

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. Section 373B.003, Local Government Code, is amended to read as follows:

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) organized as:

(A) a nonprofit corporation that is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed [~~certified~~] as an exempt organization under Section 501(c)(3) of that code;

(B) a limited partnership of which a nonprofit corporation described by Paragraph (A) controls 100 percent of the general partner interest; or

(C) a limited liability company for which a nonprofit corporation described by Paragraph (A) serves as the only member.

SECTION 2. Section 23.21, Tax Code, is amended by amending Subsections (c) and (d) and adding Subsection (c-1) to read as

1 follows:

2 (c) In appraising land [~~or a housing unit~~] that is leased by  
3 a community land trust created or designated under Section  
4 373B.002, Local Government Code, to a family meeting the  
5 income-eligibility standards established by Section 373B.006 of  
6 that code under regulations or restrictions limiting the amount  
7 that the family may be required to pay for the rental or lease of the  
8 property, the chief appraiser shall use the income method of  
9 appraisal as described by Section 23.012 to determine the appraised  
10 value of the property. The chief appraiser shall use that method  
11 regardless of whether the chief appraiser considers that method to  
12 be the most appropriate method of appraising the property. In  
13 appraising the property, the chief appraiser shall:

14 (1) take into account the uses and limitations  
15 applicable to the property, including the terms of the lease  
16 applicable to the property, for purposes of computing the actual  
17 rental income from the property and projecting future rental  
18 income; and

19 (2) use the same capitalization rate that the chief  
20 appraiser uses to appraise other rent-restricted properties  
21 [~~extent to which that use and limitation reduce the market value of~~  
22 ~~the property~~].

23 (c-1) In appraising a housing unit that is leased by a  
24 community land trust created or designated under Section 373B.002,  
25 Local Government Code, to a family meeting the income-eligibility  
26 standards established by Section 373B.006 of that code under  
27 regulations or restrictions limiting the amount that the family may

1 be required to pay for the rental or lease of the property, the  
2 chief appraiser shall use the income method of appraisal as  
3 described by Section 23.012 to determine the appraised value of the  
4 property. The chief appraiser shall use that method regardless of  
5 whether the chief appraiser considers that method to be the most  
6 appropriate method of appraising the property. In appraising the  
7 property, the chief appraiser shall:

8           (1) take into account the uses and limitations  
9 applicable to the property, including the terms of the lease  
10 applicable to the property, for purposes of computing the actual  
11 rental income from the property and projecting future rental  
12 income; and

13           (2) use the same capitalization rate that the chief  
14 appraiser uses to appraise other rent-restricted properties.

15           (d) In appraising a housing unit that the owner or a  
16 predecessor of the owner acquired from a community land trust  
17 created or designated under Section 373B.002, Local Government  
18 Code, and that is located on land owned by the trust and leased by  
19 the owner of the housing unit, the chief appraiser shall take into  
20 account the extent to which any regulations or restrictions  
21 limiting the right of the owner of the housing unit to sell the  
22 housing unit, including any limitation on the price for which the  
23 housing unit may be sold, reduce the market value of the housing  
24 unit. If the sale of the housing unit is subject to an eligible land  
25 use restriction, the chief appraiser may not appraise the housing  
26 unit in a tax year for an amount that exceeds the price for which the  
27 housing unit may be sold under the eligible land use restriction in

1 that tax year. For purposes of this subsection, "eligible land use  
2 restriction" means an agreement, deed restriction, or restrictive  
3 covenant applicable to the housing unit that:

4 (1) is recorded in the real property records;

5 (2) has a term of at least 40 years;

6 (3) restricts the price for which the housing unit may  
7 be sold to a price that is equal to or less than the market value of  
8 the housing unit; and

9 (4) restricts the sale of the housing unit to a family  
10 meeting the income-eligibility standards established by Section  
11 373B.006, Local Government Code.

12 SECTION 3. Section 26.10, Tax Code, is amended by amending  
13 Subsection (a) and adding Subsection (d) to read as follows:

14 (a) If the appraisal roll shows that a property is eligible  
15 for taxation for only part of a year because an exemption, other  
16 than a residence homestead exemption or an exemption described by  
17 Subsection (d), applicable on January 1 of that year terminated  
18 during the year, the tax due against the property is calculated by  
19 multiplying the tax due for the entire year as determined as  
20 provided by Section 26.09 [~~of this code~~] by a fraction, the  
21 denominator of which is 365 and the numerator of which is the number  
22 of days the exemption is not applicable.

23 (d) Subsection (a) does not apply to an exemption for land  
24 received by an organization under Section 11.181, 11.182, or  
25 11.1825 that terminated during the year because of the sale by the  
26 organization of a housing unit located on the land if:

27 (1) the housing unit is sold to a family meeting the

1 income-eligibility standards established by Section 373B.006,  
2 Local Government Code;

3 (2) the organization retains title to the land on  
4 which the housing unit is located; and

5 (3) before the date on which the housing unit is sold,  
6 the organization is designated a community land trust by the  
7 governing body of a municipality or county as provided by Section  
8 373B.002, Local Government Code.

9 SECTION 4. This Act applies only to ad valorem taxes imposed  
10 for a tax year that begins on or after the effective date of this  
11 Act.

12 SECTION 5. This Act takes effect September 1, 2021.