BILL ANALYSIS

Senate Research Center

S.B. 1931
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Chapter 373B, Local Government Code, permits municipalities and counties to establish community land trusts. Community land trusts are used to expand homeownership opportunities for low-income and moderate-income families, especially in areas with rapidly rising property values. An eligible family purchases a home at an affordable price from the trust. The trust maintains ownership of the land and leases the land to the family under a long-term ground lease (typically 99 years). The ground lease restricts the resale of the home to another income-eligible family and caps the resale price of the home to preserve the long-term affordability of the home. The ground lease also ensures proper upkeep and use of the property.

Under current law, it is unclear whether a community land trust is able to enjoy the benefits of establishing a limited liability company; a common practice in both the for-profit development and non-profit affordable housing contexts. Additionally, the date by which a city or county must adopt a tax exemption available to a trust, and whether such exemptions must be readopted annually, are unsettled questions. Finally, the methodology for appraising community land trust property can be inconsistent around the state.

S.B. 1931 clarifies that nonprofit community land trusts may form certain business entities, provides that, once adopted, a tax exemption applies until rescinded, and requires the use of the income method in appraising community land trust property.

As proposed, S.B. 1931 amends current law relating to community land trusts.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 373B.003, Local Government Code, to require a community land trust (trust) created or designated under Section 373B.002 (Creation or Designation) to be a nonprofit organization that is organized as a nonprofit corporation that is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed, rather than certified, as an exempt organization under Section 501(c)(3) of that code; a limited partnership of which a certain nonprofit corporation controls 100 percent of the general partner interest; or a limited liability company for which a certain nonprofit corporation serves as the only member.

SECTION 2. Amends Section 11.182, Tax Code, by adding Subsection (l) to provide that a certain exemption does not terminate because the organization receiving the exemption qualifies for an exemption for the same property under Section 11.1827.

SECTION 3. Amends Section 11.1827, Tax Code, by amending Subsection (b) and adding Subsection (g), as follows:

> (b) Deletes existing text entitling the trust to an exemption if the trust meets the requirements of a charitable organization provided by Sections 11.18(e) (relating to the

manner in which a charitable organization is required to operate) and (f) (relating to a charitable organization's requirements regarding the organization's assets, charter, bylaws and other regulations). Deletes existing text providing that the exemption is adopted by the governing body of the taxing unit before July 1. Redesignates existing Paragraphs (B) and (C) as Paragraphs (A) and (B), and makes a conforming change.

(g) Provides that once adopted by the governing body of a taxing unit, the exemption provided by this section continues to apply to property located in the taxing unit until the governing body rescinds the exemption in the manner provided by law for official action by the body.

SECTION 4. Amends Section 11.436(a), Tax Code, to authorize an organization that acquires property that qualifies for an exemption under Section 11.1827 (Community Land Trust), Tax Code, among certain other sections, to apply for the exemption for the year of acquisition not later than a certain deadline.

SECTION 5. Amends Sections 23.21(c) and (d), Tax Code, as follows:

(c) Requires the chief appraiser, in appraising land or a housing unit that is leased by a certain trust to a family meeting certain income and rental/lease restrictions, to use the income method of appraisal as described by Section 23.012 (Income Method of Appraisal) to determine the appraised value of the property. Requires the chief appraiser to use that method regardless of whether the chief appraiser considers that method to be the most appropriate method of appraising the property. Requires the chief appraiser, in appraising the property, to take into account the use and limitation applicable to the property for certain purposes and use the same capitalization rate that the chief appraiser uses to appraise other rent-restricted properties, rather than take into account the extent to which that use and limitation reduce the market value of the property.

(d) Prohibits the chief appraiser, if sale of the housing unit is subject to an eligible land use restriction, from appraising the housing unit in a tax year for an amount that exceeds the price for which the housing unit is authorized to be sold under the eligible land use restriction in that tax year. Defines "eligible land use restriction."

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

SECTION 7. Effective date: September 1, 2017.