

1-1 By: Lucio S.B. No. 1117
 1-2 (In the Senate - Filed February 26, 2019; March 7, 2019,
 1-3 read first time and referred to Committee on Intergovernmental
 1-4 Relations; April 15, 2019, reported adversely, with favorable
 1-5 Committee Substitute by the following vote: Yeas 6, Nays 1;
 1-6 April 15, 2019, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Lucio	X			
1-9 Schwertner		X		
1-10 Alvarado	X			
1-11 Campbell	X			
1-12 Fallon	X			
1-13 Menéndez	X			
1-14 Nichols	X			

1-16 COMMITTEE SUBSTITUTE FOR S.B. No. 1117 By: Alvarado

1-17 A BILL TO BE ENTITLED
 1-18 AN ACT

1-19 relating to the functions of certain urban land bank programs.
 1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
 1-21 SECTION 1. Section 379E.003, Local Government Code, is
 1-22 amended by amending Subdivision (3) and adding Subdivision (4-a) to
 1-23 read as follows:
 1-24 (3) "Land bank" means an entity established or
 1-25 approved by the governing body of a municipality to exercise ~~for~~
 1-26 the powers ~~[purpose]~~ of acquiring, holding, developing, and
 1-27 transferring ~~[unimproved]~~ real property under this chapter.
 1-28 (4-a) "Moderate income household" means a household
 1-29 that:
 1-30 (A) requires assistance in securing sanitary,
 1-31 decent, and safe housing, considering:
 1-32 (i) the amount of the total income
 1-33 available for housing needs of the individuals or families who are
 1-34 members of the household;
 1-35 (ii) the size of the household;
 1-36 (iii) the cost and condition of available
 1-37 housing facilities;
 1-38 (iv) the ability of the individuals or
 1-39 families who are members of the household to compete successfully
 1-40 in the private housing market and to pay the amounts required by
 1-41 that market for sanitary, decent, and safe housing; and
 1-42 (v) standards that are established for the
 1-43 purpose of federal programs and that use income to determine
 1-44 eligibility for the programs; and
 1-45 (B) does not qualify as a low income household.
 1-46 SECTION 2. Section 379E.004(b), Local Government Code, is
 1-47 amended to read as follows:
 1-48 (b) The governing body of a municipality that adopts an
 1-49 urban land bank program shall establish or approve a land bank to
 1-50 exercise ~~for~~ the powers ~~[purpose]~~ of acquiring, holding,
 1-51 developing, and transferring ~~[unimproved]~~ real property under this
 1-52 chapter.
 1-53 SECTION 3. Section 379E.005, Local Government Code, is
 1-54 amended to read as follows:
 1-55 Sec. 379E.005. QUALIFIED PARTICIPATING DEVELOPER. To
 1-56 qualify to participate in an urban land bank program, a developer
 1-57 other than the land bank must:
 1-58 (1) have developed three or more housing units within
 1-59 the three-year period preceding the submission of a proposal to the
 1-60 land bank seeking to acquire real property from the land bank;

2-1 (2) have a development plan approved ~~[by the~~
2-2 ~~municipality]~~ for the land bank property by the land bank or the
2-3 municipality; and

2-4 (3) meet any other requirements adopted by the
2-5 municipality in the urban land bank plan.

2-6 SECTION 4. Section 379E.006(c), Local Government Code, is
2-7 amended to read as follows:

2-8 (c) In developing the plan, the municipality shall consider
2-9 any other housing plans adopted by the municipality, including any
2-10 ~~[the comprehensive plan submitted to the United States Department~~
2-11 ~~of Housing and Urban Development and all]~~ fair housing plans and
2-12 policies adopted or agreed to by the municipality.

2-13 SECTION 5. Section 379E.008(a), Local Government Code, is
2-14 amended to read as follows:

2-15 (a) Notwithstanding any other law and except as provided by
2-16 Subsection (f), property that is ordered sold pursuant to
2-17 foreclosure of a tax lien may be sold in a private sale to a land
2-18 bank by the officer charged with the sale of the property without
2-19 first offering the property for sale as otherwise provided by
2-20 Section 34.01, Tax Code, if:

2-21 (1) the market value of the property as specified in
2-22 the judgment of foreclosure is less than the total amount due under
2-23 the judgment, including all taxes, penalties, and interest, plus
2-24 the value of nontax liens held by a taxing unit and awarded by the
2-25 judgment, court costs, and the cost of the sale;

2-26 (2) the property is not improved with a habitable
2-27 building or buildings or an uninhabitable building or buildings
2-28 that are occupied as a residence by an owner or tenant who is
2-29 legally entitled to occupy the building or buildings;

2-30 (3) there are delinquent taxes on the property for a
2-31 total of at least five years; and

2-32 (4) the municipality has executed with the other
2-33 taxing units that are parties to the tax suit an interlocal
2-34 agreement that enables those units to agree to participate in the
2-35 program while retaining the right to withhold consent to the sale of
2-36 specific properties to the land bank.

2-37 SECTION 6. Section 379E.009, Local Government Code, is
2-38 amended to read as follows:

2-39 Sec. 379E.009. SUBSEQUENT RESALE OR DEVELOPMENT BY LAND
2-40 BANK. (a) Within the five-year period following the date [Each
2-41 ~~subsequent resale]~~ of acquisition of a property ~~[acquired]~~ by a
2-42 land bank, the land bank ~~[under this chapter must comply with the~~
2-43 ~~conditions of this section.~~

2-44 ~~[(b) Within the three-year period following the date of~~
2-45 ~~acquisition, the land bank]~~ must:

2-46 (1) sell the ~~[a]~~ property to a qualified participating
2-47 developer for the purpose of construction or rehabilitation of
2-48 affordable housing for sale or rent to low or moderate income
2-49 households; or

2-50 (2) develop the property for the purposes described by
2-51 Subdivision (1).

2-52 (b) If after five ~~[three]~~ years a qualified participating
2-53 developer has not purchased the property or the land bank has not
2-54 developed the property, the property shall be transferred from the
2-55 land bank to the taxing units who were parties to the judgment for
2-56 disposition as otherwise allowed under the law.

2-57 (c) Unless the municipality increases the amount in its
2-58 plan, the number of properties acquired by a qualified
2-59 participating developer under this section on which development has
2-60 not been completed may not at any given time exceed three times the
2-61 annual average residential production completed by the qualified
2-62 participating developer during the preceding three-year ~~[two-year]~~
2-63 period as determined by the municipality.

2-64 (d) The deed conveying a property sold by the land bank must
2-65 include a right of reverter so that, if the qualified participating
2-66 developer does not apply for a construction permit and close on any
2-67 construction financing within the three-year ~~[two-year]~~ period
2-68 following the date of the conveyance of the property from the land
2-69 bank to the qualified participating developer, the property will

3-1 revert to the land bank for development by the land bank, subsequent
3-2 resale to another qualified participating developer, or conveyance
3-3 to the taxing units who were parties to the judgment for disposition
3-4 as otherwise allowed under the law.

3-5 (e) Each subsequent resale that a land bank makes to a
3-6 qualified participating developer with respect to a property
3-7 acquired by the land bank under this chapter must comply with the
3-8 conditions of this section.

3-9 SECTION 7. Sections 379E.010(a), (b), (c), and (d), Local
3-10 Government Code, are amended to read as follows:

3-11 (a) The land bank shall impose deed restrictions on property
3-12 developed by the land bank or sold to qualified participating
3-13 developers requiring the development and subsequent sale or rental
3-14 of the property to low or moderate income households.

3-15 (b) For land bank properties developed by the land bank for
3-16 sale, and for [At least 25 percent of the] land bank properties sold
3-17 to a qualified participating developer for development for sale, in
3-18 [during] any given fiscal year:

3-19 (1) at least 45 percent of the properties must [to] be
3-20 deed restricted for sale [developed for sale shall be deed
3-21 restricted for sale] to households with a [gross] household income
3-22 of [incomes] not more [greater] than 80 [60] percent of the area
3-23 median family income, based on gross household income, adjusted for
3-24 household size, for the metropolitan statistical area in which the
3-25 properties are [municipality is] located, as determined annually by
3-26 the United States Department of Housing and Urban Development;

3-27 (2) at least 25 percent of the properties must be deed
3-28 restricted for sale to households with a household income of not
3-29 more than 60 percent of the area median family income, based on
3-30 gross household income, adjusted for household size, for the
3-31 metropolitan statistical area in which the properties are located,
3-32 as determined annually by the United States Department of Housing
3-33 and Urban Development; and

3-34 (3) the remaining properties must be deed restricted
3-35 for sale to households with a household income of not more than 120
3-36 percent of the area median family income, based on gross household
3-37 income, adjusted for household size, for the metropolitan
3-38 statistical area in which the properties are located, as determined
3-39 annually by the United States Department of Housing and Urban
3-40 Development.

3-41 (c) If property is developed and used for rental housing,
3-42 the deed restrictions must be for a period of not less than 30 [20]
3-43 years and must require that 100 percent of the units are occupied by
3-44 and affordable to households with incomes not greater than 80
3-45 percent of area median family income, based on gross household
3-46 income, adjusted for household size, for the metropolitan
3-47 statistical area in which the units are located, as determined
3-48 annually by the United States Department of Housing and Urban
3-49 Development, and must also require that of those units:

3-50 (1) at least 40 [100] percent are [of the rental units
3-51 be] occupied by and affordable to households with incomes not
3-52 greater than 60 percent of area median family income, based on gross
3-53 household income, adjusted for household size, for the metropolitan
3-54 statistical area in which the units are [municipality is] located,
3-55 as determined annually by the United States Department of Housing
3-56 and Urban Development; and

3-57 (2) at least 20 [40] percent are [of the units be]
3-58 occupied by and affordable to households with incomes not greater
3-59 than 50 percent of area median family income, based on gross
3-60 household income, adjusted for household size, for the metropolitan
3-61 statistical area in which the units are [municipality is] located,
3-62 as determined annually by the United States Department of Housing
3-63 and Urban Development [, or

3-64 [(3) 20 percent of the units be occupied by and
3-65 affordable to households with incomes not greater than 30 percent
3-66 of area median family income, based on gross household income,
3-67 adjusted for household size, for the metropolitan statistical area
3-68 in which the municipality is located, as determined annually by the
3-69 United States Department of Housing and Urban Development].

4-1 (d) The deed restrictions under Subsection (c) must require
4-2 the owner to file an annual occupancy report with the municipality
4-3 on a reporting form provided by or acceptable to the
4-4 municipality. The deed restrictions must also prohibit any
4-5 exclusion of an individual or family from admission to the
4-6 development based solely on the participation of the individual or
4-7 family in the housing choice voucher program under Section 8,
4-8 United States Housing Act of 1937 (42 U.S.C. Section 1437f), as
4-9 amended.

4-10 SECTION 8. Sections 379E.013(c) and (d), Local Government
4-11 Code, are amended to read as follows:

4-12 (c) For purposes of evaluating the effectiveness of the
4-13 program, the land bank shall submit an annual performance report to
4-14 the municipality not later than November 1 of each year in which the
4-15 land bank acquires, develops, or sells property under this
4-16 chapter. The performance report must include:

4-17 (1) a complete and detailed written accounting of all
4-18 money and properties received and disbursed by the land bank during
4-19 the preceding fiscal year;

4-20 (2) for each property acquired by the land bank during
4-21 the preceding fiscal year:

4-22 (A) the street address of the property;

4-23 (B) the legal description of the property;

4-24 (C) the date the land bank took title to the
4-25 property;

4-26 (D) the name and mailing address of the property
4-27 owner of record at the time of the foreclosure;

4-28 (E) the amount of taxes and other costs owed at
4-29 the time of the foreclosure; and

4-30 (F) the assessed value of the property on the tax
4-31 roll at the time of the foreclosure;

4-32 (3) for each property sold by the land bank during the
4-33 preceding fiscal year to a qualified participating developer:

4-34 (A) the street address of the property;

4-35 (B) the legal description of the property;

4-36 (C) the name and mailing address of the purchaser
4-37 ~~[developer]~~;

4-38 (D) the ~~[purchase]~~ price paid by the purchaser
4-39 ~~[developer]~~;

4-40 (E) the maximum incomes allowed for the
4-41 households by the terms of the sale; and

4-42 (F) the source and amount of any public subsidy
4-43 provided by the municipality to facilitate the sale or rental of the
4-44 property to a household within the targeted income levels;

4-45 (4) for each property sold by the land bank or a
4-46 qualified participating developer during the preceding fiscal
4-47 year, the buyer's household income and a description of all use and
4-48 sale restrictions; and

4-49 (5) for each property developed for rental housing
4-50 with an active deed restriction, a copy of the most recent annual
4-51 report ~~for~~ ~~[filed by]~~ the property ~~[owner with the land bank]~~.

4-52 (d) The land bank shall maintain in its records for
4-53 inspection a copy of the sale settlement statement for each
4-54 property sold by the land bank or a qualified participating
4-55 developer and a copy of the first page of the mortgage note with the
4-56 interest rate and indicating the volume and page number of the
4-57 instrument as filed with the county clerk.

4-58 SECTION 9. Section 11.18(d), Tax Code, is amended to read as
4-59 follows:

4-60 (d) A charitable organization must be organized exclusively
4-61 to perform religious, charitable, scientific, literary, or
4-62 educational purposes and, except as permitted by Subsections (h)
4-63 and (l), engage exclusively in performing one or more of the
4-64 following charitable functions:

4-65 (1) providing medical care without regard to the
4-66 beneficiaries' ability to pay, which in the case of a nonprofit
4-67 hospital or hospital system means providing charity care and
4-68 community benefits in accordance with Section 11.1801;

4-69 (2) providing support or relief to orphans,

5-1 delinquent, dependent, or handicapped children in need of
5-2 residential care, abused or battered spouses or children in need of
5-3 temporary shelter, the impoverished, or victims of natural disaster
5-4 without regard to the beneficiaries' ability to pay;
5-5 (3) providing support without regard to the
5-6 beneficiaries' ability to pay to:
5-7 (A) elderly persons, including the provision of:
5-8 (i) recreational or social activities; and
5-9 (ii) facilities designed to address the
5-10 special needs of elderly persons; or
5-11 (B) the handicapped, including training and
5-12 employment:
5-13 (i) in the production of commodities; or
5-14 (ii) in the provision of services under 41
5-15 U.S.C. Sections 8501-8506;
5-16 (4) preserving a historical landmark or site;
5-17 (5) promoting or operating a museum, zoo, library,
5-18 theater of the dramatic or performing arts, or symphony orchestra
5-19 or choir;
5-20 (6) promoting or providing humane treatment of
5-21 animals;
5-22 (7) acquiring, storing, transporting, selling, or
5-23 distributing water for public use;
5-24 (8) answering fire alarms and extinguishing fires with
5-25 no compensation or only nominal compensation to the members of the
5-26 organization;
5-27 (9) promoting the athletic development of boys or
5-28 girls under the age of 18 years;
5-29 (10) preserving or conserving wildlife;
5-30 (11) promoting educational development through loans
5-31 or scholarships to students;
5-32 (12) providing halfway house services pursuant to a
5-33 certification as a halfway house by the parole division of the Texas
5-34 Department of Criminal Justice;
5-35 (13) providing permanent housing and related social,
5-36 health care, and educational facilities for persons who are 62
5-37 years of age or older without regard to the residents' ability to
5-38 pay;
5-39 (14) promoting or operating an art gallery, museum, or
5-40 collection, in a permanent location or on tour, that is open to the
5-41 public;
5-42 (15) providing for the organized solicitation and
5-43 collection for distributions through gifts, grants, and agreements
5-44 to nonprofit charitable, education, religious, and youth
5-45 organizations that provide direct human, health, and welfare
5-46 services;
5-47 (16) performing biomedical or scientific research or
5-48 biomedical or scientific education for the benefit of the public;
5-49 (17) operating a television station that produces or
5-50 broadcasts educational, cultural, or other public interest
5-51 programming and that receives grants from the Corporation for
5-52 Public Broadcasting under 47 U.S.C. Section 396, as amended;
5-53 (18) providing housing for low-income and
5-54 moderate-income families, for unmarried individuals 62 years of age
5-55 or older, for handicapped individuals, and for families displaced
5-56 by urban renewal, through the use of trust assets that are
5-57 irrevocably and, pursuant to a contract entered into before
5-58 December 31, 1972, contractually dedicated on the sale or
5-59 disposition of the housing to a charitable organization that
5-60 performs charitable functions described by Subdivision (9);
5-61 (19) providing housing and related services to persons
5-62 who are 62 years of age or older in a retirement community, if the
5-63 retirement community provides independent living services,
5-64 assisted living services, and nursing services to its residents on
5-65 a single campus:
5-66 (A) without regard to the residents' ability to
5-67 pay; or
5-68 (B) in which at least four percent of the
5-69 retirement community's combined net resident revenue is provided in

6-1 charitable care to its residents;
6-2 (20) providing housing on a cooperative basis to
6-3 students of an institution of higher education if:
6-4 (A) the organization is exempt from federal
6-5 income taxation under Section 501(a), Internal Revenue Code of
6-6 1986, as amended, by being listed as an exempt entity under Section
6-7 501(c)(3) of that code;
6-8 (B) membership in the organization is open to all
6-9 students enrolled in the institution and is not limited to those
6-10 chosen by current members of the organization;
6-11 (C) the organization is governed by its members;
6-12 and
6-13 (D) the members of the organization share the
6-14 responsibility for managing the housing;
6-15 (21) acquiring, holding, and transferring unimproved
6-16 real property under an urban land bank demonstration program
6-17 established under Chapter 379C, Local Government Code, as or on
6-18 behalf of a land bank;
6-19 (22) acquiring, holding, and transferring
6-20 [unimproved] real property under an urban land bank program
6-21 established under Chapter 379E, Local Government Code, as or on
6-22 behalf of a land bank;
6-23 (23) providing housing and related services to
6-24 individuals who:
6-25 (A) are unaccompanied and homeless and have a
6-26 disabling condition; and
6-27 (B) have been continuously homeless for a year or
6-28 more or have had at least four episodes of homelessness in the
6-29 preceding three years;
6-30 (24) operating a radio station that broadcasts
6-31 educational, cultural, or other public interest programming,
6-32 including classical music, and that in the preceding five years has
6-33 received or been selected to receive one or more grants from the
6-34 Corporation for Public Broadcasting under 47 U.S.C. Section 396, as
6-35 amended; or
6-36 (25) providing, without regard to the beneficiaries'
6-37 ability to pay, tax return preparation services and assistance with
6-38 other financial matters.
6-39 SECTION 10. The changes in law made by this Act to Chapter
6-40 379E, Local Government Code, apply only to a property acquired by a
6-41 land bank on or after the effective date of this Act. A property
6-42 acquired by a land bank before the effective date of this Act is
6-43 governed by the law in effect immediately before the effective date
6-44 of this Act, and the former law is continued in effect for that
6-45 purpose.
6-46 SECTION 11. Section 11.18, Tax Code, as amended by this Act,
6-47 applies only to an ad valorem tax year that begins on or after the
6-48 effective date of this Act.
6-49 SECTION 12. This Act takes effect September 1, 2019.

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