

BILL ANALYSIS

Senate Research Center

S.B. 1402
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

During the 1950s through the early 1980s, large tracts of land were purchased in far east El Paso, subdivided into small lots, and sold to thousands of individuals on speculation that they would be good investments.

In one such speculative land deal, in the 1960s and 1970s, the Horizon Corp sold undeveloped desert lots in an unincorporated area to more than 27,000 people worldwide. Promising a quick return on their investment, this company made over \$40 million in profits but, nearly half a century later, buyers have yet to see a return on their investments. After several class action lawsuits, the Federal Trade Commission shut the company's operation down in 1981 and cited them for disreputable practices, including overaggressive salesmen, mass misrepresentation to land buyers, misleading ads, and the failure to supply water.

According to the El Paso County Central Appraisal District, once valued at \$1000, most of these lots are valued at \$1 or \$2. This is the value for undeveloped lots with no infrastructure. There are approximately 54,000 acres of lots that fit this category within El Paso County.

Today, speculators acquire bundles of these lots, and as required by the 1995 colonias law, they will make minimum improvements for water and sewer but do not install other improvements that would be required under the current regulations (i.e., paved streets and curbing). Eventually, as these lots are re-sold and occupied, the residents begin asking for streets, curbs, drainage, lights and other improvements. The areas become de-facto colonias and the county is pressured to provide these improvements, which come at a higher cost given the years of non-utilization.

S.B. 1402 would give El Paso County authority to adopt reasonable specifications for infrastructure so that these obsolete, vacant areas that have lain dormant for decades will be put on a more equal footing with subdivisions being built today.

C.S.S.B 1402 would amend the Local Government Code to allow El Paso County to establish a process to place infrastructure requirements on lots that have been undeveloped for at least 25 years or more. Any new regulation or standard for infrastructure is required to comply with minimum requirements for water and sewage, as established by H.B. 1001 in 1995; and model subdivision rules, which were established in 1989. C.S.S.B. 1402 ensures any new standard applies only to lots that have been acquired by a "common promotional scheme" and exempts any property that was the subject of a settlement agreement and release incorporating an agreed final judgment that was effective on or before May 1, 2017. (Original Author's/Sponsor's Statement of Intent)

S.B. 1402 amends current law relating to regulation by certain counties of lots in platted subdivisions that have remained undeveloped.

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 Subchapter B, Chapter 232, Local Government Code, by adding Section 232.045, as follows:

Sec. 232.045. APPLICABILITY OF INFRASTRUCTURE REQUIREMENTS TO LOTS UNDEVELOPED FOR 25 YEARS OR MORE. (a) Provides that this section applies only to a county with a population of more than 800,000 that is adjacent to an international border.

(b) Authorizes a commissioners court by order to implement a process:

(1) applicable to a subdivision in which 50 percent or more of the lots are undeveloped or unoccupied on or after the 25th anniversary of the date the plat for the subdivision was recorded with the county; and

(2) through which the county, to the extent practicable, is authorized to apply to the subdivision more current street, road, drainage, and other infrastructure requirements.

(c) Requires a regulation or standard adopted by a county under this section to be no less stringent than the minimum standards and other requirements under the model rules for safe and sanitary water supply and sewer services adopted under Section 16.343 (Minimum State Standards and Model Political Subdivision Rules), Water Code, and any other minimum public safety standards that would otherwise be applicable to the subdivision.

(d) Provides that a regulation or standard adopted by a county under this section applies only to a lot that is owned by an individual, firm, corporation, or other legal entity that directly or indirectly offers lots for sale or lease as part of a common promotional plan in the ordinary course of business, and each regulation or standard is required to expressly state that limitation. Defines, for the purposes of this subsection, "common promotional plan" as a plan or scheme of operation undertaken by a person or a group acting in concert, either personally or through an agent, to offer for sale or lease more than two lots when the land is contiguous or part of the same area of land or known, designated, or advertised as a common unit or by a common name.

SECTION 2. Provides that Section 232.045, Local Government Code, as added by this Act, does not apply to property that was the subject of a settlement agreement and release incorporating an agreed final judgment that was effective on or before May 1, 2017, or any property that was the subject of an amendment to such settlement agreement and release that was subsequently entered into by the parties.

SECTION 3. Effective date: January 1, 2020.