
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	AB 672	Hearing Date:	6/10/26
Author:	Caloza	Tax Levy:	Yes
Version:	4/28/26 Amended	Fiscal:	Yes
Consultant:	Grinnell		

REAL PROPERTY TAX: WELFARE EXEMPTION: COMMUNITY LAND TRUSTS

Extends the Community Land Trust welfare exemption from property tax until January 1, 2032.

Background

Property taxation. The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law, but also allows the Legislature to exempt property used exclusively for charitable purposes so long as it is owned by non-profit entities organized and operated for charitable purposes, such as universities, hospitals, and libraries. The Legislature enacted this exemption, commonly known as the “welfare exemption.” The welfare exemption has a similar policy genesis as tax-exempt status for charitable groups: revenues paid in tax to the government divert needed resources away from the organization’s good works.

The welfare exemption applies to property used for rental housing if it meets several requirements, including that there is an enforceable and verifiable agreement with a public agency, a recorded deed restriction, or other legal document that restricts the project’s usage. The exemption also provides that the units designated for use by lower-income households must be continuously available to or occupied by lower-income households. The exemption can include property used for rental housing when the housing is financed by tax-exempt mortgage revenue bonds; general obligation bonds; federal, state, or local grants; or federal Low Income Housing Tax Credits (LIHTCs). For projects with both low-income and market-rate units, the owner can claim a partial exemption equal to the percentage of the value of the number of units serving lower-income households.

Additionally, the Legislature enacted a specific “Habitat for Humanity” exemption to allow the welfare exemption to property (AB 1559, Wiggins, 1999):

- Owned and operated by a nonprofit corporation, which is organized and operated for the specific and primary purpose of building and rehabilitating single or multifamily residences for sale at cost to low-income families, and
- The sale of which is financed by a zero-interest rate loan, without regard to religion, race, national origin, or the sex of the head of household.

Community Land Trusts (CLTs). Formed by local agencies, employers, nonprofits, or grassroots organizations, CLTs are typically sponsored by non-profit organizations seeking to promote affordable housing by acquiring and retaining ownership of real property in a specific geographic area using capital or land from private donations or public sources. While the first CLTs were formed in rural areas in the 1970s, nearly 208 exist nationwide today, with

approximately 50 in California, according to the Lincoln Institute of Land Policy.¹ CLTs provide both owner-occupied and rental housing, and under federal law, must:

- Not be sponsored by a for-profit organization.
- Be established to acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases; transfer ownership of any structural improvements located on such leased parcels to the lessees; and retain a preemptive option to purchase any such structural improvement at a price determined by a formula designed to ensure the improvement remains affordable to low- and moderate-income families in perpetuity.
- Have a corporate membership that is open to any adult resident of a particular geographic area specified in the bylaws of the organization, and whose board of directors must be equally comprised of leaseholders, community representatives, and other individuals representing the public interest.

CLTs provide an affordable housing model to help low- and moderate-income households that may not otherwise be able to purchase homes. The CLT acquires and develops properties for sale to income-qualified households, but then retains ownership of the underlying land and leases the land to the homeowner for a nominal fee through a long-term ground lease (usually a 99-year term). As a result, the home is more affordable because the homeowner is only buying the building and leasing the land underneath. If the homeowner decides to sell the property, the home must be resold to another income-qualified household, and the original owner will only be eligible for a smaller share of the gain based on the appreciated value. Since the CLT is the owner of the land, it is a party to all future sales and enforces resale restrictions.

The Legislature has acted several times to provide favorable property tax treatment for properties owned by CLTs, among them:

- In 2016, the Legislature required assessors to consider the value impact of CLT-imposed enforceable restrictions, and added a definition of a CLT into property tax law (AB 2818, Chiu). Among the requirements of the definition is that all units on the land owned by the CLT are sold or rented to persons or families of low to moderate income, and the land is subject to a 99-year ground lease.
- The Legislature also adopted a provision applied to other affordable housing projects that continue to treat a unit as occupied by a lower-income household when the income of those occupants increases (AB 1206, Bennett, 2022).
- In 2024, the Legislature modified the current definition of CLT to remove the requirement that property be subject to a 99-year ground lease when a CLT is part of a condominium, cooperative, or other common interest development under which the land is owned by a homeowners' association or person other than the community land trust (AB 2897, Connolly). Instead of the 99-year ground lease, an affordability covenant of at least 99 years must be recorded against the unit or interest.

SB 196. In 2019, the Legislature provided that property owned by a CLT, as defined by AB 2818, qualifies for the welfare exemption for a five-year period if the property is being developed, will be developed, or is rehabilitated as housing, among other requirements (SB 196,

¹ Jon Emmeus Davis and Kristin King-Ries, "Preserving Affordable Home Ownership: Multiple Partnerships with Community Land Trusts," Lincoln Institute of Land Policy, 2024: <https://go.lincolninst.edu/preserving-affordable-homeownership-full.pdf>

Beall). To be eligible for the exemption, the property must be, or will be, developed or rehabilitated into:

- An owner-occupied single-family dwelling;
- An owner-occupied unit in a multifamily dwelling;
- A member-occupied unit in a limited equity housing cooperative; or
- A rental housing development.

To be eligible for SB 196's exemption, improvements on the property must be available for use and ownership or rent by qualified persons. The bill then defined qualified persons to mean those of low income for rental housing or limited equity housing cooperatives, or low or moderate incomes for owner-occupied housing, by reference to the Health and Safety Code. A deed restriction or other instrument requiring a contract (or contracts) serving as an enforceable restriction on the sale or resale value of owner-occupied units, or on the affordability of rental units, must be recorded on or before the lien date following the CLT's acquisition of the property.

Similar to the Habitat for Humanity exemption, the CLT exemption prohibits the assessor from denying the exemption on vacant land because construction of an eligible use of the property has not yet commenced, and deems rental housing eligible for the exemption as of the date construction commences. SB 196 also contained a mechanism that made a CLT liable for unpaid taxes during the term of the exemption if the property was not developed or rehabilitated, or if the development or rehabilitation is not in the course of construction, generally within five years of acquisition. The Legislature also incorporated eligibility for vacant land and the repayment requirement in AB 1933 (Friedman, 2022), which enacted a similar exemption for charitable organizations that develop affordable housing, subject to a recorded agreement with a local agency.

SB 196 was set to sunset the CLT welfare exemption on January 1, 2025. In 2022, the Legislature extended it by two years (AB 2651, Petrie Norris); it's now set to sunset on January 1, 2027. The California Community Land Trust Network wants to extend it for another five years.

Proposed Law

Assembly Bill 672 extends the CLT welfare exemption from property tax until January 1, 2032.

State Revenue Impact

According to the State Board of Equalization, "Staff cannot estimate the number of CLTs that would qualify under this bill as the location and value of those properties are not known. Revenue impact depends on: (1) the number of properties that would qualify under this bill, (2) the taxable value of the property, and (3) the location of these properties. At this time, based on these unknown factors, the revenue loss is indeterminable."

Comments

1. Purpose of the bill. According to the author, "Community land trusts are a powerful tool to expand affordable housing, making our neighborhoods more equitable and accessible. Property

tax policy should support—not hinder—efforts to create stable, affordable homes for low-income families. AB 672 protects existing provisions for community land trusts to ensure they can continue developing affordable housing without disruption, helping more Californians build security, mobility, and opportunity through homeownership.”

2. Assessing performance. After enacting the CLT exemption in SB 196, which took effect January 1, 2020, and ended January 1, 2025, the Legislature preemptively extended it for two years in 2022. As part of both measures, the Legislature required CLTs to report data to assessors for subsequent reporting to BOE. In 2025, the BOE requested data from the 58 county assessors, but received only 33 responses, of which only eight counties specified the number of parcels owned by CLTs. Five counties reported parcels owned by CLTs with an estimated assessed value of \$10.3 million. While the above data implies that the exemption is seldom claimed in California, it may be instead that it is being claimed in the 25 counties that did not respond to BOE’s survey. The bill’s proponents argue that even though the exemption does not apply to many properties, it has provided a significant financial benefit for several important CLT projects, including 68 for the Irvine CLT. The Committee may wish to consider whether the CLT exemption is accomplishing its goals of expanding affordable housing in the state.

3. Community benefit. The welfare exemption has two explicit Constitutional requirements: the property must be owned by charitable organizations, and used exclusively for exempt purposes. The welfare exemption applies to many forms of properties, but generally requires the activity on the property to “benefit the community as a whole or an unascertainable and indefinite portion thereof” in *Stockton Civic Theatre v. Board of Supervisors*, 66 Cal.2d. 13, (1967). However, it is unclear how vacant land can be considered to be used exclusively for a community benefit. Many nonprofit organizations own and pay taxes on land they intend to develop for exempt purposes (churches, hospitals, private universities), which then become exempt when construction commences. Land that will be developed for affordable rental housing that is eligible for the welfare exemption is similarly taxable. Given the state’s general shortage of housing, and acute shortage of affordable housing, AB 672 extends the exemption enacted by SB 196, which justified its exemption for vacant land by stating that the activities of a CLT qualitatively differ from other organization in that the land they own is held in perpetuity for persons and families of low and moderate income, and is central to those entities’ exempt purposes and activities. This kind of exemption is not without precedent – the Legislature made similar findings in AB 1559 and AB 1933.

4. Gut and amend. As approved by the Assembly, AB 672 required a plaintiff or petitioner filing a civil action seeking injunctive relief against certain specified labor actions, and which public employment labor relations are regulated by the Public Employment Relations Board (PERB), to provide notice to PERB. On April 28th, the author amended the bill to delete those provisions and insert the current ones.

5. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 672 changes the way assessors value real property by extending a welfare exemption from property tax, Legislative Counsel says that this bill imposes a new state mandate. The measure provides that the state shall not reimburse local agencies for property tax revenue losses, instead stating that, should the Commission on State Mandates determine that the bill imposes a reimbursable mandate, reimbursement must be made pursuant to existing statutory provisions.

Not relevant to this version of the bill.

Support and Opposition (6/5/26)

Support: Bay Area Community Land Trust
Beverly-Vermont Community Land Trust
California Community Land Trust Network
CARE Community Land Trust
El Sereno Community Land Trust
Enterprise Community Partners, Inc.
Housing Land Trust of the North Bay
Inland Empire Prism Collective
Inland Equity Community Land Trusts
Irvine Community Land Trust
Long Beach Community Land Trust
Oakland Community Land Trust
Richmond Land
Ruchell “Cinque” Magee Community Land Trust
Sacramento Community Land Trust
Saint Joseph Community Land Trust
San Francisco Community Land Trust
San Gabriel Valley Casita
San Gabriel Valley Community Land Trust
Starting Over Strong
Tierras Indígenas Community Land Trust
Two Valleys Community Land Trust
Seven Individuals

Opposition: None received.

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