned by the trust.

17 Sec. 373A.106. SALE OR LEASE OF HOUSING UNITS. (a) A trust
18 shall sell or lease all housing units only to families with a yearly
19 income at the time of purchase or lease of the housing unit at or
20 below 70 percent of the area median family income, adjusted for
21 family size.

22 (b) At least 40 percent of the housing units sold or leased
23 by the trust must be sold or leased to families with a yearly income
24 at the time of purchase or lease at or below 50 percent of the area
25 median family income, adjusted for family size.

26 (c) At least 10 percent of the housing units sold or leased
27 by the trust must be sold or leased to families with a yearly income

1 at the time of purchase or lease at or below 30 percent of the area
2 median family income, adjusted for family size.

3 Sec. 373A.107. TRANSFER FROM GOVERNMENTAL ENTITIES;
4 FORGIVING OUTSTANDING TAXES. (a) A governmental entity may
5 transfer land to a trust without competitive bidding.

6 (b) A taxing unit may forgive outstanding taxes and fees on
7 property transferred under this section if otherwise allowed by
8 law.

9 Sec. 373A.108. TAX EXEMPTIONS. (a) A trust's real property
10 is exempt from property taxation by this state or a political
11 subdivision of this state, other than a school district.

12 (b) Subject to approval by the governing body of the
13 municipality or county, as appropriate, in which the district is
14 located, the real property of any land trust operating in the
15 district under other law is exempt from property taxation by the
16 municipality or county if the land trust is exempt from federal
17 income taxation under Section 501(a), Internal Revenue Code of
18 1986, by being certified as an exempt organization under Section
19 501(c)(3), Internal Revenue Code of 1986.

20 Sec. 373A.109. RELATION TO OTHER LAW. This subchapter does
21 not preclude the creation of a land trust by a nonprofit
22 organization, including a community housing development
23 organization, under other statutory or common law or the operation
24 of that land trust inside or outside the district.

25 [Sections 373A.110-373A.150 reserved for expansion]

26 SUBCHAPTER D. HOMESTEAD PRESERVATION REINVESTMENT ZONE

27 Sec. 373A.151. NONAPPLICABILITY OF OTHER LAW. Chapter 311,

1 Tax Code, does not apply to a homestead preservation reinvestment
2 zone created under this subchapter.

3 Sec. 373A.152. GENERAL AUTHORITY TO CREATE HOMESTEAD
4 PRESERVATION REINVESTMENT ZONE. (a) A municipality by ordinance
5 may create a homestead preservation reinvestment zone as provided
6 by this section if the municipality finds that the area to be
7 included in the zone is unproductive, underdeveloped, or blighted
8 as provided by Section 1-g(b), Article VIII, Texas Constitution.
9 The governing body of the municipality shall administer the zone.

10 (b) The boundaries of a zone must be contained entirely
11 within the boundaries of a district.

12 (c) Before adopting an ordinance creating a zone, the
13 governing body of the municipality must prepare a preliminary zone
14 financing plan. As soon as the plan is completed, a copy of the plan
15 must be sent to the governing body of the county that will contain
16 all or the greatest portion of the zone.

17 (d) Before adopting an ordinance creating a zone, the
18 municipality must hold a public hearing on the creation of the zone
19 and its benefits to the municipality and to property in the proposed
20 zone. At the hearing an interested person may speak for or against
21 the creation of the zone, its boundaries, or the concept of tax
22 increment financing. Not later than the seventh day before the date
23 of the hearing, notice of the hearing must be published in a
24 newspaper having general circulation in the municipality.

25 (e) Not later than the 60th day before the date of the public
26 hearing required by Subsection (d), the governing body of the
27 municipality must notify in writing the governing body of the

1 county described by Subsection (c) that it intends to establish the
2 zone. The notice must contain a description of the proposed
3 boundaries of the zone, the tentative plans for the development or
4 redevelopment of the zone, and an estimate of the general impact of
5 the proposed zone on property values and tax revenues. The notice
6 may be given later than the 60th day before the date of the public
7 hearing if the governing body of the county agrees to waive the
8 requirement.

9 (f) On review of the information provided under Subsection
10 (e), the governing body of the county shall notify the municipality
11 regarding whether the county intends to participate in the zone. If
12 the governing body of the county decides to participate in the zone,
13 the governing body of the county on an annual basis may reconsider
14 its decision to participate.

15 Sec. 373A.153. DETERMINATION OF AMOUNT OF TAX INCREMENT.

16 (a) The amount of a taxing unit's tax increment for a year is the
17 amount of property taxes imposed by the unit for that year on the
18 captured appraised value of real property taxable by the unit and
19 located in a zone.

20 (b) The captured appraised value of real property taxable by
21 a taxing unit for a year is the total appraised value of all real
22 property taxable by the unit and located in a zone for that year
23 less the tax increment base of the unit.

24 (c) The tax increment base of a taxing unit is the total
25 appraised value of all real property taxable by the unit and located
26 in a zone for the year in which the zone was created under this
27 subchapter.

1 Sec. 373A.154. TAX INCREMENT FUND. The governing body of
2 the municipality shall establish a tax increment fund for the zone.

3 Sec. 373A.155. COLLECTION AND DEPOSIT OF TAX INCREMENTS.

4 (a) Each taxing unit that taxes real property located in a zone
5 shall provide for the collection of its taxes in the zone as for any
6 other property taxed by the unit.

7 (b) Except as provided by Subsection (d), each taxing unit
8 shall pay into the tax increment fund for the zone an amount equal
9 to the tax increment produced by the unit.

10 (c) A taxing unit shall make a payment required by
11 Subsection (b) not later than the 90th day after the delinquency
12 date for the unit's property taxes. A delinquent payment incurs a
13 penalty of five percent of the amount delinquent and accrues
14 interest at an annual rate of 10 percent.

15 (d) A taxing unit other than the municipality is not
16 required to pay into the tax increment fund any of its tax increment
17 produced from property located in a zone unless the taxing unit
18 enters into an agreement to do so with the governing body of the
19 municipality that created the zone. A taxing unit may enter into an
20 agreement under this subsection at any time before or after the zone
21 is created. The agreement may include conditions for payment of
22 that tax increment into the fund and must specify the portion of the
23 tax increment to be paid into the fund and the years for which that
24 tax increment is to be paid into the fund. The agreement and the
25 conditions in the agreement are binding on the taxing unit and the
26 municipality.

27 Sec. 373A.156. ANNUAL PLAN. (a) The governing body of the

1 municipality shall develop an annual plan that details the amount
2 of money in the tax increment fund and the proposed uses for the
3 money.

4 (b) The municipality must hold a public hearing on the
5 annual plan.

6 Sec. 373A.157. ADMINISTRATION AND USE OF TAX INCREMENT
7 FUND. (a) The tax increment fund is administered by the governing
8 body of the municipality in accordance with the annual plan
9 developed by the municipality under Section 373A.156. Revenue from
10 the tax increment fund must be dedicated as provided by this section
11 to the development and preservation of affordable housing in the
12 zone by a community housing development organization certified by
13 the municipality, a trust created or designated by the
14 municipality, or another entity as provided by this section.

15 (b) All revenue from the tax increment fund must be expended
16 to benefit families that have a yearly income at or below 70 percent
17 of the area median family income, adjusted for family size.

18 (c) At least 50 percent of the revenue from the tax
19 increment fund expended annually must benefit families that have a
20 yearly income at or below 50 percent of the area median family
21 income, adjusted for family size.

22 (d) At least 25 percent of the revenue from the tax
23 increment fund expended annually must benefit families that have a
24 yearly income at or below 30 percent of the area median family
25 income, adjusted for family size.

26 (e) The municipality must spend at least 80 percent of the
27 revenue expended annually from the tax increment fund for the

1 purchase of real property and the construction or rehabilitation of
2 affordable housing in the zone. The municipality may spend not more
3 than 10 percent of the revenue expended annually from the tax
4 increment fund for administration of the zone.

5 (f) The municipality may provide not more than 10 percent of
6 the revenue expended annually from the tax increment fund to
7 designated land banks and community housing development
8 organizations for the administration of housing-related activities
9 in the zone.

10 (g) All housing created or rehabilitated with revenue from
11 the tax increment fund must have at least a 30-year affordability
12 period.

13 Sec. 373A.158. ANNUAL REPORT. (a) On or before the 90th
14 day following the end of the fiscal year of the municipality, the
15 governing body of the municipality shall submit to the chief
16 executive officer of each taxing unit that imposes property taxes
17 on real property in a zone created by the municipality under this
18 subchapter a detailed report on the status of the zone.

19 (b) The report must include:

20 (1) the amount and source of revenue in the tax
21 increment fund established for the zone;

22 (2) the amount and purpose of expenditures from the
23 fund and the income levels of the persons who benefited from the
24 expenditures;

25 (3) the number of parcels of property purchased,
26 housing units rehabilitated, and housing units constructed and the
27 income levels of the persons residing in the housing units;

1 (4) the tax increment base and current captured
2 appraised value retained by the zone;

3 (5) the total amount of tax increments received; and

4 (6) any additional information necessary to
5 demonstrate strict compliance with the provisions of this
6 subchapter.

7 (c) The municipality shall send a copy of a report made
8 under this section to:

9 (1) the attorney general;

10 (2) the comptroller;

11 (3) the Texas Department of Housing and Community
12 Affairs; and

13 (4) a participating county, if any.

14 (d) The municipality shall make the report available to the
15 public on the municipality's official website.

16 [Sections 373A.159-373A.200 reserved for expansion]

17 SUBCHAPTER E. HOMESTEAD LAND BANK PROGRAM

18 Sec. 373A.201. SHORT TITLE. This subchapter may be cited as
19 the Homestead Land Bank Program Act.

20 Sec. 373A.202. APPLICABILITY. This subchapter applies only
21 to a municipality that has designated a district under Section
22 373A.051.

23 Sec. 373A.203. DEFINITIONS. In this subchapter:

24 (1) "Affordable" means that the monthly mortgage
25 payment or contract rent does not exceed 30 percent of the
26 applicable median family income for that unit size, in accordance
27 with the income and rent limit rules adopted by the Texas Department

1 of Housing and Community Affairs.

2 (2) "Community housing development organization" or
3 "organization" means an organization that:

4 (A) meets the definition of a community housing
5 development organization in 24 C.F.R. Section 92.2;

6 (B) is certified by the municipality as a
7 community housing development organization;

8 (C) is governed exclusively by a board of at
9 least five members unrelated by blood, marriage, or business
10 interest; and

11 (D) is not controlled, directly or indirectly, by
12 any other party through any contract, arrangement, understanding,
13 relationship, voting power, affiliation, trust, proxy, power of
14 attorney, pooling arrangement, security, warrant, partnership,
15 option, discretionary account, joint venture, interlocking
16 directors, or other device, as evidenced by a notarized affidavit
17 signed by each board member.

18 (3) "Homestead land bank plan" or "plan" means a plan
19 adopted by the governing body of a municipality as provided by
20 Section 373A.206.

21 (4) "Homestead land bank program" or "program" means a
22 program adopted under Section 373A.204.

23 (5) "Land bank" means an entity established or
24 approved by the governing body of a municipality for the purpose of
25 acquiring, holding, and transferring unimproved real property
26 under this subchapter.

27 (6) "Low income household" means a household with a

1 gross income of not greater than 80 percent of the area median
2 family income, adjusted for household size, for the metropolitan
3 statistical area in which the municipality is located, as
4 determined annually by the United States Department of Housing and
5 Urban Development.

6 (7) "Qualified participating developer" means a
7 developer who meets the requirements of Section 373A.205 and
8 includes a qualified organization under Section 373A.211.

9 Sec. 373A.204. HOMESTEAD LAND BANK PROGRAM. (a) The
10 governing body of a municipality may adopt a homestead land bank
11 program in which the officer charged with selling real property
12 ordered sold pursuant to foreclosure of a tax lien may sell certain
13 eligible real property by private sale for purposes of affordable
14 housing development as provided by this subchapter.

15 (b) The governing body of a municipality that adopts a
16 homestead land bank program shall establish or approve a land bank
17 for the purpose of acquiring, holding, and transferring unimproved
18 real property under this subchapter.

19 Sec. 373A.205. QUALIFIED PARTICIPATING DEVELOPER. To
20 qualify to participate in a homestead land bank program, a
21 developer must:

22 (1) have developed three or more housing units within
23 the 10-year period preceding the submission of a proposal to the
24 land bank seeking to acquire real property from the land bank;

25 (2) have a development plan approved by the
26 municipality for the land bank property; and

27 (3) meet any other requirements adopted by the

1 municipality in the homestead land bank plan.

2 Sec. 373A.206. HOMESTEAD LAND BANK PLAN. (a) A
3 municipality that adopts a homestead land bank program shall
4 operate the program in conformance with a homestead land bank plan.

5 (b) The governing body of a municipality that adopts a
6 homestead land bank program shall adopt a plan annually. The plan
7 may be amended from time to time.

8 (c) In developing the plan, the municipality shall consider
9 other housing plans adopted by the municipality, including the
10 comprehensive plan submitted to the United States Department of
11 Housing and Urban Development and all fair housing plans and
12 policies adopted or agreed to by the municipality.

13 (d) The plan must include the following:

14 (1) a list of community housing development
15 organizations eligible to participate in the right of first refusal
16 provided by Section 373A.211;

17 (2) a list of the parcels of real property that may
18 become eligible for sale to the land bank during the upcoming year;

19 (3) the municipality's plan for affordable housing
20 development on those parcels of real property; and

21 (4) the sources and amounts of funding anticipated to
22 be available from the municipality for subsidies for development of
23 affordable housing in the municipality, including any money
24 specifically available for housing developed under the program, as
25 approved by the governing body of the municipality at the time the
26 plan is adopted.

27 Sec. 373A.207. PUBLIC HEARING ON PROPOSED PLAN. (a) Before

1 adopting a plan, a municipality shall hold a public hearing on the
2 proposed plan.

3 (b) The city manager or the city manager's designee shall
4 provide notice of the hearing to all community housing development
5 organizations and to neighborhood associations identified by the
6 municipality as serving the neighborhoods in which properties
7 anticipated to be available for sale to the land bank under this
8 subchapter are located.

9 (c) The city manager or the city manager's designee shall
10 make copies of the proposed plan available to the public not later
11 than the 60th day before the date of the public hearing.

12 Sec. 373A.208. PRIVATE SALE TO LAND BANK. (a)
13 Notwithstanding any other law and except as provided by Subsection
14 (f), property that is ordered sold pursuant to foreclosure of a tax
15 lien may be sold in a private sale to a land bank by the officer
16 charged with the sale of the property without first offering the
17 property for sale as otherwise provided by Section 34.01, Tax Code,
18 if:

19 (1) the market value of the property as appraised by
20 the local appraisal district and as specified in the judgment of
21 foreclosure is less than the total amount due under the judgment,
22 including all taxes, penalties, and interest, plus the value of
23 nontax liens held by a taxing unit and awarded by the judgment,
24 court costs, and the cost of the sale;

25 (2) the property is not improved with a building or
26 buildings;

27 (3) there are delinquent taxes on the property for a

1 total of at least five years; and

2 (4) the municipality has executed with the other
3 taxing units that are parties to the tax suit an interlocal
4 agreement that enables those units to agree to participate in the
5 program while retaining the right to withhold consent to the sale of
6 specific properties to the land bank.

7 (b) A sale of property for use in connection with the
8 program is a sale for a public purpose.

9 (c) If the person being sued in a suit for foreclosure of a
10 tax lien does not contest the market value of the property in the
11 suit, the person waives the right to challenge the amount of the
12 market value determined by the court for purposes of the sale of the
13 property under Section 33.50, Tax Code.

14 (d) For any sale of property under this subchapter, each
15 person who was a defendant to the judgment, or that person's
16 attorney, shall be given, not later than the 60th day before the
17 date of sale, written notice of the proposed method of sale of the
18 property by the officer charged with the sale of the property.
19 Notice shall be given in the manner prescribed by Rule 21a, Texas
20 Rules of Civil Procedure.

21 (e) After receipt of the notice required by Subsection (d)
22 and before the date of the proposed sale, the owner of the property
23 subject to sale may file with the officer charged with the sale a
24 written request that the property not be sold in the manner provided
25 by this subchapter.

26 (f) If the officer charged with the sale receives a written
27 request as provided by Subsection (e), the officer shall sell the

1 property as otherwise provided in Section 34.01, Tax Code.

2 (g) The owner of the property subject to sale may not
3 receive any proceeds of a sale under this subchapter. However, the
4 owner does not have any personal liability for a deficiency of the
5 judgment as a result of a sale under this subchapter.

6 (h) Notwithstanding any other law, if consent is given by
7 the taxing units that are a party to the judgment, property may be
8 sold to the land bank for less than the market value of the property
9 as specified in the judgment or less than the total of all taxes,
10 penalties, and interest, plus the value of nontax liens held by a
11 taxing unit and awarded by the judgment, court costs, and the cost
12 of the sale.

13 (i) The deed of conveyance of the property sold to a land
14 bank under this section conveys to the land bank the right, title,
15 and interest acquired or held by each taxing unit that was a party
16 to the judgment, subject to the right of redemption.

17 (j) Property sold to and held by the land bank for
18 subsequent resale is eligible for an exemption from ad valorem
19 taxation for a period not to exceed three years from the date of
20 acquisition. Property is eligible for an exemption under this
21 subsection only during the period the property is held by the land
22 bank.

23 Sec. 373A.209. SUBSEQUENT RESALE BY LAND BANK. (a) Each
24 subsequent resale of property acquired by a land bank under this
25 subchapter must comply with the conditions of this section.

26 (b) The land bank must sell a property to a qualified
27 participating developer within the three-year period following the

1 date of acquisition for the purpose of construction of affordable
2 housing for sale or rent to low income households. If after three
3 years a qualified participating developer has not purchased the
4 property, the property shall be transferred from the land bank to
5 the taxing units who were parties to the judgment for disposition as
6 otherwise allowed under the law.

7 (c) Unless the municipality increases the amount in its
8 plan, the number of properties acquired by a qualified
9 participating developer under this section on which development has
10 not been completed may not at any given time exceed three times the
11 annual average residential production completed by the qualified
12 participating developer during the preceding two-year period as
13 determined by the municipality.

14 (d) The deed conveying a property sold by the land bank must
15 include a right of reverter so that if the qualified participating
16 developer does not apply for a construction permit and close on any
17 construction financing within the two-year period following the
18 later of the date of the conveyance of the property from the land
19 bank to the qualified participating developer or the expiration of
20 the period specified by the municipality under Section 373A.211(d),
21 the property will revert to the land bank for subsequent resale to
22 another qualified participating developer or conveyance to the
23 taxing units who were parties to the judgment for disposition as
24 otherwise allowed under the law.

25 Sec. 373A.210. RESTRICTIONS ON OCCUPANCY AND USE OF
26 PROPERTY. (a) The land bank shall impose deed restrictions on
27 property sold to qualified participating developers requiring the

1 development and sale or rental of the property to low income
2 households.

3 (b) At least 25 percent of the land bank properties sold
4 during any given fiscal year to be developed for sale shall be deed
5 restricted for sale to households with gross household incomes not
6 greater than 60 percent of the area median family income, adjusted
7 for household size, for the metropolitan statistical area in which
8 the municipality is located, as determined annually by the United
9 States Department of Housing and Urban Development.

10 (c) If property is developed for rental housing, the deed
11 restrictions must be for a period of not less than 20 years and must
12 require that:

13 (1) 100 percent of the rental units be occupied by and
14 affordable to households with incomes not greater than 60 percent
15 of area median family income, based on gross household income,
16 adjusted for household size, for the metropolitan statistical area
17 in which the municipality is located, as determined annually by the
18 United States Department of Housing and Urban Development;

19 (2) 40 percent of the units be occupied by and
20 affordable to households with incomes not greater than 50 percent
21 of area median family income, based on gross household income,
22 adjusted for household size, for the metropolitan statistical area
23 in which the municipality is located, as determined annually by the
24 United States Department of Housing and Urban Development; or

25 (3) 20 percent of the units be occupied by and
26 affordable to households with incomes not greater than 30 percent
27 of area median family income, based on gross household income,

1 adjusted for household size, for the metropolitan statistical area
2 in which the municipality is located, as determined annually by the
3 United States Department of Housing and Urban Development.

4 (d) The deed restrictions under Subsection (c) must require
5 the owner to file an annual occupancy report with the municipality
6 on a reporting form provided by the municipality. The deed
7 restrictions must also prohibit any exclusion of an individual or
8 family from admission to the development based solely on the
9 participation of the individual or family in the housing choice
10 voucher program under Section 8, United States Housing Act of 1937
11 (42 U.S.C. Section 1437f).

12 (e) Except as otherwise provided by this section, if the
13 deed restrictions imposed under this section are for a term of
14 years, the deed restrictions shall renew automatically.

15 (f) The land bank or the governing body of the municipality
16 may modify or add to the deed restrictions imposed under this
17 section. Any modifications or additions made by the governing body
18 of the municipality must be adopted by the municipality as part of
19 its plan and must comply with the restrictions set forth in
20 Subsections (b), (c), and (d).

21 Sec. 373A.211. RIGHT OF FIRST REFUSAL. (a) In this
22 section, "qualified organization" means a community housing
23 development organization that:

24 (1) contains within its designated geographical
25 boundaries of operation, as set forth in its application for
26 certification filed with and approved by the municipality, a
27 portion of the property that the land bank is offering for sale;

1 (2) has developed or rehabilitated at least three
2 single-family homes or duplexes or one multifamily residential
3 dwelling of four or more units in compliance with all applicable
4 building codes within the preceding 10-year period and within the
5 organization's designated geographical boundaries of operation;
6 and

7 (3) within the preceding three-year period has
8 developed or rehabilitated housing units within a two-mile radius
9 of the property that the land bank is offering for sale.

10 (b) The land bank shall first offer a property for sale to
11 qualified organizations.

12 (c) Notice must be provided to the qualified organizations
13 by certified mail, return receipt requested, not later than the
14 60th day before the beginning of the period in which a right of
15 first refusal may be exercised.

16 (d) The municipality shall specify in its plan the period
17 during which the right of first refusal provided by this section may
18 be exercised by a qualified organization. That period must be at
19 least 90 days in duration and begin at least three months but not
20 more than 26 months following the date of the deed of conveyance of
21 the property to the land bank.

22 (e) If the land bank conveys the property to a qualified
23 organization before the expiration of the period specified by the
24 municipality under Subsection (d), the interlocal agreement
25 executed under Section 373A.208(a)(4) may provide tax abatement for
26 the property until the expiration of that period.

27 (f) During the specified period, the land bank may not sell

1 the property to a qualified participating developer other than a
2 qualified organization. If all qualified organizations notify the
3 land bank that they are declining to exercise their right of first
4 refusal during the specified period, or if an offer to purchase the
5 property is not received from a qualified organization during that
6 period, the land bank may sell the property to any other qualified
7 participating developer at the same price that the land bank
8 offered the property to the qualified organizations.

9 (g) In its plan, the municipality shall establish the amount
10 of additional time, if any, that a property may be held in the land
11 bank once an offer has been received and accepted from a qualified
12 organization or other qualified participating developer.

13 (h) If more than one qualified organization expresses an
14 interest in exercising its right of first refusal, the organization
15 that has designated the most geographically compact area
16 encompassing a portion of the property shall be given priority.

17 (i) In its plan, the municipality may provide for other
18 rights of first refusal for any other nonprofit corporation
19 exempted from federal income tax under Section 501(c)(3), Internal
20 Revenue Code of 1986, provided that the preeminent right of first
21 refusal is provided to qualified organizations as provided by this
22 section.

23 (j) The land bank is not required to provide a right of first
24 refusal to qualified organizations under this section if the land
25 bank is selling property that reverted to the land bank under
26 Section 373A.209(d).

27 Sec. 373A.212. OPEN RECORDS AND MEETINGS. The land bank

1 shall comply with the requirements of Chapters 551 and 552,
2 Government Code.

3 Sec. 373A.213. RECORDS; AUDIT; REPORT. (a) The land bank
4 shall keep accurate minutes of its meetings and shall keep accurate
5 records and books of account that conform with generally accepted
6 principles of accounting and that clearly reflect the income and
7 expenses of the land bank and all transactions in relation to its
8 property.

9 (b) The land bank shall file with the municipality not later
10 than the 90th day after the close of the fiscal year annual audited
11 financial statements prepared by a certified public accountant.
12 The financial transactions of the land bank are subject to audit by
13 the municipality.

14 (c) For purposes of evaluating the effectiveness of the
15 program, the land bank shall submit an annual performance report to
16 the municipality not later than November 1 of each year in which the
17 land bank acquires or sells property under this subchapter. The
18 performance report must include:

19 (1) a complete and detailed written accounting of all
20 money and properties received and disbursed by the land bank during
21 the preceding fiscal year;

22 (2) for each property acquired by the land bank during
23 the preceding fiscal year:

24 (A) the street address of the property;

25 (B) the legal description of the property;

26 (C) the date the land bank took title to the
27 property;

1 (D) the name and address of the property owner of
2 record at the time of the foreclosure;

3 (E) the amount of taxes and other costs owed at
4 the time of the foreclosure; and

5 (F) the assessed value of the property on the tax
6 roll at the time of the foreclosure;

7 (3) for each property sold by the land bank during the
8 preceding fiscal year to a qualified participating developer:

9 (A) the street address of the property;

10 (B) the legal description of the property;

11 (C) the name and mailing address of the
12 developer;

13 (D) the purchase price paid by the developer;

14 (E) the maximum incomes allowed for the
15 households by the terms of the sale; and

16 (F) the source and amount of any public subsidy
17 provided by the municipality to facilitate the sale or rental of the
18 property to a household within the targeted income levels;

19 (4) for each property sold by a qualified
20 participating developer during the preceding fiscal year, the
21 buyer's household income and a description of all use and sale
22 restrictions; and

23 (5) for each property developed for rental housing
24 with an active deed restriction, a copy of the most recent annual
25 report filed by the owner with the land bank.

26 (d) The land bank shall maintain in its records for
27 inspection a complete copy of the sale settlement statement for

1 each property sold by a qualified participating developer and a
2 copy of the first page of the mortgage note with the interest rate
3 and indicating the volume and page number of the instrument as filed
4 with the county clerk.

5 (e) The land bank shall provide copies of the performance
6 report to the taxing units who were parties to the judgment of
7 foreclosure and shall provide notice of the availability of the
8 performance report for review to the organizations and neighborhood
9 associations identified by the municipality as serving the
10 neighborhoods in which properties sold to the land bank under this
11 subchapter are located.

12 (f) The land bank and the municipality shall maintain copies
13 of the performance report available for public review.

14 SECTION 2. This Act takes effect September 1, 2005.