

By: West

S.B. No. 1205

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

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

2 Sec. 373B.004. PURPOSES OF TRUST. The purposes of a trust  
3 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 50 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) At least 25 percent of the housing units sold by the  
21 trust must be sold to families with a yearly income at the time of  
22 sale at or below 60 percent of the area median family income,  
23 adjusted for family size.

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

27 Sec. 373B.007. RELATION TO OTHER LAW. This chapter does not

1 preclude the creation of a land trust by a nonprofit organization,  
2 including a community housing development organization, under  
3 other statutory or common law or the operation of that land trust  
4 inside or outside a municipality or county that has created or  
5 designated a trust under Section 373B.002.

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

10 SECTION 2. Subchapter B, Chapter 11, Tax Code, is amended by  
11 adding Sections 11.1827 and 11.1828 to read as follows:

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

15 (b) In addition to any other exemption to which the trust  
16 may be entitled, a community land trust is entitled to an exemption  
17 from taxation by a taxing unit of land owned by the trust, together  
18 with the housing units located on the land if they are owned by the  
19 trust, if:

20 (1) the trust:

21 (A) meets the requirements of a charitable  
22 organization provided by Sections 11.18(e) and (f);

23 (B) owns the land for the purpose of leasing the  
24 land and selling or leasing the housing units located on the land as  
25 provided by Chapter 373B, Local Government Code; and

26 (C) engages exclusively in the sale or lease of  
27 housing as described by Paragraph (B) and related activities; and

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

4           (c) Property owned by a community land trust may not be  
5 exempted under Subsection (b) after the third anniversary of the  
6 date the trust acquires the property unless the trust is offering to  
7 sell or lease or is leasing the property as provided by Chapter  
8 373B, Local Government Code.

9           (d) A community land trust entitled to an exemption from  
10 taxation by a taxing unit under Subsection (b) is also entitled to  
11 an exemption from taxation by the taxing unit of any building or  
12 tangible personal property the trust owns and uses in the  
13 administration of its acquisition, construction, repair, sale, or  
14 leasing of property. To qualify for an exemption under this  
15 subsection, property must be used exclusively by the organization,  
16 except that another person may use the property for activities  
17 incidental to the trust's use that benefit the beneficiaries of the  
18 trust.

19           Sec. 11.1828. MONITORING OF COMPLIANCE BY COMMUNITY LAND  
20 TRUST WITH AFFORDABLE HOUSING EXEMPTION. (a) To receive an  
21 exemption under Section 11.1827, a community land trust must  
22 annually have an audit prepared by an independent auditor. The  
23 audit must include:

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

26           (2) any other information required by the governing  
27 body of the municipality or county that created or designated the

1 trust under Section 373B.002, Local Government Code.

2 (b) A copy of the audit must be delivered to:

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

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

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

9 (c) An exemption provided by Section 11.13, 11.17, 11.18,  
10 11.182, 11.1827, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j),  
11 or (j-1), 11.29, 11.30, or 11.31, once allowed, need not be claimed  
12 in subsequent years, and except as otherwise provided by Subsection  
13 (e), the exemption applies to the property until it changes  
14 ownership or the person's qualification for the exemption changes.  
15 However, the chief appraiser may require a person allowed one of the  
16 exemptions in a prior year to file a new application to confirm the  
17 person's current qualification for the exemption by delivering a  
18 written notice that a new application is required, accompanied by  
19 an appropriate application form, to the person previously allowed  
20 the exemption.

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

23 (c) In appraising land or 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 take into account the extent to which that use  
3 and limitation reduce the market value of the property.

4 (d) In appraising a housing unit that the owner or a  
5 predecessor of the owner acquired from a community land trust  
6 created or designated under Section 373B.002, Local Government  
7 Code, and that is located on land owned by the trust and leased by  
8 the owner of the housing unit, the chief appraiser shall take into  
9 account the extent to which any regulations or restrictions  
10 limiting the right of the owner of the housing unit to sell the  
11 housing unit, including any limitation on the price for which the  
12 housing unit may be sold, reduce the market value of the housing  
13 unit.

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

16 SECTION 6. This Act takes effect January 1, 2010.