Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2017 Regular Session

Part I: Measure Information

Bill Request #: 1448	
Bill #: HB 310 GA	
Bill Subject/Title:	AN ACT relating to land bank authorities.
Sponsor: Representative Joni L. Jenkins	
Unit of Government:	XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment
Office(s) Impacted:	
Requirement:	Mandatory Optional
Effect on Powers & Duties:	Modifies Existing Adds New Eliminates Existing
Part II: Purpose and Mechanics	

KRS 65.355(3) defines a land bank authority as being "established to acquire the tax delinquent properties of the parties in order to foster the public purpose of returning land that is in a non-revenue generating, non-tax producing status to effective utilization in order to provide housing, new industry, and jobs for the citizens of the county."

Section 1:

Defines "party" to mean one or more parties to an agreement, which shall include any local government or any local county or independent school district within the county and the Commonwealth.

Defines "local government lien" to mean any lien established by or in favor of a local government.

Section 2:

Expands the properties that the land bank authority may acquire to include blighted or deteriorated properties and properties that have local government liens filed against them. The purpose being to return non-tax producing properties to effective utilization including, but not limited to, housing, new industry, and jobs.

Section 3:

Requires that the mailing list that the land bank authority shall maintain to be electronic, not postal. The list is comprised of all city, county, or regional housing authorities, and the Kentucky Housing Corporations, that have requested to be notified prior to any action by the authority to dispose of property in its inventory. It's the responsibility of the agencies to provide the authority with their electronic mailing address.

Section 4:

Expands the list of properties to be held in its name to include properties having local government liens.

Requires the authority to establish conditions for selling or trading a property prior to selling or trading that property. The amount of time is amended from thirty to seven days regarding the time prior to disposal that information regarding the disposal of property by the authority must be published.

When property is acquired by the authority, all state, county, city, and school district taxes shall be extinguished.

Removes language requiring the approval of the authority regarding property transferred from a housing authority to another similar group.

All proceeds from the sale or other disposal of property by the authority shall be retained by the authority.

Removes language that requires that the acquisition and disposal shall not be governed or controlled by regulation or law of the parties, unless specifically provided in the agreement.

For the first five years following conveyance of a property by the authority to an owner that is subject to ad valorem taxes, fifty percent (50%) of the ad valorem property taxes collected from the property shall be remitted to the authority, **except** taxes due to a school districts.

Removes language that provides that no property located within the boundaries of a local government may be sold, traded, exchanged, or otherwise disposed of, unless the transaction is approved by the member appointed by the affected local government.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The immediate fiscal impact of HB 310 is expected to be minimal because the properties in question are non-tax producing properties currently, but over a period a time may result in an aggregate increase in local property taxes for an area. These are properties that are currently sitting abandoned, have become blighted or deteriorated and on which property tax has not been paid on for a number of years. This allows the land bank

authority to take deed to the property without tax consequences. For example, a house of low market value may have an accumulated tax liability inclusive of interest and penalties and property maintenance fines that are of such a high percentage of the market value that the motivation to buy the property isn't there from a development standpoint, nor is it there for the current owner to step forward and pay the taxes on. However, if the property can be sold or disposed of without tax consequences by the authority, the possibility for a purchaser to buy the property and return it to good condition are much improved and therefore, going forward, the property is restored to a tax-producing property.

For the first five years following conveyance of a property by the authority to an owner that is subject to ad valorem taxes, fifty percent (50%) of the ad valorem property taxes collected from the property shall be remitted to the authority, **except** taxes due to school districts.

An April 10, 2012 article appearing in the Louisville Courier-Journal describes the issue as follows:

"Some of the estimated 7,000 vacant and abandoned properties in Louisville are in "legal limbo." Banks or holders of tax liens do not exercise their right to take title to the property, but they also do not release their claims on it."

If a bank or lien holder took the title back to the property, then they would become responsible for any delinquent taxes owed on the property.

Data Source(s): LRC Staff

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 2/22/17