

# DEPARTMENT OF TAXATION

## 2018 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

2. **Bill Number** HB 590

3. **Committee** Passed House and Senate

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

4. **Title** Real Property Tax; Assessment or  
Exemption of Property Conveyed or Owned  
by a Community Land Trust

**Second House:**

           **In Committee**

           **Substitute**

      X       **Enrolled**

### 5. **Summary/Purpose:**

This bill would impose certain requirements on real estate assessors when valuing certain property conveyed by or owned by a community land trust. These requirements would apply to such real estate that is subject to a ground lease having a term of at least 90 years, while retaining a preemptive option to purchase such structural improvements at a price determined by a formula that is designed to ensure that the improvements remain affordable in perpetuity to low-income and moderate-income families earning less than 120 percent of the area median income, adjusted for family size.

Specifically, this bill would require duly authorized real estate assessors to consider the following factors when determining the fair market value of structural improvements to such real estate conveyed by a community land trust: (i) restrictions on the price at which improvements may be sold, and (ii) the amount of debt incurred by the owner of the improvements as evidenced by a deed showing no interest being due and no repayment prior to the earlier of satisfaction of any interest-earning promissory note or a subsequent transfer of the property.

The bill would also require that, when determining the fair market value of such real property owned by a community land trust in perpetuity, duly authorized real estate assessors utilize the income approach. In so doing, they would be required to consider the property's current use, the contract rent, the income restrictions, and provisions of any arms-length contract, including restrictions on the transfer of title or other title restraints on the alienation of real property.

Under current law, land owned by a community land trust is treated differently for landlord-tenant law purposes but is not treated differently for real property tax purposes.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

## **8. Fiscal implications:**

### Administrative Costs

This bill could have an unknown negative impact on local administrative costs for localities that would be required to change their real property tax assessment methodology for community land trust property.

### Revenue Impact

The real property tax exemption provided by this bill would have an unknown negative impact on local revenues of localities in which community land trusts are located.

This bill would have no impact on state revenues.

## **9. Specific agency or political subdivisions affected:**

Localities in which community land trusts are located

## **10. Technical amendment necessary: No.**

## **11. Other comments:**

### Community Land Trusts

A community land trust is defined in *Va. Code* § 55-22.1.1 as a community housing development organization whose (i) corporate membership is open to any adult resident or organization of a particular geographic area specified in the bylaws of the organization and (ii) board of directors includes a majority of members who are elected by the corporate membership and are composed of lessees, corporate members who are not lessees, and any other category of persons specified in the bylaws of the organization and that:

- Is not sponsored by a for-profit organization;
- Acquires parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases;
- Transfers ownership of any structural improvements located on such leased parcels to the lessee; and
- Retains a preemptive option to purchase any such structural improvement at a price determined by formula that is designed to ensure that the improvement remains affordable to low- and moderate-income families in perpetuity.

One of the functions of community land trusts is to use long-term ground leases and low-price purchase options to ensure affordable access to housing for low to moderate-income families.

## Proposal

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cc : Secretary of Finance

Date: 3/1/2018 VB  
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