

By: West

S.B. No. 402

A BILL TO BE ENTITLED

AN ACT

relating to community land trusts.

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 373B to read as follows:

CHAPTER 373B. COMMUNITY LAND TRUSTS

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

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

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

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

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

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

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

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

(2) promote resident ownership of housing;

(3) keep housing affordable for future residents; and

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

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

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

(2) lease housing units located on the land.

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

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

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

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

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

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

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

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

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

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

(c) An exemption provided by Section 11.13, 11.131, 11.17, 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

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.