



Assemblymember Damon Connolly, 12th District
AB 2897 – STRONG COMMUNITY LAND TRUSTS FOR CALIFORNIA
FACT SHEET

BACKGROUND

Community land trusts (CLTs) are nonprofit organizations that steward residential property as affordable housing in perpetuity. There are over 40 CLTs in California with many more in the process of formation. Some CLTs additionally steward non-residential property for community use, including but not limited to community gardens, nonprofit office space, or small business retail. Some housing owned by CLTs is rented to low-income tenants. Other CLT housing is sold to low to moderate income first-time homebuyers such that the homebuyer owns the building or their individual housing unit and the CLT owns the land beneath, with a 99-year ground lease of the land to the homeowner that contains affordability restrictions on the entire property. There are some other legal mechanisms that CLTs use to ensure their homes are maintained as affordable housing in perpetuity, such as recording a deed restriction or affordability covenant against a property.

ISSUE

The existing statutory definition of CLTs is overly narrow and excludes CLTs from being legally defined as a CLT for such reasons as the stewardship of a community garden. AB 2897 will update the statutory language used to define CLTs in state law to reflect the full range of activities of CLTs today.

Furthermore, there was a cross-referencing error in 2022's AB 1206 which allows CLTs to maintain the property tax Welfare Exemption under the same circumstances as Low-Income Housing Tax Credit projects.

EXISTING LAW

In 2016 the Legislature adopted a definition of a CLT in the California Revenue and Taxation Code,

to codify instructions on assessing the value of CLT properties for tax purposes (AB 2818, Chiu). This legislation was particularly focused on a typical resident-owned home on CLT land that is subject to affordability and resale restrictions by way of a 99-year ground lease. However, since then, this tax code definition has been referenced in other parts of state law as a general purpose definition of a CLT.

Those CLT properties which are rented to tenants are often eligible for the property tax "welfare exemption," and in 2022 the Legislature passed AB 1206 (Bennett), allowing CLTs to keep their welfare exemption even if one or more residents' incomes increase, similar to how affordable housing properties financed by low-income housing tax credits can maintain a welfare exemption even if a resident's income rises to as much as 140% of area median income, as per AB 1193 (Gloria) from 2017.

THIS BILL

This bill would make three changes to the tax code as follows:

- 1) **Technical Correction to Welfare Exemption Code:** Make a technical cross-referencing correction to language added by AB 1206 (Bennett) in 2022 to Revenue and Taxation Code Section 214(g) regarding community land trusts (CLTs) and ability to maintain a property tax welfare exemption.
- 2) **CLT Definition to Align with Property Stewardship Practices:** Amend the definition of a CLT in Revenue and Taxation Code Section 402.1(a)(11) to be consistent with actual diverse CLT practices.



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SUPPORT

Sponsor: California Community Land Trust Network

FOR MORE INFORMATION

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