

By: West

S.B. No. 1931

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 11.1827, Tax Code, is amended by adding Subsection (g) to read as follows:

1 (g) Once adopted by the governing body of a taxing unit, the
2 exemption provided by this section continues to apply to property
3 located in the taxing unit until the governing body rescinds the
4 exemption in the manner provided by law for official action by the
5 body.

6 SECTION 3. Sections 23.21(c) and (d), Tax Code, are amended
7 to read as follows:

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

20 (1) take into account the [extent to which that] use
21 and limitation applicable to the property for purposes of computing
22 the actual rental income from the property and projecting future
23 rental income; and

24 (2) use the same capitalization rate that the chief
25 appraiser uses to appraise other rent-restricted properties
26 [reduce the market value of the property].

27 (d) In appraising a housing unit that the owner or a

predecessor of the owner acquired from a community land trust created or designated under Section 373B.002, Local Government Code, and that is located on land owned by the trust and leased by the owner of the housing unit, the chief appraiser shall take into account the extent to which any regulations or restrictions limiting the right of the owner of the housing unit to sell the housing unit, including any limitation on the price for which the housing unit may be sold, reduce the market value of the housing unit. If sale of the housing unit is subject to an eligible land use restriction, the chief appraiser may not appraise the housing unit in a tax year for an amount that exceeds the price for which the housing unit may be sold under the eligible land use restriction in that tax year. For purposes of this subsection, "eligible land use restriction" means an agreement or restrictive covenant applicable to a housing unit that:

- (1) is recorded in the real property records;
- (2) has a term of at least 40 years;
- (3) restricts the price for which the housing unit may be sold to a price that is equal to or less than the market value of the housing unit; and
- (4) restricts the sale of the housing unit to a family meeting the income-eligibility standards established by Section 373B.006, Local Government Code.

SECTION 4. Section 26.10, Tax Code, is amended by amending Subsection (a) and adding Subsection (d) to read as follows:

(a) If the appraisal roll shows that a property is eligible for taxation for only part of a year because an exemption, other

1 than a residence homestead exemption or an exemption described by
2 Subsection (d), applicable on January 1 of that year terminated
3 during the year, the tax due against the property is calculated by
4 multiplying the tax due for the entire year as determined as
5 provided by Section [26.09](#) [~~of this code~~] by a fraction, the
6 denominator of which is 365 and the numerator of which is the number
7 of days the exemption is not applicable.

8 (d) Subsection (a) does not apply to an exemption for land
9 received by an organization under Section [11.181](#), [11.182](#), or
10 [11.1825](#) that terminated during the year because of the sale by the
11 organization of a housing unit located on the land if:

12 (1) the housing unit is sold to a family meeting the
13 income-eligibility standards established by Section [373B.006](#),
14 Local Government Code;

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

17 (3) before the date on which the housing unit is sold,
18 the organization is designated a community land trust by the
19 governing body of a municipality or county as provided by Section
20 [373B.002](#), Local Government Code.

21 SECTION 5. This Act applies only to ad valorem taxes imposed
22 for a tax year that begins on or after the effective date of this
23 Act.

24 SECTION 6. This Act takes effect September 1, 2017.