

## HB404 INTRODUCED



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



## 4 SYNOPSIS:

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

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

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

24  
25  
26                           A BILL  
27                           TO BE ENTITLED  
28                           AN ACT



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

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

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

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

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

(4) COMMUNITY LAND TRUST. An entity that:

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



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b. Is organized by a Class 1 municipality.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

(2) Keep housing affordable for future residents; and

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

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



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(1) The organization is membership-based;

(2) Corporate membership is open to the general public;

(3) Membership meetings are open to the general public, including nonmembers;

(4) The board of directors shall consist of seven directors serving four-year terms.

a. Four directors shall be appointed by the governing body of the organizing municipality and shall have expertise and experience in careers or activities involving real estate, property management, finance, real estate law, transit planning, residential contracting, banking, architecture, or city planning.

b. Three directors shall be appointed by the mayor of the organizing municipality. One director shall be a professional in the finance or banking industry with experience in affordable and low-income housing, lending, finance, or tax credits for residential and commercial properties. One director shall be a registered architect, landscape architect, or city planner with experience in long range planning and neighborhood/community master planning. One director shall be a specialist in housing-related activities with experience in developing affordable housing for low-income and moderate-income families or a member of a nonprofit entity or organization involved in affordable housing for residents of the organizing municipality.

c. The board of directors shall reflect the diversity of the community served by the community land trust to the extent practicable.



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

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

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

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

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

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

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

(b) A community land trust may also:

(1) Acquire real property for residential purposes;

(2) Lease residential property;

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



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

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

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

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

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

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

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

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

(c) A community land trust shall determine qualifying 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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not been exercised if more than 120 days have passed from the notice.

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

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

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

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

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



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

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

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

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

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

(2) The resale-restricted formula.

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

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

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

(6) Occupancy requirements.

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

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

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

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

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

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

(1) The organizing municipality; or

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

(c) If the entity or organization that gives up or loses its nonprofit status fails to begin the transfer of its 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.