

BILL ANALYSIS

S.B. 335
By: West
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Community land trusts are used to expand home ownership opportunities for low-income and moderate-income families, especially in areas with rapidly rising property values. It has been suggested that current law governing these land trusts is ambiguous, leaving it unclear whether a trust is able to enjoy the benefits of establishing a limited liability company and whether property tax exemptions for community land trusts must be readopted annually. S.B. 335 seeks to provide clarity with respect to those ambiguities in state law and to provide uniformity to the methodology for appraising community land trust property.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 335 amends the Local Government Code to change an aspect of the nature of a community land trust from a nonprofit organization that is a 501(c)(3) charitable organization exempt from federal income tax under the federal Internal Revenue Code of 1986 to a nonprofit organization that is organized as such a charitable organization, as a limited partnership of which such a charitable organization controls 100 percent of the general partner interest, or as a limited liability company for which such a charitable organization serves as the only member.

S.B. 335 amends the Tax Code to establish that, once adopted by the governing body of a taxing unit, the property tax exemption for a community land trust 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.

S.B. 335 removes the requirement for a chief appraiser, in appraising land or a housing unit, as applicable, that is leased by a community land trust to a family meeting the applicable income-eligibility standards under regulations or restrictions limiting the amount that the family may be required to pay for the rental or lease of the property, to take into account the extent to which that use and limitation reduce the property's market value. The bill requires the chief appraiser to use the income method of appraisal instead to determine the property's appraised value, regardless of whether the chief appraiser considers that method to be the most appropriate method of appraising the property, and requires the chief appraiser to:

- take into account the uses and limitations applicable to the property for purposes of computing the actual rental income from the property and projecting future rental income; and
- use the same capitalization rate that the chief appraiser uses to appraise other rent-restricted properties.

S.B. 335 prohibits a chief appraiser from appraising a housing unit in a tax year for an amount that exceeds the price for which the housing unit may be sold under an eligible land use restriction in that tax year if the following criteria apply:

- the sale of the housing unit is subject to the eligible land use restriction;
- the owner of the housing unit or a predecessor of the owner acquired the housing unit from a community land trust; and
- the housing unit is located on land owned by the trust and leased by the owner of the housing unit.

The bill defines "eligible land use restriction" as an agreement, deed, restriction, or restrictive covenant applicable to the housing unit that:

- is recorded in the real property records;
- has a term of at least 40 years;
- restricts the price for which the housing unit may be sold to a price that is equal to or less than the unit's market value; and
- restricts the sale of the housing unit to a family meeting the applicable income-eligibility standards for purchasers or lessees of community land trust housing units.

S.B. 335 makes a provision providing for the proration of property taxes for certain properties because of the loss of a tax exemption inapplicable to an exemption for land received by an organization under certain provisions relating to the construction, improvement, or rehabilitation of property for use as low-income or low-income to moderate-income housing, as applicable, that terminated during the year because of the sale by the organization of a housing unit located on the land if:

- the unit is sold to a family meeting the applicable income-eligibility standards for purchasers or lessees of community land trust housing units;
- the organization retains title to the land on which the unit is located; and
- the organization is designated a community land trust by the governing body of a municipality or county before the date on which the unit is sold.

EFFECTIVE DATE

September 1, 2019.