

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2877 - SB 2745

February 22, 2012

**SUMMARY OF BILL:** Removes the power of eminent domain from housing authorities, and instead directs housing authorities to report to the local government legislative body when seeking land acquisition through eminent domain. The housing authority will assist the local government legislative body when proceeding with an eminent domain land acquisition.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Expenditures –Exceeds \$100,000\***

**Other Fiscal Impact – Potential decreases to state and local government revenue if fewer eminent domain procurements occur as a result of the bill. Potential increases to state and local government revenue if properties procured by eminent domain are subsequently redeveloped to an extent that incremental economic activity occurs on the property. Any net impacts to state and local government revenue cannot be reasonably quantified.**

Assumptions:

- The process of eminent domain is not the only method housing authorities may use in the procurement of property, and it is not a process used frequently by all housing authorities; however, it may be used in the acquisition of delinquent tax property, condemned property, and buildings causing safety and health issues to surrounding properties and citizens.
- Based on information from the Memphis Housing Authority (MHA) and Knoxville Community Development Corporation (KCDC), there are several factors that could cause an increase in local government expenditures as a result of this process.
- Housing authorities currently research, conduct studies, and gather information about areas that are in need of development and improvement.
- According to KCDC, in determining the potential value of property, an appraiser, an attorney, and a realtor are often hired.
- It is assumed that any cost associated with the process of determining the value of a property procured by eminent domain will pass to local governments.
- According to MHA, any litigation resulting from eminent domain proceedings is currently absorbed within their resources; however, by conducting this process through

the local government legislative body, it is assumed that the local government will incur costs associated with potential litigation.

- Given the extent of these factors are unknown; it is difficult to determine the full extent of any increased expenditures. However, based on the information provided by MHA and KCDC, the recurring increase in local government expenditures is reasonably estimated to exceed \$100,000 statewide.
- It is assumed that the increase in local government expenditures and added procedures for using eminent domain may cause the total number of properties procured statewide by eminent domain to decrease; thereby, resulting in a possible decrease to state and local revenue if specific properties are left to deteriorate further. Contrastingly, any property acquired by local governments by eminent domain procurement may be resold and developed into property that will generate incremental state and local revenue. The extent of any such revenue impacts, as well as any resulting net revenue impacts, are considered secondary effects and cannot be reasonably quantified for the purpose of this fiscal note.

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jrh