

- SUBJECT:** Establishment of community land trusts to provide affordable housing
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 8 ayes — Oliveira, Otto, Bohac, Hartnett, Hilderbran, P. King, Peña, Villarreal
- 0 nays
- 3 absent — C. Howard, Paxton, Taylor
- SENATE VOTE:** On final passage, April 16 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** For — Margaret Shaw, City of Austin, Neighborhood and Community Development Department
- Against — None
- BACKGROUND:** Tax Code ch. 11, subchapter B provides for various property tax exemptions, including exemptions for public land used for transitional housing and certain charitable organizations. Sec. 23.21 establishes the procedure for appraising property used to provide affordable housing, and states that the chief appraiser must take into account the extent to which a property's use and income limitations reduce the property's market value.
- DIGEST:** SB 1205 would allow the governing body of a municipality or county to adopt an ordinance creating or designating a community land trust to operate within the municipality or county, including a housing finance corporation or a land trust operated by a community housing development organization. The purpose of the trust would be to:
- provide affordable, low- and moderate-income housing;
 - promote homeownership;
 - keep housing affordable for future residents, and;
 - provide a long-term community benefit through public investment.

A community land trust would have to be a tax-exempt 501(c)(3) nonprofit organization created to acquire and hold land for developing and

preserving long-term affordable housing, unless it was a housing finance corporation. A community land trust would be able to retain the title to any land it acquired and could lease it with terms of at least 50 years or sell housing units on the land.

A trust only could sell housing units to families with a yearly income at or below 80 percent of the area median family income at the time of the sale unless the housing units were owned on a contiguous tract of land, in which case the trust could sell up to 20 percent of the units to families with yearly incomes at or below 120 percent of the area median family income. At least 25 percent of the housing units would have to be sold to families with a yearly income at or below 60 percent of the area median family income, and housing units only could be leased to families with a yearly income at or below 60 percent of the area median family income.

A community land trust would be entitled to tax exemptions on the land and housing units if the trust qualified as a charitable organization and owned the land for the purpose of leasing the land and selling or leasing housing units for the development and preservation of low- and moderate-income housing. The governing body of a taxing unit would have to adopt the tax exemption before July 1 of a taxing year.

Property could not be exempted from property taxes after the third anniversary of the acquisition date unless the trust was selling or leasing the land for low- and moderate-income housing. A trust would be entitled to a tax exemption on any building or personal property used to acquire, repair, sell, or lease property.

A property tax exemption would not have to be claimed in years subsequent to the initial exemption claim and would apply until the property changed ownership or the trust's exemption qualifications changed. A community land trust that received a property tax exemption would be subject to an annual audit, which would have to include a report on the sources and uses of funds, as well as any other information required by the county or municipality that created the trust.

A copy of the audit would have to be submitted to the county or municipality's governing body and the chief appraiser of the appraisal district in which the property was located. The chief appraiser would be required to consider the extent to which the use and income limitations of

property or housing units owned by a community land trust reduced the property's market value.

Property owned by a community trust would not be exempt from taxes imposed for a tax year that began before the bill's effective date, which would be January 1, 2010.

**SUPPORTERS
SAY:**

SB 1205 would give municipalities and counties another means of providing affordable housing to residents. Community land trusts have been a successful model in other states for developing vacant and blighted land and turning it into permanent housing for low- and middle-income residents. Any property tax exemptions would have to be approved by the governing body of a municipality or county, so there would not have to be loss of tax revenue.

**OPPONENTS
SAY:**

Offering property tax exemptions to community housing trusts would mean that other residents could face higher tax rates in order to compensate for the loss in local revenue. It also would mean that school districts, emergency services districts, and other local taxing entities that rely on property taxes could see a loss in revenue.