

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2126 – HB 2423

March 10, 2018

SUMMARY OF ORIGINAL BILL: Extends application of the Neighborhood Preservation Act (NPA) to any county or municipality that has formed a land bank.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent civil suits are brought against owners of property in land banks, state and local governments may be impacted. The extent and timing of any such impacts are unknown due to multiple unknown factors.

SUMMARY OF AMENDMENT (014492): Deletes all language after the enacting clause. Extends application of the Neighborhood Preservation Act (NPA) to any county or municipality that has formed a land bank. Authorizes any acceptable petitioner to file a petition for a judgment in rem against a subject parcel seeking an order that the subject parcel is a public nuisance and for abatement of the nuisance. Requires minimum bids made by land bank corporations in advance of delinquency property tax sales to be accepted for no cash if there are no other bidders on the parcel. Authorizes local governments to remit payments to land banks equal to 50 percent of the real property taxes collected by the local government for a period of 5 years.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent a city or county meets Neighborhood Preservation Act application, there may be increases in local revenue and expenditures, including both mandatory and permissive expenditures. Due to multiple unknown factors, the timing and extent of any impact to local government cannot be reasonably determined. Any impact on state tax revenue is estimated to be not significant.*

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann., Title 13, Chapter 30, a land bank corporation is created upon majority vote of the local legislative body. Once created, the land bank corporation

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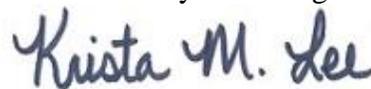
has the power to: create a land bank from real property located within the boundaries of the creating local government; enter into contracts for the management of the property; and design, develop, construct and otherwise improve the real property.

- Pursuant to Tenn. Code Ann. § 13-6-103, under the provisions of the NPA, an owner of residential rental property or residential property is required to maintain the exterior of the property and the lot on which the property is located at a level that is no less than the community standards of the residential property in the area.
- Under current law, Tenn. Code Ann. § 13-6-105, the provisions of the NPA apply to Davidson, Shelby, and Madison Counties.
- The precise impact resulting from expanding the provisions of the NPA to all counties and municipalities that have formed a land bank is dependent upon multiple unknown factors such as: the number of eligible properties in land bank communities, the number of judgment in rem public nuisance abatement petitions filed, the number of owners failing to comply with court orders, the amount and number of receiver liens filed, the number of receivers selling such properties to repay any outstanding liens, the party awarded the winning bid at receiver lien sales, the number of properties purchased by land bank corporations at delinquent property tax sales, and the number and timing of local governments authorizing property tax payment to land banks at a rate equal to 50 of property taxes.
- Given the extent of unknown factors, a precise fiscal impact to local government cannot be reasonably determined.
- There will be no impact on state taxes assessed; however, this legislation may provide an additional means for the state to recover taxes owed. Any impact on state tax collections is considered not significant.
- Any increase in court cases will be absorbed within existing judicial resources. Any impact to the court system is estimated to be not significant.

**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.



Krista M. Lee, Executive Director

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