

By: West

S.B. No. 402

A BILL TO BE ENTITLED

1 AN ACT

2 relating to community land trusts.

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

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

6 CHAPTER 373B. COMMUNITY LAND TRUSTS

7 Sec. 373B.001. DEFINITION. In this chapter, "community  
8 housing development organization" has the meaning assigned by 42  
9 U.S.C. Section 12704.

10 Sec. 373B.002. CREATION OR DESIGNATION. The governing body  
11 of a municipality or county by ordinance or order may create or  
12 designate one or more community land trusts, including a housing  
13 finance corporation established under Chapter 394 or a land trust  
14 operated by a community housing development organization certified  
15 by the municipality or county, to operate in the municipality or  
16 county.

17 Sec. 373B.003. NATURE OF TRUST. A community land trust  
18 created or designated under Section 373B.002 must be a nonprofit  
19 organization that is:

20 (1) created to acquire and hold land for the benefit of  
21 developing and preserving long-term affordable housing in the  
22 municipality or county; and

23 (2) exempt from federal income taxation under Section  
24 501(a), Internal Revenue Code of 1986, by being certified as an

1 exempt organization under Section 501(c)(3) of that code.

2       Sec. 373B.004. PURPOSES OF TRUST. The purposes of a  
3 community land trust are to:

4           (1) provide affordable housing for low-income and  
5 moderate-income residents in the community;

6           (2) promote resident ownership of housing;

7           (3) keep housing affordable for future residents; and

8           (4) capture the value of public investment for  
9 long-term community benefit.

10       Sec. 373B.005. OWNERSHIP OF LAND AND HOUSING UNITS. A  
11 community land trust may retain title to land it acquires and may:

12           (1) sell housing units located on the land and lease  
13 the land under ground leases with terms of at least 99 years; or

14           (2) lease housing units located on the land.

15       Sec. 373B.006. QUALIFICATIONS OF PURCHASERS OR LESSEES OF  
16 HOUSING UNITS. (a) A community land trust may sell housing units  
17 only to families with a yearly income at the time of sale at or below  
18 80 percent of the area median family income, adjusted for family  
19 size.

20           (b) Notwithstanding Subsection (a), for housing units  
21 located on one or more tracts of land owned by the community land  
22 trust that constitute a contiguous geographic area or are located  
23 in the same platted subdivision, the trust may sell not more than 20  
24 percent of the housing units to families with a yearly income at the  
25 time of sale that exceeds the amount provided by Subsection (a) but  
26 does not exceed 120 percent of the area median family income,  
27 adjusted for family size.

1        (c) At least 25 percent of the housing units sold by the  
2 trust must be sold to families with a yearly income at the time of  
3 sale at or below 60 percent of the area median family income,  
4 adjusted for family size.

5        (d) A community land trust may lease housing units only to  
6 families with a yearly income at the time of lease at or below 60  
7 percent of the area median family income, adjusted for family size.

8        (e) Notwithstanding Subsection (d), for housing units  
9 located on one or more tracts of land owned by the community land  
10 trust that constitute a contiguous geographic area or are located  
11 in the same platted subdivision, the trust may lease not more than  
12 20 percent of the housing units to families with a yearly income at  
13 the time of lease that exceeds the amount provided by Subsection (d)  
14 but does not exceed 80 percent of the area median family income,  
15 adjusted for family size.

16        Sec. 373B.007. RELATION TO OTHER LAW. This chapter does not  
17 preclude the creation of a land trust by a nonprofit organization,  
18 including a community housing development organization, under  
19 other statutory or common law or the operation of that land trust  
20 inside or outside a municipality or county that has created or  
21 designated a community land trust under Section 373B.002.

22        Sec. 373B.008. APPLICABILITY OF CHAPTER TO TRUST OPERATED  
23 BY HOUSING FINANCE CORPORATION. Section 373B.003 does not apply to  
24 a community land trust operated in the municipality or county by a  
25 housing finance corporation established under Chapter 394.

26        SECTION 2. Subchapter B, Chapter 11, Tax Code, is amended by  
27 adding Section 11.1827 to read as follows:

1        Sec. 11.1827. COMMUNITY LAND TRUST. (a) In this section,  
2        "community land trust" means a community land trust created or  
3        designated under Section 373B.002, Local Government Code.

4        (b) In addition to any other exemption to which the trust  
5        may be entitled, a community land trust is entitled to an exemption  
6        from taxation by a taxing unit of land owned by the trust, together  
7        with the housing units located on the land if they are owned by the  
8        trust, if:

9                (1) the trust:

10                (A) meets the requirements of a charitable  
11        organization provided by Sections 11.18(e) and (f);  
12                (B) owns the land for the purpose of leasing the  
13        land and selling or leasing the housing units located on the land as  
14        provided by Chapter 373B, Local Government Code; and

15                (C) engages exclusively in the sale or lease of  
16        housing as described by Paragraph (B) and related activities,  
17        except that the trust may also engage in the development of  
18        low-income and moderate-income housing; and

19                (2) the exemption is adopted by the governing body of  
20        the taxing unit before July 1 in the manner provided by law for  
21        official action by the body.

22                (c) Property owned by a community land trust may not be  
23        exempted under Subsection (b) after the third anniversary of the  
24        date the trust acquires the property unless the trust is offering to  
25        sell or lease or is leasing the property as provided by Chapter  
26        373B, Local Government Code.

27                (d) A community land trust entitled to an exemption from

1 taxation by a taxing unit under Subsection (b) is also entitled to  
2 an exemption from taxation by the taxing unit of any real or  
3 tangible personal property the trust owns and uses in the  
4 administration of its acquisition, construction, repair, sale, or  
5 leasing of property. To qualify for an exemption under this  
6 subsection, property must be used exclusively by the trust, except  
7 that another person may use the property for activities incidental  
8 to the trust's use that benefit the beneficiaries of the trust.

9           (e) To receive an exemption under this section, a community  
10 land trust must annually have an audit prepared by an independent  
11 auditor. The audit must include:

12           (1) a detailed report on the trust's sources and uses  
13 of funds; and

14           (2) any other information required by the governing  
15 body of the municipality or county that created or designated the  
16 trust under Section 373B.002, Local Government Code.

17           (f) Not later than the 180th day after the last day of the  
18 community land trust's most recent fiscal year, the trust must  
19 deliver a copy of the audit required by Subsection (e) to:

20           (1) the governing body of the municipality or county  
21 or an entity designated by the governing body; and

22           (2) the chief appraiser of the appraisal district in  
23 which the property subject to the exemption is located.

24           SECTION 3. Subsection (c), Section 11.43, Tax Code, is  
25 amended to read as follows:

26           (c) An exemption provided by Section 11.13, 11.131, 11.17,  
27 11.18, 11.182, 11.1827, 11.183, 11.19, 11.20, 11.21, 11.22,

1 11.23(h), (j), or (j-1), 11.231, 11.254, 11.29, 11.30, or 11.31,  
2 once allowed, need not be claimed in subsequent years, and except as  
3 otherwise provided by Subsection (e), the exemption applies to the  
4 property until it changes ownership or the person's qualification  
5 for the exemption changes. However, the chief appraiser may  
6 require a person allowed one of the exemptions in a prior year to  
7 file a new application to confirm the person's current  
8 qualification for the exemption by delivering a written notice that  
9 a new application is required, accompanied by an appropriate  
10 application form, to the person previously allowed the exemption.

11 SECTION 4. Section 23.21, Tax Code, is amended by adding  
12 Subsections (c) and (d) to read as follows:

13 (c) In appraising land or a housing unit that is leased by a  
14 community land trust created or designated under Section 373B.002,  
15 Local Government Code, to a family meeting the income-eligibility  
16 standards established by Section 373B.006 of that code under  
17 regulations or restrictions limiting the amount that the family may  
18 be required to pay for the rental or lease of the property, the  
19 chief appraiser shall take into account the extent to which that use  
20 and limitation reduce the market value of the property.

21 (d) In appraising a housing unit that the owner or a  
22 predecessor of the owner acquired from a community land trust  
23 created or designated under Section 373B.002, Local Government  
24 Code, and that is located on land owned by the trust and leased by  
25 the owner of the housing unit, the chief appraiser shall take into  
26 account the extent to which any regulations or restrictions  
27 limiting the right of the owner of the housing unit to sell the

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1 housing unit, including any limitation on the price for which the  
2 housing unit may be sold, reduce the market value of the housing  
3 unit.

4 SECTION 5. This Act applies only to ad valorem taxes imposed  
5 for a tax year beginning on or after the effective date of this Act.

6 SECTION 6. This Act takes effect January 1, 2012.