

HB404 INTRODUCED



1 HB404
2 BYZN6JQ-1
3 By Representative Rafferty (N & P)
4 RFD: County and Municipal Government
5 First Read: 05-Feb-26



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SYNOPSIS:

This bill would authorize a Class 1 municipality to create nonprofit community land trusts to provide affordable housing to low-income and moderate-income families through long-term ground leases between the community land trusts and qualifying lessees.

This bill would require a community land trust to be membership-based with open meetings and a board of directors appointed by the mayor and confirmed by the city council. This bill would authorize a community land trust to acquire and lease real property, make improvements to residential real property, and enter into 99-year ground leases with qualified low-income and moderate-income lessees.

This bill would also establish an option for the community land trust and the municipality to purchase certain properties or improvements to the real properties, to allow property tax exemptions for certain property owned by the trust, and to establish qualifications for potential lessees.

A BILL
TO BE ENTITLED
AN ACT



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29
30 Relating to counties and municipalities; to authorize
31 Class 1 municipalities to establish and regulate a nonprofit
32 community land trust for the purpose of creating affordable
33 housing alternatives; to allow municipalities to appoint a
34 community land trust board of directors; to allow a community
35 land trust to acquire and lease real property to low-income
36 and moderate-income families; and to allow property tax
37 exemptions for certain trust property.

38 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

39 Section 1. This chapter shall be known and may be cited
40 as the Alabama Community Land Trust Act of 2026.

41 Section 2. This chapter applies only to Class 1
42 municipalities.

43 Section 3. When used in this chapter, the following
44 words have the following meanings:

45 (1) AFFORDABLE. For dwelling units available for lease,
46 the insurance, utilities, and other fees constitute no more
47 than 30 percent of the annual household income for low-income
48 or moderate-income families as defined in this section.

49 (2) BOARD OF DIRECTORS. The governing body of a
50 community land trust elected and formed in accordance with the
51 bylaws of such organization.

52 (3) CLASS 1 MUNICIPALITY. A Class 1 municipality as
53 defined in Section 11-40-12, Code of Alabama 1975.

54 (4) COMMUNITY LAND TRUST. An entity that:

55 a. Provides affordable housing to low-income and
56 moderate-income families through ground leases; and



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57 b. Is organized by a Class 1 municipality.

58 (5) FAMILY. A household consisting of one or more
59 individuals.

60 (6) GROUND LEASE. A lease between a community land
61 trust and a tenant of real property owned by a community land
62 trust that is designed to ensure that the property remains
63 affordable to low-income and moderate-income families.

64 (7) LIMITED EQUITY PRICE. A price for the sale of any
65 improvement located on community land trust-owned land that is
66 determined by means of a resale-restricted formula.

67 (8) LOW-INCOME FAMILY. A family household with an
68 aggregate income at or below 80 percent of the metro
69 statistical area median income adjusted for family size, as
70 determined by the Department of Housing and Urban Development
71 (HUD).

72 (9) MODERATE-INCOME FAMILY. A family household with an
73 aggregate income at or below 120 percent of metro statistical
74 area income adjusted for family size, as determined by HUD.

75 (10) ORGANIZING MUNICIPALITY. The Class 1 municipality
76 creating the community land trust pursuant to this chapter.

77 (11) PREEMPTIVE PURCHASE OPTION. The right of a
78 community land trust or the organizing municipality to
79 purchase the improvements constructed on the community land
80 trust-owned real property pursuant to a ground lease prior to
81 any other party.

82 (12) PROCEED-SHARING PROVISIONS. The resale formula
83 provisions in the ground lease that establishes the maximum
84 resale price and determines the allocation of sale proceeds



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85 between the seller and the preservation of affordability for
86 future buyers.

87 (13) QUALIFYING LESSEE. An individual or family that
88 meets the criteria of low-income family or moderate-income
89 family, as defined in this section, on the effective date of
90 the lease.

91 (14) REAL PROPERTY. Both land and improvements,
92 including a leasehold interest in real property.

93 (15) RESALE-RESTRICTED FORMULA. A formula designed to
94 maintain durable affordability of community land trust-owned
95 real property.

96 (16) SPECIFIED INTEREST. The leasehold interest in the
97 real property and associated structural improvements as
98 distinct from the fee simple interest in the land retained by
99 the community land trust.

100 Section 4. The governing body of a Class 1 municipality
101 within the State of Alabama is hereby authorized to create, by
102 ordinance, one or more community land trusts to operate within
103 its jurisdiction.

104 Section 5. (a) The purpose of a community land trust is
105 to:

106 (1) Provide affordable housing for low-income and
107 moderate-income families;

108 (2) Keep housing affordable for future residents; and

109 (3) Capture the value of public investment for
110 long-term community benefit.

111 (b) The bylaws of a community land trust shall provide
112 that:



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- 113 (1) The organization is membership-based;
- 114 (2) Corporate membership is open to the general public;
- 115 (3) Membership meetings are open to the general public,
116 including nonmembers;
- 117 (4) The board of directors shall consist of seven
118 directors serving four-year terms.
- 119 a. Four directors shall be appointed by the governing
120 body of the organizing municipality and shall have expertise
121 and experience in careers or activities involving real estate,
122 property management, finance, real estate law, transit
123 planning, residential contracting, banking, architecture, or
124 city planning.
- 125 b. Three directors shall be appointed by the mayor of
126 the organizing municipality. One director shall be a
127 professional in the finance or banking industry with
128 experience in affordable and low-income housing, lending,
129 finance, or tax credits for residential and commercial
130 properties. One director shall be a registered architect,
131 landscape architect, or city planner with experience in long
132 range planning and neighborhood/community master planning. One
133 director shall be a specialist in housing-related activities
134 with experience in developing affordable housing for
135 low-income and moderate-income families or a member of a
136 nonprofit entity or organization involved in affordable
137 housing for residents of the organizing municipality.
- 138 c. The board of directors shall reflect the diversity
139 of the community served by the community land trust to the
140 extent practicable.



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141 (5)a. The board of directors shall have the authority
142 to establish, through resolutions or bylaws, provisions for
143 director compensation, including salary, per diem, and travel
144 expenses.

145 b. The board of directors shall have the authority to
146 employ staff through resolutions adopted by the board.
147 Employees of the community land trust shall not be subject to
148 the Merit System Act.

149 c. A majority of the directors then in office shall
150 constitute a quorum for the transaction of business.

151 d. Directors may participate in meetings by
152 teleconference or other electronic means, and such
153 participation shall constitute presence at the meeting.

154 e. Directors shall be immune from civil liability for
155 acts or omissions made in good faith within the scope of their
156 official duties, except for acts or omissions involving
157 willful misconduct, gross negligence, or fraud.

158 (c) Upon dissolution, the assets of the community land
159 trust shall be transferred in accordance with Section 12 of
160 this act.

161 Section 6. (a) A community land trust may have any or
162 all of the powers permitted to a nonprofit corporation under
163 Chapter 3 of Title 10A, Code of Alabama 1975.

164 (b) A community land trust may also:

165 (1) Acquire real property for residential purposes;

166 (2) Lease residential property;

167 (3) Acquire an interest in property for construction of
168 improvements to residential real property;



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169 (4) Make improvements to real property for residential
170 purposes;

171 (5) Enter into ground leases with qualified lessees as
172 defined in this act and any other agreements or real property
173 transactions supported by criteria established in the ground
174 lease for the transfer of an interest in residential real
175 property;

176 (6) Engage in other activities related to the sale,
177 leasing, management, maintenance, and preservation of
178 properties under the control of the community land trust.

179 (7) Accept funding from the organizing municipality and
180 any other source authorized under Chapter 3, Title 10A, Code
181 of Alabama 1975.

182 Section 7. (a) A community land trust may lease housing
183 units only to qualifying lessees.

184 (b) Notwithstanding subsection (a), for multi-unit
185 dwellings, housing units located on one or more tracts of land
186 owned by the community land trust that constitute a contiguous
187 geographic area or are located within the same platted
188 subdivision:

189 (1) At least 80 percent of the community land trust's
190 leased dwelling units shall be leased to low-income families;
191 and

192 (2) Up to 20 percent of the community land trust's
193 leased dwelling units may be leased to moderate-income
194 families.

195 (c) A community land trust shall determine qualifying
196 lessee status at the time of lease. The lease may be



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197 automatically renewed without redetermining the lessee's
198 qualifying status.

199 Section 8. (a) Each ground lease shall grant the
200 community land trust and organizing municipality the right to
201 purchase all improvements to the real property.

202 (b) (1) The community land trust shall have 120 days to
203 exercise its purchase option from the date notice of the event
204 that triggers the purchase option is received.

205 (2) If the community land trust fails to exercise its
206 option within those 120 days or declines the option, the
207 organizing municipality shall have an additional 120 days to
208 exercise the purchase option from the date notice is received
209 that the community land trust has not executed or declined its
210 purchase option.

211 (c) (1) The community land trust may assign its purchase
212 option to a qualifying owner regardless of any other criteria
213 established in the ground lease for the transfer of an
214 interest in residential real property. Any sale pursuant to
215 the assignment must be completed no more than 60 days from the
216 assignment or the purchase option shall be considered to have
217 not been exercised if more than 120 days have passed from the
218 notice.

219 (2) The organizing municipality may assign its purchase
220 option to a qualifying owner regardless of any additional
221 criteria established in the ground lease for the transfer of
222 an interest in residential real property. Any sale pursuant to
223 the assignment must be completed within 60 days of the
224 assignment or the purchase option shall be considered to have



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225 not been exercised if more than 120 days have passed from the
226 notice.

227 (d) (1) The failure of a community land trust to
228 exercise the preemptive purchase option does not prohibit the
229 community land trust from exercising any other right
230 established in the ground lease, including the right to share
231 in the proceeds of the first sale to a purchaser following the
232 failure of the community land trust to exercise its right to
233 repurchase.

234 (2) If the community land trust and organizing
235 municipality both fail to exercise or decline their purchase
236 option within the prescribed time period, the homeowner shall
237 be permitted to sell the improvements to any seller at a fair
238 market value.

239 (3) Only the first arm's-length, third-party
240 transaction of the specified interest in real property after
241 the community land trust and organizing municipality fails to
242 exercise or declines their purchase option is subject to the
243 proceed-sharing provisions of the ground lease.

244 (4) A second or subsequent purchaser who acquires the
245 specified interest in the real property in an arm's-length,
246 third-party transaction for a fair market value receives title
247 free of any rights established in the ground lease or deed of
248 conveyance that would otherwise have been enforceable by the
249 community land trust.

250 (5) Notwithstanding subdivision (4), if a community
251 land trust home is subject to a ground lease at the time a
252 subsequent purchaser who acquires the specified interest in



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253 the real property in an arm's-length, third-party transaction
254 for a fair market value after the community land trust and
255 organizing municipality have not exercised their preemptive
256 purchase options, the purchaser shall pay the monthly ground
257 lease fee in effect at the time of sale for the remaining term
258 of the lease unless otherwise agreed to by the subsequent
259 purchaser and the community land trust or their successors in
260 interest.

261 (6) The community land trust, or its successor in
262 interest, shall not have the right to eject the subsequent
263 purchaser for any reason other than failure to pay the monthly
264 ground lease fee amount.

265 Section 9. (a) A ground lease shall have a maximum term
266 of 99 years and may be renewed under conditions set forth in
267 the ground lease.

268 (b) A ground lease shall include, but is not limited
269 to, the following provisions:

270 (1) The term and, if applicable, renewability of the
271 ground lease.

272 (2) The resale-restricted formula.

273 (3) A community land trust's preemptive purchase option
274 right.

275 (4) An organizing municipality's preemptive purchase
276 option right.

277 (5) Any term that, if violated, is grounds for
278 cancellation of the ground lease.

279 (6) Occupancy requirements.

280 (7) Amount of the ground lease fee and the conditions



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281 under which it may be increased.

282 (8) The party responsible for payment of applicable
283 property taxes.

284 (c) A community land trust shall record any ground
285 lease in its entirety.

286 Section 10. (a) For real property acquired for
287 residential purposes, owned by a community land trust, not
288 subject to a ground lease, the real property shall be exempted
289 from all property taxes for a period not to exceed three years
290 if the community land trust intends to transfer or lease the
291 home in accordance with Section 5, and is either:

292 (1) Conducting construction on the real property,
293 including, but not limited to, construction of a new
294 residential property, rehabilitation of an existing property,
295 and related tasks; or

296 (2) Attempting to transfer or lease the home in
297 accordance with Section 5.

298 (b) For real property subject to a ground lease that is
299 designed to preserve affordability for no more than 99 years,
300 the real property shall be assessed and taxed in accordance
301 with this section, provided:

302 (1) At the time the ground lease is made, the buyer is
303 a qualifying owner; and

304 (2) The dwelling unit is owner-occupied.

305 (c) (1) In determining the initial property tax
306 assessment valuation, community land trust real property shall
307 be assessed at the sale price.

308 (2) In subsequent reassessments, the community land



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309 trust real property shall be assessed at the lesser of:

310 a. The limited equity price as determined by the
311 resale-restricted formula; or

312 b. The fair market value using an income method of
313 valuation.

314 (d) Leased community land trust residential property
315 shall be assessed utilizing an income method of valuation. The
316 assessor must base the assessment of the property upon the
317 actual income generated by the property and may not take into
318 consideration in reaching a decision the amount of any federal
319 or state income tax credits received during development or
320 sale.

321 Section 11. (a) A nonprofit organization that loses its
322 nonprofit status may no longer operate as a community land
323 trust.

324 (b) After losing its nonprofit status, the organization
325 must transfer, within 120 days and without financial
326 compensation other than incidental associated costs, its
327 interest in any ground leases, in order of priority, to
328 either:

329 (1) The organizing municipality; or

330 (2) A municipal entity or a nonprofit affordable
331 housing organization designated by the organizing municipality
332 that shares the purposes of the community land trust and has
333 received a determination under 26 U.S.C. §501(c)(3).

334 (c) If the entity or organization that gives up or
335 loses its nonprofit status fails to begin the transfer of its
336 interest in any ground leases or deeds of conveyance within



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337 120 days as provided in subsection (b), all interests shall be
338 transferred to the organizing municipality effective
339 immediately.

340 Section 12. The provisions of this act shall control
341 where inconsistent with the provisions of another law.

342 Section 13. This act shall become effective on October
343 1, 2026.