

1-1 By: West S.B. No. 335
1-2 (In the Senate - Filed January 11, 2019; February 7, 2019,
1-3 read first time and referred to Committee on Intergovernmental
1-4 Relations; April 11, 2019, reported favorably by the following
1-5 vote: Yeas 7, Nays 0; April 11, 2019, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			

1-15 A BILL TO BE ENTITLED
1-16 AN ACT

1-17 relating to community land trusts.

1-18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-19 SECTION 1. Section 373B.003, Local Government Code, is
1-20 amended to read as follows:

1-21 Sec. 373B.003. NATURE OF TRUST. A community land trust
1-22 created or designated under Section 373B.002 must be a nonprofit
1-23 organization that is:

1-24 (1) created to acquire and hold land for the benefit of
1-25 developing and preserving long-term affordable housing in the
1-26 municipality or county; and

1-27 (2) organized as:

1-28 (A) a nonprofit corporation that is exempt from
1-29 federal income taxation under Section 501(a), Internal Revenue Code
1-30 of 1986, by being listed [~~certified~~] as an exempt organization
1-31 under Section 501(c)(3) of that code;

1-32 (B) a limited partnership of which a nonprofit
1-33 corporation described by Paragraph (A) controls 100 percent of the
1-34 general partner interest; or

1-35 (C) a limited liability company for which a
1-36 nonprofit corporation described by Paragraph (A) serves as the only
1-37 member.

1-38 SECTION 2. Section 11.1827, Tax Code, is amended by adding
1-39 Subsection (g) to read as follows:

1-40 (g) Once adopted by the governing body of a taxing unit, the
1-41 exemption provided by this section continues to apply to property
1-42 located in the taxing unit until the governing body rescinds the
1-43 exemption in the manner provided by law for official action by the
1-44 body.

1-45 SECTION 3. Section 23.21, Tax Code, is amended by amending
1-46 Subsections (c) and (d) and adding Subsection (c-1) to read as
1-47 follows:

1-48 (c) In appraising land [~~or a housing unit~~] that is leased by
1-49 a community land trust created or designated under Section
1-50 373B.002, Local Government Code, to a family meeting the
1-51 income-eligibility standards established by Section 373B.006 of
1-52 that code under regulations or restrictions limiting the amount
1-53 that the family may be required to pay for the rental or lease of the
1-54 property, the chief appraiser shall use the income method of
1-55 appraisal as described by Section 23.012 to determine the appraised
1-56 value of the property. The chief appraiser shall use that method
1-57 regardless of whether the chief appraiser considers that method to
1-58 be the most appropriate method of appraising the property. In
1-59 appraising the property, the chief appraiser shall:

1-60 (1) take into account the uses and limitations
1-61 applicable to the property, including the terms of the lease

2-1 applicable to the property, for purposes of computing the actual
 2-2 rental income from the property and projecting future rental
 2-3 income; and

2-4 (2) use the same capitalization rate that the chief
 2-5 appraiser uses to appraise other rent-restricted properties
 2-6 [~~extent to which that use and limitation reduce the market value of~~
 2-7 ~~the property~~].

2-8 (c-1) In appraising a housing unit that is leased by a
 2-9 community land trust created or designated under Section 373B.002,
 2-10 Local Government Code, to a family meeting the income-eligibility
 2-11 standards established by Section 373B.006 of that code under
 2-12 regulations or restrictions limiting the amount that the family may
 2-13 be required to pay for the rental or lease of the property, the
 2-14 chief appraiser shall use the income method of appraisal as
 2-15 described by Section 23.012 to determine the appraised value of the
 2-16 property. The chief appraiser shall use that method regardless of
 2-17 whether the chief appraiser considers that method to be the most
 2-18 appropriate method of appraising the property. In appraising the
 2-19 property, the chief appraiser shall:

2-20 (1) take into account the uses and limitations
 2-21 applicable to the property, including the terms of the lease
 2-22 applicable to the property, for purposes of computing the actual
 2-23 rental income from the property and projecting future rental
 2-24 income; and

2-25 (2) use the same capitalization rate that the chief
 2-26 appraiser uses to appraise other rent-restricted properties.

2-27 (d) In appraising a housing unit that the owner or a
 2-28 predecessor of the owner acquired from a community land trust
 2-29 created or designated under Section 373B.002, Local Government
 2-30 Code, and that is located on land owned by the trust and leased by
 2-31 the owner of the housing unit, the chief appraiser shall take into
 2-32 account the extent to which any regulations or restrictions
 2-33 limiting the right of the owner of the housing unit to sell the
 2-34 housing unit, including any limitation on the price for which the
 2-35 housing unit may be sold, reduce the market value of the housing
 2-36 unit. If the sale of the housing unit is subject to an eligible land
 2-37 use restriction, the chief appraiser may not appraise the housing
 2-38 unit in a tax year for an amount that exceeds the price for which the
 2-39 housing unit may be sold under the eligible land use restriction in
 2-40 that tax year. For purposes of this subsection, "eligible land use
 2-41 restriction" means an agreement, deed restriction, or restrictive
 2-42 covenant applicable to the housing unit that:

2-43 (1) is recorded in the real property records;

2-44 (2) has a term of at least 40 years;

2-45 (3) restricts the price for which the housing unit may
 2-46 be sold to a price that is equal to or less than the market value of
 2-47 the housing unit; and

2-48 (4) restricts the sale of the housing unit to a family
 2-49 meeting the income-eligibility standards established by Section
 2-50 373B.006, Local Government Code.

2-51 SECTION 4. Section 26.10, Tax Code, is amended by amending
 2-52 Subsection (a) and adding Subsection (d) to read as follows:

2-53 (a) If the appraisal roll shows that a property is eligible
 2-54 for taxation for only part of a year because an exemption, other
 2-55 than a residence homestead exemption or an exemption described by
 2-56 Subsection (d), applicable on January 1 of that year terminated
 2-57 during the year, the tax due against the property is calculated by
 2-58 multiplying the tax due for the entire year as determined as
 2-59 provided by Section 26.09 [~~of this code~~] by a fraction, the
 2-60 denominator of which is 365 and the numerator of which is the number
 2-61 of days the exemption is not applicable.

2-62 (d) Subsection (a) does not apply to an exemption for land
 2-63 received by an organization under Section 11.181, 11.182, or
 2-64 11.1825 that terminated during the year because of the sale by the
 2-65 organization of a housing unit located on the land if:

2-66 (1) the housing unit is sold to a family meeting the
 2-67 income-eligibility standards established by Section 373B.006,
 2-68 Local Government Code;

2-69 (2) the organization retains title to the land on

3-1 which the housing unit is located; and
3-2 (3) before the date on which the housing unit is sold,
3-3 the organization is designated a community land trust by the
3-4 governing body of a municipality or county as provided by Section
3-5 373B.002, Local Government Code.

3-6 SECTION 5. This Act applies only to ad valorem taxes imposed
3-7 for a tax year that begins on or after the effective date of this
3-8 Act.

3-9 SECTION 6. This Act takes effect September 1, 2019.

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