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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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### AB 672 (Caloza) - Real property tax: welfare exemption: community land trusts

**Version:** April 28, 2026

**Policy Vote:** L., P.E. & R. 4 - 1, JUD. 11 -  
2, REV. & TAX. 5 - 0

**Urgency:** No

**Mandate:** Yes

**Hearing Date:** June 22, 2026

**Consultant:** Robert Ingenito

**Bill Summary:** AB 672 would extend the Community Land Trust welfare exemption from property tax until January 1, 2032.

#### Fiscal Impact:

- The Board of Equalization (BOE) indicates that it would incur minor, one-time administrative costs to implement the provisions of the bill.
- BOE indicates that this bill would result in lower property taxes relative to current law; however, the magnitude of the decline is unknown (See Staff Comments). Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors).
- By changing the manner in which assessors value real property, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs (General Fund). The magnitude of these costs is unknown.

**Background:** The California Constitution generally requires all property to be taxed unless specifically exempted by the Constitution or federal law. It also authorizes the Legislature to exempt property used exclusively for charitable purposes and owned by qualifying nonprofit organizations. Pursuant to this authority, the Legislature established the welfare exemption, which reflects the longstanding public policy that charitable organizations should be able to devote their resources to public-serving activities rather than property tax obligations.

The welfare exemption extends to certain affordable housing developments operated by nonprofit organizations. To qualify, a project generally must be subject to enforceable affordability restrictions through agreements with public agencies, recorded deed restrictions, or similar legal instruments. Eligible projects include those financed through public funding sources and affordable housing programs, such as tax-exempt bond financing, government grants, and federal Low-Income Housing Tax Credits. For mixed-income developments, the exemption may be applied on a proportional basis to the share of units serving lower-income households.

The Legislature has also created targeted welfare exemption provisions for organizations that develop affordable homeownership opportunities. For example, property owned by qualifying Habitat for Humanity organizations may receive the exemption when used to construct or rehabilitate housing sold at cost to lower-income households and financed through zero-interest loans.

Community Land Trusts (CLTs) are nonprofit organizations that promote long-term housing affordability by acquiring and retaining ownership of land while facilitating affordable homeownership and rental opportunities. Established by local governments, nonprofit organizations, employers, or community groups, CLTs have become an increasingly common affordable housing model, with approximately 50 operating in California and more than 200 nationwide.

Under the CLT model, the trust retains ownership of the underlying land and leases it to income-qualified homeowners through long-term ground leases. By separating ownership of the land from ownership of the structure, CLTs reduce the upfront cost of homeownership while preserving affordability for future generations. Resale restrictions ensure that homes remain affordable over time, and the CLT retains an ongoing role in enforcing affordability requirements.

Federal law establishes governance and operational requirements for CLTs, including nonprofit sponsorship, perpetual stewardship of land for affordable housing purposes, and community-based governance structures that balance the interests of residents, community members, and the public.

Recognizing the role of CLTs in expanding affordable housing opportunities, the Legislature has enacted several measures to support their operation. These actions include requiring assessors to recognize the value impacts of CLT affordability restrictions, clarifying eligibility standards for affordable housing tax benefits, and modernizing statutory definitions to accommodate CLTs operating within common-interest developments.

In 2019, the Legislature enacted SB 196 (Beall), which extended the welfare exemption to certain properties owned by qualifying CLTs during the development or rehabilitation process. The exemption applies to owner-occupied housing, limited-equity cooperative units, rental housing developments, and other affordable housing projects intended for occupancy by low- and moderate-income households.

To qualify, properties must be subject to recorded affordability restrictions that ensure long-term affordability and occupancy by income-qualified households. The measure also provides treatment similar to that afforded under the Habitat for Humanity exemption by allowing vacant land and properties under construction to qualify before housing units are completed.

To safeguard against misuse, SB 196 requires repayment of forgone property taxes if a project is not developed, rehabilitated, or actively under construction within prescribed timeframes. Similar provisions were later incorporated into broader affordable housing welfare exemption statutes applicable to charitable housing developers.

The exemption was originally scheduled to sunset on January 1, 2025, but was extended by the Legislature through January 1, 2027.

**Proposed Law:** This bill would extend the CLT welfare exemption from property tax until January 1, 2032.

**Related Legislation:**

- AB 2651 (Petrie Norris, Chapter 656, Statutes of 2022) extended the CLT welfare exemption by two years, to January 1, 2027.
- SB 196 (Beall, Chapter 669, Statutes of 2019) provided that property owned by a CLT, as defined, 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 provided that the exemption would sunset on January 1, 2025.

**Staff Comments:** The revenue loss resulting from this bill would depend on (1) the number of properties that would qualify, (2) the taxable value of the properties, and (3) the location of these properties. BOE notes that its staff cannot estimate the number of CLTs that would qualify under this bill. Staff also does not know the location and value of those properties. Consequently, this bill's revenue loss is indeterminable.

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