

**HB404 INTRODUCED**



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



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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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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.

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



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



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 mee

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.

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



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 excercised 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



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



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



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



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.