

- SUBJECT:** Modifying certain requirements related to community land trusts
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 11 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer, Murphy, Noble, Rodriguez, Sanford, Shine
- 0 nays
- SENATE VOTE:** On final passage, May 14 — 29-1 (Hughes)
- WITNESSES:** No public hearing.
- BACKGROUND:** Local Government Code ch. 373B authorizes the governing body of a municipality or county to create or designate one or more community land trusts (CLTs). CLTs must be 501(c)(3) nonprofit organizations created to acquire and hold land for the benefit of developing and preserving long-term affordable housing.
- Concerns have been raised that current law creates confusion as to how appraisal districts should appraise homes and land leased and owned by CLTs for tax property assessment purposes and makes it difficult for nonprofit housing developers to estimate property taxes as needed to advance new projects. There have been calls to specify in statute the income method and capitalization rate that should be used to appraise CLT property.
- DIGEST:** SB 113 would extend eligibility for designation as a community land trust (CLT) to a nonprofit organization that was created to acquire and hold land for the benefit of developing and preserving long-term affordable housing and was:
- a limited partnership of which a 501(c)(3) nonprofit corporation controlled 100 percent of the general partner interest; or
 - a limited liability company for which such a corporation was the only member.

The bill would require a chief appraiser, in appraising land or housing units leased by a CLT to a family meeting the applicable income-eligibility standards, to use the income method of appraisal specified by the Tax Code. The chief appraiser also would have to take into account the uses and limitations applicable to the property for purposes of computing and projecting rental income and use the same capitalization rate as for other rent-restricted properties.

If the sale of a housing unit that the owner or owner's predecessor had acquired from a CLT and that was located on land owned by the trust and leased by the housing unit owner was subject to an eligible land use restriction, the chief appraiser could not appraise the housing unit in a tax year for an amount that exceeded the price for which the housing unit could be sold under the land use restriction in that tax year.

For the purposes of the bill, "eligible land use restriction" would mean an agreement, deed restriction, or restrictive covenant applicable to the housing unit that:

- was recorded in the real property records;
- had a term of at least 40 years;
- restricted the price for which the housing unit could be sold to a price that was equal to or less than the market value of the unit; and
- restricted the sale of the housing unit to a family meeting the income-eligibility standards established by statute governing CLTs.

SB 113 would establish that the prorated property taxes that must be paid on property eligible for taxation for only part of a year because of an exemption would not apply to an exemption for land received by certain organizations that improved, constructed, or rehabilitated affordable housing that terminated during the year due to the sale of a housing unit located on the land if:

- the housing unit was sold to a family meeting the income-eligibility standards established by statute governing CLTs;

- the organization retained title to the land; and
- before the housing unit was sold, the organization was designated a CLT by the governing body of a municipality or county.

The bill would take effect September 1, 2021, and would apply only to property taxes imposed for a tax year that began on or after that date.

NOTES:

According to the Legislative Budget Board, SB 113 would increase the amount of property that could be eligible for a community land trust exemption. As a result, taxable property values could be reduced and related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.