

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 11.182, Tax Code, is amended by adding Subsection (1) to read as follows:

1       (1) An exemption under Subsection (b) or (f) does not  
2 terminate because the organization receiving the exemption  
3 qualifies for an exemption for the same property under Section  
4 11.1827.

5       SECTION 3. Section 11.1827, Tax Code, is amended by  
6 amending Subsection (b) and adding Subsection (g) to read as  
7 follows:

8       (b) In addition to any other exemption to which the trust  
9 may be entitled, a community land trust is entitled to an exemption  
10 from taxation by a taxing unit of land owned by the trust, together  
11 with the housing units located on the land if they are owned by the  
12 trust, if:

13               (1) the trust:

14                       (A) ~~[meets the requirements of a charitable~~  
15 ~~organization provided by Sections 11.18(e) and (f)],~~

16                       ~~[(B)]~~ owns the land for the purpose of leasing  
17 the land and selling or leasing the housing units located on the  
18 land as provided by Chapter 373B, Local Government Code; and

19                       (B) ~~[(C)]~~ engages exclusively in the sale or  
20 lease of housing as described by Paragraph (A) ~~[(B)]~~ and related  
21 activities, except that the trust may also engage in the  
22 development of low-income and moderate-income housing; and

23               (2) the exemption is adopted by the governing body of  
24 the taxing unit ~~[before July 1]~~ in the manner provided by law for  
25 official action by the body.

26       (g) Once adopted by the governing body of a taxing unit, the  
27 exemption provided by this section continues to apply to property

1 located in the taxing unit until the governing body rescinds the  
2 exemption in the manner provided by law for official action by the  
3 body.

4 SECTION 4. Section 11.436(a), Tax Code, is amended to read  
5 as follows:

6 (a) An organization that acquires property that qualifies  
7 for an exemption under Section 11.181(a), ~~[or]~~ 11.1825, or 11.1827  
8 may apply for the exemption for the year of acquisition not later  
9 than the 30th day after the date the organization acquires the  
10 property, and the deadline provided by Section 11.43(d) does not  
11 apply to the application for that year.

12 SECTION 5. Sections 23.21(c) and (d), Tax Code, are amended  
13 to read as follows:

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

26 (1) take into account the ~~[extend to which that]~~ use  
27 and limitation applicable to the property for purposes of computing

1 the actual rental income from the property and projecting future  
2 rental income; and

3 (2) use the same capitalization rate that the chief  
4 appraiser uses to appraise other rent-restricted properties  
5 [~~reduce the market value of the property~~].

6 (d) In appraising a housing unit that the owner or a  
7 predecessor of the owner acquired from a community land trust  
8 created or designated under Section [373B.002](#), Local Government  
9 Code, and that is located on land owned by the trust and leased by  
10 the owner of the housing unit, the chief appraiser shall take into  
11 account the extent to which any regulations or restrictions  
12 limiting the right of the owner of the housing unit to sell the  
13 housing unit, including any limitation on the price for which the  
14 housing unit may be sold, reduce the market value of the housing  
15 unit. If sale of the housing unit is subject to an eligible land use  
16 restriction, the chief appraiser may not appraise the housing unit  
17 in a tax year for an amount that exceeds the price for which the  
18 housing unit may be sold under the eligible land use restriction in  
19 that tax year. For purposes of this subsection, "eligible land use  
20 restriction" means an agreement or restrictive covenant applicable  
21 to a housing unit that:

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

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

24 (3) restricts the price for which the housing unit may  
25 be sold to a price that is or may be less than the market value of  
26 the housing unit; and

27 (4) restricts the sale of the housing unit to a family

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

3       SECTION 6. This Act applies only to ad valorem taxes imposed  
4 for a tax year that begins on or after the effective date of this  
5 Act.

6       SECTION 7. This Act takes effect September 1, 2017.