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**SENATE COMMITTEE ON HOUSING**  
**Senator Scott Wiener, Chair**  
**2023 - 2024 Regular**

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**Bill No:** AB 430 **Hearing Date:** 6/20/2023  
**Author:** Bennett  
**Version:** 5/18/2023  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Aiyana Cortez

**SUBJECT:** Community land trusts: welfare exemption: assessment: foreclosure sales: financial assistance

**DIGEST:** This bill makes changes to the definition of a community land trust (CLT) for purposes of property tax assessment and adds cross references in various statutes to the amended definition of CLT.

**ANALYSIS:**

*Existing law:*

- 1) Defines CLT to mean a 501(c)(3) nonprofit corporation that satisfies all of the following:
  - a) Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences.
  - b) All dwellings and units located on the land owned by the nonprofit corporation are sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to persons and families of low- or moderate- income.
  - c) The land owned by the nonprofit corporation, on which a dwelling or unit sold to a qualified owner is situated, is leased by the nonprofit corporation to the qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years.
  
- 2) Requires sales of real property containing one to four residential dwelling units acquired through foreclosure under a mortgage or deed of trust by an institution or that is acquired at a foreclosure sale by an institution to only accept offers by an eligible bidder, including CLTs, during the first 30 days after the property is listed for sale.

- 3) Establishes the Los Angeles County Affordable Housing Solutions Agency (LACAHSAs) to increase the supply of affordable housing in Los Angeles County.
- 4) Establishes the CalHome Program to support homeownership programs for low- and very low-income households.
- 5) Establishes the Foreclosure Intervention Housing Preservation Program (FIHPP).

**This bill:**

- 1) Expands the definition of CLT to allow dwellings and units located on land owned by a wholly owned subsidiary of a nonprofit corporation.
- 2) Adds cross references to the updated definition of CLT to the following code sections:
  - a) Provisions requiring foreclosed homes to be offered first to owner-occupants and eligible nonprofit corporations, including CLTs;
  - b) Statute authorizing the LACAHSAs;
  - c) Statute governing the CalHome Program; and
  - d) Statute governing the FIHPP.

**COMMENTS:**

- 1) *Author's statement.* "California is not going to our low-income/affordable housing crisis by building market rate housing. We need creative solutions to bring housing cost down so we can increase the stock of low income and truly affordable housing. Community Land Trusts (CLTs) are one unique model to create additional affordable units. Last year, my AB 1206 was signed into law in an attempt to bring parity to our tax code by allowing CLTs to keep their welfare exemption if their residents income rises, treating them the same as any other type of affordable housing. However, existing law does not properly reflect all CLT models, which includes both homeownership and renting. AB 430, simply updates the existing definition of CLTs. This bill does not change any requirements on CLTs to keep housing permanently affordable, but it does ensure that existing law captures the full scope of benefits that CLTs provide."
- 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 retains ownership of the underlying land and leases 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, it 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, non-profit 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) *Tax assessments on restricted homes.* Existing law requires every assessor to assess property subject to tax at its full value. In the assessment of 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. 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 that property's assessed valuation. In order to benefit from such 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.

- 4) *Changing the definition.* A CLT is defined as a non-profit corporation that satisfies all of the following requirements: 1) has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences; 2) all dwellings and units located on the land owned by the nonprofit corporation are sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to persons and families of low- or moderate-income; and 3) the land owned by the nonprofit corporation, on which a dwelling or unit sold to a qualified owner is situated, is leased by the nonprofit corporation to the qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years. This bill adds to the definition of a CLT to allow a wholly owned subsidiary of the CLT to own the land and creates cross references in various laws to the definition of CLT in the Revenue and Taxation Code.
- 5) *Double-referral.* This bill was also referred to the Senate Governance and Finance committee.

#### **RELATED LEGISLATION:**

**AB 1206 (Bennett, Chapter 636, Statutes of 2022)** — required that a residential unit continue to be treated as occupied by a lower income household, as specified, if the owner is a CLT whose land is leased to low-income households, subject to a contract that complies with specified requirements, until FY 27/28.

**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, June 14, 2023.)

#### **SUPPORT:**

California Community Land Trust Network (Sponsor)  
 Beverly-Vermont Community Land Trust  
 Community Land Trust Association of West Marin  
 East Palo Alto Community Alliance Neighborhood Development Organization  
 Fideicomiso Comunitario Tierra Libre  
 Healing and Justice Center

Housing Land Trust of The North Bay

Housing Rights Initiative

Oakland Community Land Trust

San Francisco Community Land Trust

South Bay Community Land Trust

Tenemos Que Reclamar Y Unidos Salvar LA Tierra - South LA (trust South LA)

**OPPOSITION:**

None received.

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