

SUBJECT: Modifying the Urban Land Bank Demonstration Program in Dallas

COMMITTEE: Environmental Regulation — committee substitute recommended

VOTE: 7 ayes — Bonnen, Hancock, Lucio, Driver, T. King, Kuempel, West
0 nays

WITNESSES: For — Larry Castro, City of Dallas
Against — None
On — Alan Batcheller and Caroline Sweeney Texas Commission on Environmental Quality; Mary Miksa, Texas Association of Business

BACKGROUND: In 2003, the 78th Legislature enacted HB 2801 by Giddings, which established the Urban Land Bank Demonstration Program Act. As stipulated in Local Government Code, sec. 379C, a city with a population of 1.18 million or more located predominantly in a county with a total area of less than 1,000 square miles — Dallas — can permit the private sale of tax-foreclosed property to an urban land bank. In turn, property used for land bank purposes can be developed into affordable housing. The act outlines requirements for the city of Dallas and participating developers, and other entities to follow in the acquisition and sale of such properties.

DIGEST: CSHB 1742 would modify certain requirements for the city of Dallas Urban Land Bank Demonstration Program.

Land bank program. The bill would raise the gross income level at which a household could qualify for affordable housing developed by the City of Dallas Land Bank. Households with a maximum gross income of 115 percent, rather than 80 percent, of the area's median family income would qualify as low-income.

CSHB 1742 would change certain requirements for property that could be privately sold to the land bank pursuant to a tax lien foreclosure. Property with delinquent taxes for a total of at least five years would be available for sale, as opposed to property with delinquent taxes for the preceding six years. The following types of property also would be available for private sale to the land bank following a tax lien foreclosure:

- property not improved with habitable buildings; and
- property not improved with uninhabitable buildings occupied by owners or tenants legally entitled to reside there.

The bill also would modify certain restrictions imposed on property sold by the land bank to qualified developers. At least 20 percent, rather than 25 percent, of land bank properties would be deed restricted for households with gross incomes of 60 percent of the area's median family income. Also, not more than 30 percent of the land bank properties would be deed restricted for sale to households with incomes greater than 80 percent of the area's median family income.

CSHB 1742 also would amend certain provisions on the sale of land bank property. The land bank plan would have to allow community housing development organizations to refuse their right to purchase land bank property within six months from the date of the deed conveyance. This would remove the current time period provision of at least nine months but not more than 26 months.

Solid waste requirements. The Texas Commission on Environmental Quality (TCEQ) could not hold the City of Dallas Land Bank responsible for an enforcement action or reimburse remediation costs for solid waste if the commission determined that:

- the solid waste originated from an up-gradient, off-site source not owned or operated by the land bank;
- the solid waste was present on the site before the land bank purchased the site; and
- the land bank could not have known about the contaminants during the time of the site's purchase.

CSHB 1742 would exempt the land bank from responsibility over solid waste released from a site if the site was acquired through tax delinquency, bankruptcy, abandonment or other involuntary circumstances. The land bank also would be exempt from solid waste provisions if it did not cause or contribute to the solid waste released.

New provisions on solid waste would apply to site investigations and enforcement actions conducted by TCEQ on or after September 1, 2007.

Tax exemptions. CSHB 1742 would exempt the City of Dallas Land Bank from taxes on real property, buildings, tangible personal property, and incomplete improvements. The act of acquiring, holding, and transferring unimproved real property as, or on behalf of, the land bank under the Urban Land Bank Demonstration Program would qualify as a charitable function performed by a charitable organization.

The modifications on charitable organizations would apply beginning with the 2008 tax year.

The bill would take effect September 1, 2007.

**SUPPORTERS
SAY:**

CSHB 1742 would better equip the City of Dallas Urban Land Bank Demonstration Program to place unproductive properties back onto the city's tax rolls and address its lack of affordable housing for low-income residents. Currently, more than 4,500 vacant lots exist in Dallas and potentially are available for sale to the City of Dallas Land Bank. The bill would assist Dallas in placing these lots under land bank ownership.

The bill would enhance participation in this effective program by increasing the number of lots available for sale to the land bank. It would accomplish this by shortening the delinquent tax eligibility period on certain properties and granting a property tax exemption to lots held by the land bank. Additionally, exempting the land bank from solid waste release requirements would increase lot availability, and the shorter refusal period granted to qualified community housing development organizations would spur greater involvement by developers.

The inclusion of moderate income households for eligibility would expand the number and type of households that could participate in the program. These adjustments would create a more consistent market for homes developed on vacant lots, with greater flexibility in home size and cost. Additionally, the inclusion of low and moderate income households would spur the development of mixed-income neighborhoods. Such neighborhoods are known for long-term growth and stability.

**OPPONENTS
SAY:**

CSHB 1742 would go too far in exempting the City of Dallas Land Bank from liability for solid waste releases. If the land bank were absolved from responsibility, it is not clear who would be required to clean up contaminated land, and these costs could fall to private owners or the state.