

1-1 By: West S.B. No. 1205
1-2 (In the Senate - Filed February 27, 2009; March 13, 2009,
1-3 read first time and referred to Committee on Intergovernmental
1-4 Relations; April 6, 2009, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 4, Nays 0;
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1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1205 By: West

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to community land trusts.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Subtitle A, Title 12, Local Government Code, is
1-13 amended by adding Chapter 373B to read as follows:

1-14 CHAPTER 373B. COMMUNITY LAND TRUSTS

1-15 Sec. 373B.001. DEFINITION. In this chapter, "community
1-16 housing development organization" has the meaning assigned by 42
1-17 U.S.C. Section 12704.

1-18 Sec. 373B.002. CREATION OR DESIGNATION. The governing body
1-19 of a municipality or county by ordinance or order may create or
1-20 designate one or more community land trusts, including a housing
1-21 finance corporation established under Chapter 394 or a land trust
1-22 operated by a community housing development organization certified
1-23 by the municipality or county, to operate in the municipality or
1-24 county.

1-25 Sec. 373B.003. NATURE OF TRUST. A community land trust
1-26 created or designated under Section 373B.002 must be a nonprofit
1-27 organization that is:

1-28 (1) created to acquire and hold land for the benefit of
1-29 developing and preserving long-term affordable housing in the
1-30 municipality or county; and

1-31 (2) exempt from federal income taxation under Section
1-32 501(a), Internal Revenue Code of 1986, by being certified as an
1-33 exempt organization under Section 501(c)(3) of that code.

1-34 Sec. 373B.004. PURPOSES OF TRUST. The purposes of a trust
1-35 are to:

1-36 (1) provide affordable housing for low-income and
1-37 moderate-income residents in the community;

1-38 (2) promote resident ownership of housing;

1-39 (3) keep housing affordable for future residents; and

1-40 (4) capture the value of public investment for
1-41 long-term community benefit.

1-42 Sec. 373B.005. OWNERSHIP OF LAND AND HOUSING UNITS. A
1-43 community land trust may retain title to land it acquires and may:

1-44 (1) sell housing units located on the land and lease
1-45 the land under ground leases with terms of at least 50 years; or

1-46 (2) lease housing units located on the land.

1-47 Sec. 373B.006. QUALIFICATIONS OF PURCHASERS OR LESSEES OF
1-48 HOUSING UNITS. (a) A community land trust may sell housing units
1-49 only to families with a yearly income at the time of sale at or below
1-50 80 percent of the area median family income, adjusted for family
1-51 size.

1-52 (b) Notwithstanding Subsection (a), if the housing units
1-53 are located on tracts of land owned by the community land trust that
1-54 constitute a contiguous geographic area, the trust may sell not
1-55 more than 20 percent of the housing units to families with a yearly
1-56 income at the time of sale at or below 120 percent of the area median
1-57 family income, adjusted for family size.

1-58 (c) At least 25 percent of the housing units sold by the
1-59 trust must be sold to families with a yearly income at the time of
1-60 sale at or below 60 percent of the area median family income,
1-61 adjusted for family size.

1-62 (d) A community land trust may lease housing units only to
1-63 families with a yearly income at the time of lease at or below 60

2-1 percent of the area median family income, adjusted for family size.
2-2 Sec. 373B.007. RELATION TO OTHER LAW. This chapter does not
2-3 preclude the creation of a land trust by a nonprofit organization,
2-4 including a community housing development organization, under
2-5 other statutory or common law or the operation of that land trust
2-6 inside or outside a municipality or county that has created or
2-7 designated a trust under Section 373B.002.

2-8 Sec. 373B.008. APPLICABILITY OF CHAPTER TO TRUST OPERATED
2-9 BY HOUSING FINANCE CORPORATION. Section 373B.003 does not apply to
2-10 a community land trust operated in the municipality or county by a
2-11 housing finance corporation established under Chapter 394.

2-12 SECTION 2. Subchapter B, Chapter 11, Tax Code, is amended by
2-13 adding Sections 11.1827 and 11.1828 to read as follows:

2-14 Sec. 11.1827. COMMUNITY LAND TRUST. (a) In this section,
2-15 "community land trust" means a community land trust created or
2-16 designated under Section 373B.002, Local Government Code.

2-17 (b) In addition to any other exemption to which the trust
2-18 may be entitled, a community land trust is entitled to an exemption
2-19 from taxation by a taxing unit of land owned by the trust, together
2-20 with the housing units located on the land if they are owned by the
2-21 trust, if:

2-22 (1) the trust:
2-23 (A) meets the requirements of a charitable
2-24 organization provided by Sections 11.18(e) and (f);

2-25 (B) owns the land for the purpose of leasing the
2-26 land and selling or leasing the housing units located on the land as
2-27 provided by Chapter 373B, Local Government Code; and

2-28 (C) engages exclusively in the sale or lease of
2-29 housing as described by Paragraph (B) and related activities; and

2-30 (2) the exemption is adopted by the governing body of
2-31 the taxing unit before July 1 in the manner provided by law for
2-32 official action by the body.

2-33 (c) Property owned by a community land trust may not be
2-34 exempted under Subsection (b) after the third anniversary of the
2-35 date the trust acquires the property unless the trust is offering to
2-36 sell or lease or is leasing the property as provided by Chapter
2-37 373B, Local Government Code.

2-38 (d) A community land trust entitled to an exemption from
2-39 taxation by a taxing unit under Subsection (b) is also entitled to
2-40 an exemption from taxation by the taxing unit of any building or
2-41 tangible personal property the trust owns and uses in the
2-42 administration of its acquisition, construction, repair, sale, or
2-43 leasing of property. To qualify for an exemption under this
2-44 subsection, property must be used exclusively by the organization,
2-45 except that another person may use the property for activities
2-46 incidental to the trust's use that benefit the beneficiaries of the
2-47 trust.

2-48 Sec. 11.1828. MONITORING OF COMPLIANCE BY COMMUNITY LAND
2-49 TRUST WITH AFFORDABLE HOUSING EXEMPTION. (a) To receive an
2-50 exemption under Section 11.1827, a community land trust must
2-51 annually have an audit prepared by an independent auditor. The
2-52 audit must include:

2-53 (1) a detailed report on the trust's sources and uses
2-54 of funds; and

2-55 (2) any other information required by the governing
2-56 body of the municipality or county that created or designated the
2-57 trust under Section 373B.002, Local Government Code.

2-58 (b) A copy of the audit must be delivered to:

2-59 (1) the governing body of the municipality or county
2-60 or an entity designated by the governing body; and

2-61 (2) the chief appraiser of the appraisal district in
2-62 which the property subject to the exemption is located.

2-63 SECTION 3. Subsection (c), Section 11.43, Tax Code, is
2-64 amended to read as follows:

2-65 (c) An exemption provided by Section 11.13, 11.17, 11.18,
2-66 11.182, 11.1827, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j),
2-67 or (j-1), 11.29, 11.30, or 11.31, once allowed, need not be claimed
2-68 in subsequent years, and except as otherwise provided by Subsection
2-69 (e), the exemption applies to the property until it changes

3-1 ownership or the person's qualification for the exemption changes.
3-2 However, the chief appraiser may require a person allowed one of the
3-3 exemptions in a prior year to file a new application to confirm the
3-4 person's current qualification for the exemption by delivering a
3-5 written notice that a new application is required, accompanied by
3-6 an appropriate application form, to the person previously allowed
3-7 the exemption.

3-8 SECTION 4. Section 23.21, Tax Code, is amended by adding
3-9 Subsections (c) and (d) to read as follows:

3-10 (c) In appraising land or a housing unit that is leased by a
3-11 community land trust created or designated under Section 373B.002,
3-12 Local Government Code, to a family meeting the income-eligibility
3-13 standards established by Section 373B.006 of that code under
3-14 regulations or restrictions limiting the amount that the family may
3-15 be required to pay for the rental or lease of the property, the
3-16 chief appraiser shall take into account the extent to which that use
3-17 and limitation reduce the market value of the property.

3-18 (d) In appraising a housing unit that the owner or a
3-19 predecessor of the owner acquired from a community land trust
3-20 created or designated under Section 373B.002, Local Government
3-21 Code, and that is located on land owned by the trust and leased by
3-22 the owner of the housing unit, the chief appraiser shall take into
3-23 account the extent to which any regulations or restrictions
3-24 limiting the right of the owner of the housing unit to sell the
3-25 housing unit, including any limitation on the price for which the
3-26 housing unit may be sold, reduce the market value of the housing
3-27 unit.

3-28 SECTION 5. This Act applies only to ad valorem taxes imposed
3-29 for a tax year beginning on or after the effective date of this Act.

3-30 SECTION 6. This Act takes effect January 1, 2010.

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