

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1496 - HB 1727

February 2, 2018

**SUMMARY OF BILL:** Establishes new values at which local government can sell land previously acquired through condemnation. Establishes damages a court may award an original property owner if a local government is found in violation.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Passage of this legislation could result in decreases to local government revenue. The extent and timing of any such impacts is dependent upon multiple unknown factors and cannot reasonably be determined.**

*Assumptions relative to procedure:*

- The provisions of the proposed language are only applicable to actions taken by local governments.
- Pursuant to Tenn. Code Ann. § 29-17-1005, the current procedure is as follows:
  - If, within 10 years of condemning land, a local government opts to sell such land, the former property owner may purchase the land at the current fair market value, together with costs.
  - If the former property owner declines to purchase the land, the local government may offer the land sale to the general public at fair market value, together with costs.
- The proposed language would set the current procedure as follows:
  - Any time a local government opts to sell land acquired through condemnation, the former property owner may purchase the land for the lesser of either (1) the original price paid to the property owner by the local government at the time of condemnation plus any documented expenditures made by the local government that improved the land, or (2) an amount representing not less than the fair market value of the property as of the date of the purchase agreement offered, together with the cost of any documented expenditures that improved the land.
  - If the former property owner declines to purchase the land, the local government may offer the land for sale to the general public at current fair market value.

*Assumptions relative to the sale of land acquired through condemnation:*

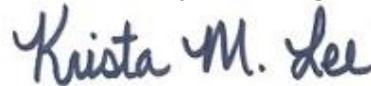
- In the event a former property owner opts to purchase land and the lesser price to be paid by the former property owner is the current fair market value, together with the cost of any documented expenditures, there will be no significant impact to local government revenue.
- In the event a former property owner opts to purchase land at a cost equal to the original price paid to the former property owner at the time of condemnation, plus the cost of any documented expenditures, and such price is less than current fair market value, there will be a decrease in local government revenue.
- In the event a former property owner declines to purchase such land and the local government is thus authorized to offer the land for sale to the general public, the sale price will be the current fair market value and will not include any expenditure associated with improvements to the land. As a result, any applicable local government entity would no longer be able to recover their costs of improving the land, and will thus experience a decrease in local government revenue.

*Assumptions relative to damages assessed for violation:*

- If a local government sells or conveys such land in a manner which violates the provisions of the proposed language, the former property owner will have a cause of action for damages of the greater of either the proceeds from the sale of the property or fair market value, minus the cost of any documented expenditures that improved the value of the property, and attorney's fees.
- Under current law, pursuant to Tenn. Code Ann. § 29-17-1005, local governments are required to offer such land to the former property owner prior to offering the property for sale to the general public; therefore local governments will continue to follow this procedure and avoid any potential damages being assessed.
- Any increase to local government expenditures as a result of the prescribed damages is estimated to be not significant.

**CERTIFICATION:**

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



Krista M. Lee, Executive Director

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