



OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note

Fiscal Note On: HB 489 HLS 14RS 434
Bill Text Version: RE-REENGROSSED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 22, 2014 12:52 PM Author: BISHOP, WESLEY
Dept./Agy.: City of New Orleans Analyst: Misty Perry
Subject: Donation or Sale of Property

PROPERTY/ABANDONED RR INCREASE LF EX See Note Page 1 of 2
(Constitutional Amendment) Authorizes the donation or sale of certain property in the Lower Ninth Ward of the city of New Orleans by the city

Purpose of Bill: This measure would authorize the governing authority of the city of New Orleans to donate or sell, at a price the legislature may set, the property located in the Lower Ninth Ward to qualified purchasers as provided by law. It would also amend the constitution to include this donation or sale in the list of exceptions to the prohibition on the state donating property.

According to an official with the city of New Orleans, as of March 7, 2014, there are at least 1,170 properties in the Lower Ninth Ward that are currently declared blighted (424) or could be declared blighted in the near future (746).

Table with 7 columns: EXPENDITURES, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

Local government expenditures may increase by approximately \$365,000 per year as a result of this measure .

Election Costs. According to an official with the Secretary of the State's office, there would be no additional election costs for this bill, as his office routinely budgets for up to 10 constitutional amendments.

Blighted Property Identification Costs. According to the official, the city would need to take a full inventory of the Lower Ninth Ward to fully identify all blighted properties. To do this the city would need to hire two researchers and one inspector to assess the blight condition of all properties at an estimated cost of \$150,000. The city estimates that the potential number of blighted properties after additional research is done would be 1,800, of which 450 properties would be processed annually.

Appeals Costs. According to the official, the city would need to hire one additional administrative hearing officer to handle appeals at \$75 per hour for an estimated cost of \$15,000 per year (8 hours per week every other week). Expenditure Explanation continued on page 2.

REVENUE EXPLANATION

The fiscal impact on local government revenues is indeterminable as a result of this measure.

Sale of Property. The sale of abandoned or blighted properties may increase local government revenue, dependent upon the price set by the legislature. However, abandoned or blighted properties may be donated instead of sold, therefore, the fiscal impact on local government revenues due to the sale of abandoned or blighted property is indeterminable.

Property Taxes. According to the official, in the Lower Ninth Ward, delinquent taxes average \$1,461 per delinquent property. However, not all of the blighted properties are delinquent in taxes. The official stated that it is not possible at this time to determine how much in delinquent taxes are owed on these properties because different systems track blighted properties and delinquent taxes. Therefore, there is an indeterminate decrease in delinquent tax revenue, assuming these revenues would no longer be realized if the property was donated according to this measure. In addition, there may be an annual increase in property tax revenue collected, if more responsible property owners take ownership and pay property taxes on time. Therefore, there is an indeterminate impact to property tax revenue, as a result of this measure. Revenue Explanation continued on page 2.

Senate Dual Referral Rules House
[] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
[] 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
[] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}
Joy Irwin
Director of Advisory Services



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CONTINUED EXPLANATION from page one:
Expenditure Explanation Continued (from page 1)

Application Process Costs. According to the official, the city would also need to develop a process for application and priority setting for blighted properties. This process would need two additional assistant city attorneys at \$100,000 each per year, for a total of \$200,000.

Upkeep Costs. According to the official, currently, the city does not regularly pay for upkeep for blighted properties in the Lower Ninth Ward. There have been some costs for clearing activities, but this is not a permanent program. The city is trying to start a program that would provide for upkeep of a portion of the blighted properties in the Lower Ninth Ward. There could be upkeep savings in the future if this measure is enacted, assuming the blighted properties are maintained by the new owner after donation; however, this amount is indeterminate at this time.

Revenue Explanation Continued (from page 1)

Liens. According to the official, in the Lower Ninth Ward, liens average of \$7,379 per parcel for 414 parcels with a lien. The official stated that it is not possible at this time to determine how much the liens total for the blighted properties, because different systems track blighted properties and liens. Therefore, there is an indeterminate decrease in lien revenue, assuming these costs would no longer be recovered if the property was donated according to this measure.

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