

By: West
(Rodriguez)

S.B. No. 335

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. Section 23.21, Tax Code, is amended by amending
7 Subsections (c) and (d) and adding Subsection (c-1) to read as
8 follows:

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

21 (1) take into account the uses and limitations
22 applicable to the property, including the terms of the lease
23 applicable to the property, for purposes of computing the actual
24 rental income from the property and projecting future rental
25 income; and

26 (2) use the same capitalization rate that the chief
27 appraiser uses to appraise other rent-restricted properties

1 ~~[extent to which that use and limitation reduce the market value of~~
2 ~~the property].~~

3 (c-1) In appraising a housing unit that is leased by a
4 community land trust created or designated under Section 373B.002,
5 Local Government Code, to a family meeting the income-eligibility
6 standards established by Section 373B.006 of that code under
7 regulations or restrictions limiting the amount that the family may
8 be required to pay for the rental or lease of the property, the
9 chief appraiser shall use the income method of appraisal as
10 described by Section 23.012 to determine the appraised value of the
11 property. The chief appraiser shall use that method regardless of
12 whether the chief appraiser considers that method to be the most
13 appropriate method of appraising the property. In appraising the
14 property, the chief appraiser shall:

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

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

22 (d) In appraising a housing unit that the owner or a
23 predecessor of the owner acquired from a community land trust
24 created or designated under Section 373B.002, Local Government
25 Code, and that is located on land owned by the trust and leased by
26 the owner of the housing unit, the chief appraiser shall take into
27 account the extent to which any regulations or restrictions

1 limiting the right of the owner of the housing unit to sell the
2 housing unit, including any limitation on the price for which the
3 housing unit may be sold, reduce the market value of the housing
4 unit. If the sale of the housing unit is subject to an eligible land
5 use restriction, the chief appraiser may not appraise the housing
6 unit in a tax year for an amount that exceeds the price for which the
7 housing unit may be sold under the eligible land use restriction in
8 that tax year. For purposes of this subsection, "eligible land use
9 restriction" means an agreement, deed restriction, or restrictive
10 covenant applicable to the housing unit that:

- 11 (1) is recorded in the real property records;
12 (2) has a term of at least 40 years;
13 (3) restricts the price for which the housing unit may
14 be sold to a price that is equal to or less than the market value of
15 the housing unit; and
16 (4) restricts the sale of the housing unit to a family
17 meeting the income-eligibility standards established by Section
18 373B.006, Local Government Code.

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

21 (a) If the appraisal roll shows that a property is eligible
22 for taxation for only part of a year because an exemption, other
23 than a residence homestead exemption or an exemption described by
24 Subsection (d), applicable on January 1 of that year terminated
25 during the year, the tax due against the property is calculated by
26 multiplying the tax due for the entire year as determined as
27 provided by Section 26.09 [~~of this code~~] by a fraction, the

1 denominator of which is 365 and the numerator of which is the number
2 of days the exemption is not applicable.

3 (d) Subsection (a) does not apply to an exemption for land
4 received by an organization under Section 11.181, 11.182, or
5 11.1825 that terminated during the year because of the sale by the
6 organization of a housing unit located on the land if:

7 (1) the housing unit is sold to a family meeting the
8 income-eligibility standards established by Section 373B.006,
9 Local Government Code;

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

12 (3) before the date on which the housing unit is sold,
13 the organization is designated a community land trust by the
14 governing body of a municipality or county as provided by Section
15 373B.002, Local Government Code.

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

19 SECTION 6. This Act takes effect September 1, 2019.