

- 4) Establishes the CalHome Program under the state Department of Housing and Community Development (HCD), which provides grants to local public agencies and nonprofit corporations for first-time homebuyer and housing rehabilitation assistance, homebuyer counseling, and technical assistance activities to enable low- and very low-income households become or remain homeowners.
- 5) Establishes the Foreclosure Intervention Housing Preservation Program (FIHPP), also under HCD, which provides funds to nonprofit organizations and other eligible entities to acquire and rehabilitate 1- to 25-unit buildings that are at risk of foreclosure or in the foreclosure process and maintain those properties as affordable housing.
- 6) Partially exempts from taxation property that is owned by an eligible nonprofit that is rented to, or leased by, lower income households (up to 80% AMI) at affordable rents (up to 30% of household income). This property tax exemption is commonly referred to as the “welfare exemption.”
- 7) Provides the welfare exemption to CLTs if all of the following conditions are met:
 - a) The property is being or will be developed or rehabilitated as an owner-occupied single-family dwelling, an owner-occupied unit in a multifamily dwelling, a member-occupied unit in a limited equity housing cooperative, or a rental housing development.
 - b) Improvements on the property are or will be available for use and ownership or for rent by qualified persons.
 - c) A deed restriction or other instrument, requiring a contract or contracts serving as an enforceable restriction on the sale or resale value of the owner-occupied units or on the affordability of rental units, is recorded on or before the lien date following the acquisition of the property by the CLT, as specified.

This bill:

- 1) Expands the definition of a CLT for purposes of property tax assessment as follows:
 - a) Include to a wholly owned subsidiary of a CLT that is solely directed and managed by the CLT.
 - b) Allow a CLT to own rental units that are not subject to a 99-year lease.

- c) Allow a CLT, when it owns a dwelling or unit but not the underlying land, to sell a dwelling or unit to a qualified owner if the CLT subjects the property to a 99-year affordability restriction.
- 2) Adds cross-references to the CLT definition where applicable for the statutes governing the state-level First Look program, LACAHSAs, CalHome, and FIHPP.

COMMENTS:

- 1) *Author statement.* “Updating the definition of a community land trust allows us to embrace the full range of diverse purposes a community land trust can serve, and aligns its statutory definition with property stewardship practices. Allowing community land trusts to serve non-residential purposes for collective use enriches our state and benefits our community.”
- 2) *CLTs.* CLTs provide an affordable housing model to help low- and moderate-income households that may not otherwise be able to purchase a home. CLTs acquire and develop properties for sale to low- and moderate-income households, but retain ownership of the underlying land and lease the land to the homeowner for a nominal fee through a long-term ground lease (usually a 99-year term). The home is therefore more affordable because the homeowner is only buying the building and not the land underneath. If the homeowner decides to sell the property, the home must be resold to another low- or moderate-income household, and the original owner will only be eligible for a smaller share of its appreciated value. Since the CLT is the owner of the land, will be a party to all future sales and enforce resale restrictions. According to the California Community Land Trust Network, many CLTs in California also have robust rental portfolios restricted for low- and moderate-income households.

A CLT is generally formed as a membership-based, nonprofit organization with a professional staff, led by a member-elected board of directors and funded by land rent fees. Members include CLT homeowners, neighbors, and other local residents, providing community buy-in over local development. Many CLTs also provide homeowners with homebuyer education and financial literacy courses. While a subsidy is often needed to start a CLT, outside funding is no longer necessary once homes are occupied.

According to the National Community Land Trust Network, virtually all CLT leases pass along the cost of property taxes to the homeowner. The homeowner is either directly assigned to pay property taxes associated with both the home

and underlying land, or is directly assigned to pay property taxes associated with the home and then pays any property taxes associated with the underlying land via its lease fee to the CLT.

- 3) *Welfare exemption.* Existing law requires every assessor to assess property subject to tax at its full value. In the assessment of the land, the assessor must consider the effect of any enforceable restrictions to which the use of land may be subject, such as zoning, easements, environmental restrictions, and recorded contracts with governmental agencies including those outlining affordable housing restrictions. Certain properties that are used exclusively for charitable, hospital, religious, or scientific purposes are eligible for a property tax exemption, commonly known as the welfare exemption. In general, the welfare exemption is available for properties that are formed, operated, and used exclusively for qualifying purposes by a nonprofit organization. The state Board of Equalization determines whether the organization qualifies for the exemption, while the county assessor determines the eligibility of the property. Nonprofit corporations, or an eligible limited liability company functioning as the general managing partner of a limited partnership that owns and operates low-income rental housing, must additionally file a supplemental certificate for each low-income property for which an exemption is claimed. This filing includes a copy of the deed restriction verifying that the property receives either government financing or federal tax credits and restricts the property use to low-income housing.
- 4) *CLTs and tax assessments.* AB 2818 (Chiu, Chapter 701, Statutes of 2016) addressed inconsistencies in the assessment of CLT properties by requiring a county assessor to consider the effect of private party affordability restrictions on a property's use when determining its assessed valuation. In order to benefit from such a consideration, a CLT must provide a recorded contract to a county assessor that subjects affordability restrictions to the property. A public agency or official must also find that the affordability restrictions in the contract serve the public interest to create and preserve the affordability of residential housing for low- and moderate-income households.

This bill revises the definition of a CLT to allow a wholly owned subsidiary of the CLT to own the land, allow a CLT to own rental units that are not subject to a 99-year lease, and to allow a CLT to sell a dwelling or unit to a qualified owner provided the CLT subjects the property to a 99-year affordability restriction. The sponsor of this bill, the California Community Land Trust Network, states that this bill provides needed updates to reflect the full range of CLT activities.

5) *Double-referral.* This bill has also been referred to the Revenue & Taxation Committee.

RELATED LEGISLATION:

AB 430 (Bennett, 2023) — would have expanded the definition of a CLT for purposes of property tax assessment to include dwellings and units located on land owned by a wholly owned subsidiary of a CLT. *The bill was held on suspense in the Senate Appropriations Committee.*

AB 2651 (Petrie-Norris, Chapter 656, 2022) — extended by two years (from January 1, 2025 to January 1, 2027) several dates in the CLT welfare exemption from property tax.

AB 1206 (Bennett, Chapter 636, Statutes of 2022) — provided that a unit in a property owned by a CLT continues to be treated as occupied by a lower income household when the income of the occupants increases, for purposes of welfare exemption from property tax used for rental housing.

SB 196 (Beall, Chapter 669, 2019) – enacted a new welfare exemption from property tax for property owned by a CLT and made other changes regarding property tax assessments of property subject to contracts with CLTs.

AB 2818 (Chiu, Chapter 701, Statutes of 2016) — required the county assessor to consider, when valuing real property for property taxation purposes, affordability restrictions imposed on housing units and the land on which the units are situated, as specified.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

POSITIONS: (Communicated to the committee before noon on Wednesday, May 29, 2024.)

SUPPORT:

California Community Land Trust Network (Sponsor)
California Assessors' Association

OPPOSITION:

None received.

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