

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (07-02)**

Subject

Initiative petition from Ron Calzone regarding a proposed constitutional amendment for Article VI, Section 21, relating to eminent domain. (Received February 1, 2007)

Date

February 21, 2007

Description

This initiative petition would amend Article VI of the Missouri Constitution by modifying Section 21. Article VI, Section 21, currently permits cities or counties to enact ordinances, providing for the clearance, replanning, reconstruction, redevelopment and rehabilitation of blighted, substandard or insanitary areas, and for recreational and other facilities incidental or appurtenant thereto, and for taking or permitting the taking, by eminent domain, of property for such purposes, and when so taken the fee simple title to the property shall vest in the owner, who may sell or otherwise dispose of the property subject to such restrictions as may be deemed in the public interest.

The initiative petition repeals the section and replaces it with a section that protects property owners from public nuisances. In the event that an owner of property is found by a court of competent jurisdiction to be harboring such nuisance and has not fully abated the nuisance within a reasonable time after final judgment, any political subdivision of the state in which the nuisance exists may expend public funds to abate the nuisance and impose a lien on the offending property limited to an amount equal to the costs of the abatement and reasonable interest on such costs. Enforcement of the lien may be accomplished in the same manner as tax liens are enforced.

The amendment is to be voted on in November, 2008.

Public comments and other input

The State Auditor's Office requested input from the **Department of Economic Development, the Governor's Office/Office of Administration, the Department of Conservation, the Department of Natural Resources, the State Tax Commission, the Department of Transportation, Cole County, Greene County, Jackson County, St. Louis County, the City of Kirkwood, the City of Kansas City, the City of St. Louis, the City of Gladstone, and the City of Columbia.**

Assumptions

Officials from the **Department of Economic Development** indicated the initiative petition would have no direct administrative or fiscal impact on their agency. Indirectly, this change to the constitution could severely limit economic development within Missouri and the use of tax incentive programs administered by the DED that attract jobs and investment to the state.

Officials from the **Governor's Office/Office of Administration** indicated this amendment would delete the ability for local governments to automatically clear, replant, reconstruct, redevelop, and rehabilitate any blighted, substandard, or insanitary areas and for taking or permitting the taking by eminent domain, of property for such purposes. This amendment adds new language that will allow local governments to enact laws and ordinances to protect property owners from public nuisances, gives government the right to rectify the nuisances and impose liens to recover costs for abatement of the nuisances. It appears this will have no fiscal impact to the State of Missouri.

Officials from the **Missouri Department of Conservation** indicated the vagueness of proposed language could allow laws or local ordinances to be enacted to create liens on lands deemed to be a public nuisance, regardless if on private or public land. A number of Conservation Department activities such as hunting or shooting ranges could fall within a possible nuisance determination. They question whether the immunity granted to firearm ranges in state statutes would protect in this situation. The possible number of varying regulations statewide is numerous.

Due to the speculative nature of the proposed language, the Department is unable to predict the fiscal impact.

Officials from the **Department of Natural Resources** does not anticipate any direct fiscal impact as a result of this proposal.

Officials from the **State Tax Commission** indicated the initiative petition would have no fiscal impact on their agency or county assessors.

The **Department of Transportation** indicated the proposal would have no fiscal impact on their department. This initiative petition amends Article VI, Section 21 of the Missouri Constitution to allow political subdivisions to expend public to abate private property nuisances and impose a lien on the offending property limited in the amount equal to nuisance abatement costs. Enforcement of the lien shall be in the same manner as tax liens. This initiative petition has the potential of making state agencies subject to liens which are filed against them. Under state law currently, liens generally are not authorized against the state.

The **City of Kansas City** indicated that no increase in revenues or savings will be experienced by this proposal. They further indicated that if a city in Missouri does not avail itself of the remedy provided by this change it will not incur any costs. But the change in remedies, going from being able to condemn and retain ownership of the property to having to get a civil judgment of a nuisance and then having to abate the nuisance at its initial expense and then having to lien the property for those expenses, would be a more expensive remedy for cities. At least some of those expenses would be uncollectible under the Land Tax Collection Act.

The new and additional expenses include the initial cost to abate the nuisance and the cost to litigate to a final civil judgment. Additionally, there would be the costs of collection. In Kansas City, Jackson County, which includes most of the City of Kansas City, the county collects their delinquent taxes for them and they pay them a fee.

The **City of St. Louis** indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the City.

Article VI of the Missouri Constitution currently provides that constitutional charter cities and counties can use eminent domain for the clearance, replanning, reconstruction, redevelopment and rehabilitation of blighted, substandard or insanitary areas and for recreational and other facilities. The proposed amendment would eliminate the use of eminent domain for these purposes and substitute a provision that allows local governments to spend public funds to eradicate “nuisances” if the owner has not eradicated such nuisances within a “reasonable time” after final judgment, and then attempt to recover the public cost of such eradication by filing liens with the status of tax liens and that are subject to foreclosure in the same manner as tax liens. These proposed changes will result in an extreme cost and an extreme loss of revenue to the City. The City uses eminent domain sparingly as currently permitted by Article VI, Section 21. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

In 1950, the City had 850,000 people—today, they have just over 350,000. As a result of this population loss, there are now thousands of vacant lots and structures in the City of St. Louis. As a result of this population loss, many former residences and businesses have now become vacant buildings and vacant lots. Many of these vacant properties have fallen into City ownership by default—when the private owner did not pay property tax due, the property was placed in a tax foreclosure sale, and if a private party did not bid on the property its ownership was transferred to the Land Reutilization Authority. Redeveloping this decay would be easy if all of the properties were side by side—and if all of the vacant buildings and lots were owned by the City. In fact, they are not. The City-owned properties are scattered among many properties in the hands of private owners. Too many of these privately held properties are also blighted, making it

very difficult—and in some cases nearly impossible—to redevelop these run-down areas. The vast majority of privately owned vacant buildings and lots are not maintained by their private owners.

What is the result? Some of the City of St. Louis' neighborhoods are the best in the State of Missouri. But, others are plagued by poverty, poor infrastructure, and violence.

The City of St. Louis has made great progress in turning some of these neighborhoods around. But, it would not have happened without the possible use of eminent domain. Other neighborhoods waiting to be redeveloped will remain blighted if developers do not know at the beginning of a project that they will be able to complete it.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind when half a million people left the City of St. Louis.

Even more important, the amendment will force the City to look only at individual nuisance properties, and, if the amendment becomes law, there will be no way for the City to address the redevelopment of blighted areas. The parcel-by-parcel approach contemplated by the proposed amendment will prohibit the City from engaging in the kind of developments that have the potential to put the City back on its economic feet and create value for the City and the State of Missouri. Developments like CORTEX, the new Pinnacle entertainment development, and Botanical Heights would no longer be possible—and it may not even be possible to complete those major developments that are already underway. It is critical that the City retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the City cannot address the nuisances and decay that currently exist in the City using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. The City cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct our tax base without partnerships with private enterprise. The proposed amendment would prohibit an area-wide approach, and it would also prohibit partnerships with private enterprise in redevelopment.

If the City is forced to address its problem and individual nuisance properties by using City funds to abate the nuisances first, before having the ability to acquire and sell the property to responsible owners, the result will be a significant additional cost to the City of St. Louis, as detailed in the attachments below. Further, since the City cannot possibly afford this cost, estimated at over \$40 million per year, these nuisances will not be abated. The proposed amendment also ignores the practical problem of the City entering onto privately owned property to abate nuisances. While they currently do this in order to demolish hazardous privately owned property, if they begin to do this to abate nuisances by

engaging in property repair, both the City and any contractors hired by the City run the risk of multiple and continuing legal actions due to issues with the manner of repair and the quality of the work that do not exist in a relatively simple demolition job. Thus, the approach proposed is not only unacceptably costly—it is practically infeasible as well.

Even if this method of nuisance eradication was feasible, was affordable, and was available to the City, this approach will not permit them to solve their problems of urban decay, since much of privately owned vacant property is obsolete. This vacant property includes both buildings and vacant lots. The buildings are because they became obsolete and no one wanted to buy them or live in them; the vacant lots typically result when a property becomes so deteriorated that it must be demolished. Over the years, the City has also come to own many such properties due to property tax and other lien foreclosures. But many of these properties remain in private ownership, even though they are for all practical purposes abandoned, because their owners pay minimal property taxes and weed and trash removal liens. Approximately 3,700 vacant buildings and 10,000 vacant lots remain in private ownership. This private ownership of abandoned property causes problems for both neighboring residents and businesses and the City and impairs the City's ability to heal itself after five decades of decay.

In addition, redevelopment of both publicly owned and privately owned vacant properties is seldom feasible without the ability to combine those parcels with other blighted property for redevelopment, since most of the City was originally platted in 25-foot frontage increments. Today, a 25-foot lot is virtually useless for any purpose, residential or commercial. The proposed amendment would render the City unable to engage in redevelopment of these properties. As detailed in the attachments, they estimate that this inability to engage in redevelopment would cost the City more than \$40 million annually, in addition to the \$40 million in additional City costs the City would incur in direct City funding of nuisance abatement.

The analysis in Attachment B provides detail on the types of costs the City would incur and the types of revenue losses the City would suffer if the amendment were to become law. Given the complexity of the issue and the amount of time available to provide this fiscal note, these figures are necessarily estimates. They believe, however, that the methodology described in Attachment B provides a reasonably accurate assessment of the fiscal impact to the City of St. Louis related to the impacts analyzed. In addition, in the interest of time, the attached assessment does not include each and every fiscal impact on the City—there are others which could be detailed if more time were available. The attached chart (Attachment A) summarizes the results of the methodologies applied in Attachment B and the estimated fiscal impact of the constitutional amendment.

As noted on the chart in Attachment A, they estimate that the total negative fiscal impact of the proposed Constitutional Amendment on the City of St. Louis is in

excess of (\$80 million) annually, and in excess of (\$900 million) over a ten-year period. In addition, the amendment would produce a related negative fiscal impact on responsible private property owners whose property values suffer because of blight, absentee landlords, and predatory land owners.

ATTACHMENT A
SUMMARY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION
(Estimate Details Provided on Exhibit B)

CITY OF ST. LOUIS

COST OR LOST REVENUE ITEM:	ANNUAL COST/REVENUE LOSS:	10-YEAR COST/REVENUE LOSS--2.5% INFLATION:	NOTES:
ESTIMATED CITY NEW/CONTINUING COSTS:			
Nuisance Identification/Abatement Management:	(\$2,020,500)	(\$22,636,433)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,079,500)	(\$269,771,831)	
--Demolition:	(\$1,687,950)	(\$18,910,748)	
--Weed Cutting/Debris Removal:	(\$12,600,000)	(\$90,014,744)	
			10-year cost reduced by vacant lots assumed redeveloped
ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:			
Property tax impact--negative impact of vacant/vandalized privately owned properties on adjoining properties:	(\$4,109,007)	(\$46,034,772)	
Property tax impact--inability to make property available for private rehabilitation:	(\$1,551,657)	(\$17,383,810)	
Building permit revenue--inability to make available for private rehabilitation:	(\$192,636)	(\$1,926,360)	Assumes no inflation
Lost sales tax revenue--inability to develop commercially:	(\$24,083,188)	(\$269,813,151)	
Lost earnings/payroll tax revenue--inability to develop commercially:	(\$3,178,981)	(\$35,615,336)	
Lost real property tax--inability to develop commercially:	(\$7,125,840)	(\$79,833,500)	
TOTALS:	(\$80,629,259)	(\$932,569,945)	

ATTACHMENT B
**DETAIL AND METHODOLOGY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION**

CITY OF ST. LOUIS

PROBLEM/NUISANCE PROPERTIES—DIRECT CITY COSTS

Most neighborhoods in the City of St. Louis have problem properties. The majority of these properties are privately owned—problems associated with the properties include criminal behavior, excessive trash and noise, collapsing walls, missing windows, open to the elements and to trespass, unsightly conditions, and a host of other issues. These properties plague responsible neighborhood residents and have serious negative impact on residential and business quality of life. While some portion of these problem properties may fall into City ownership due to property tax delinquency, the majority of them will need to be addressed in another manner, because owners continue to pay minimal property tax and retain ownership of these problem properties. The only manner in which many of these properties can be addressed is ultimately via eminent domain; while the proposed Constitutional Amendment replaces the eminent domain remedy for these problems with a provision that allows City eradication of the nuisance, at City cost, and permits the City to attempt to recover the City cost via liens and lien foreclosures, this alternate method will not be workable. Nevertheless, the following analysis assumes that the alternate method is workable and attempts to calculate the cost. If these properties cannot be addressed with eminent domain, actions currently undertaken to address problem/nuisance properties will (a) need to continue for the foreseeable future; (b) will need to be multiplied to address all rather than just some of the problems; (c) the City will need to add new staff to carry out the nuisance eradication work; and (d) the City will have to “front” the funds for the nuisance eradication, and only some of these funds will be recoverable via lien foreclosure.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

Explanation: The following analysis estimates the cost of the new staff the City will need to put in place to identify nuisances and manage the eradication of the nuisances. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

Cost items:

▪ Current cost of problem properties task force:	\$342,000
▪ Cost of police officer to serve warrants:	\$60,000
▪ Cost to quadruple problem properties task force:	\$1,206,000
▪ Cost of staff to manage eradication of 588 nuisances per year (10% of estimated total):	\$412,500
TOTAL ANNUAL COST:	\$2,020,500
10-YEAR COST, assuming 2.5% annual inflation:	\$22,636,433

NUISANCE ERADICATION BY REPAIR:

Explanation: Occupied nuisance privately owned properties where owners cannot be induced to make repairs via prosecution will require nuisance eradication by City-funded repair—and it will not be practical or in many cases legal to evict the occupants in order to eradicate the nuisance. The estimated number of such nuisances is 4,000. Further, it will be necessary for the City to rehabilitate some vacant privately owned properties, either because the property is located in an historic district or because the legal risks associated with demolition are too great to risk demolition at a lower cost.

Cost items:

- # of occupied building nuisances abated by City: 400
- # of vacant building nuisances abated by City w/repair: 188
- Additional cost to abate occupied building nuisances: \$8,000,000
- Additional cost to abate vacant building nuisances: \$18,800,000

TOTAL ANNUAL COST: \$26,800,000
LESS: 10% Recovered Costs through Lien Foreclosures: (\$2,680,000)
TOTAL ANNUAL COST LESS RECOVERED COSTS: \$24,120,000
10-YEAR COST, assuming 2.5% annual inflation: \$269,772,000

NUISANCE ERADICATION BY DEMOLITION:

Explanation: The above analysis assumes that 50% of privately owned vacant nuisance buildings can and should be rehabilitated, and that the remaining 50% require demolition. Often privately owned vacant buildings problem properties fall into such disrepair that the only mechanism for addressing the problem is demolishing the structure on the property. If these properties cannot be addressed by eminent domain before such time as demolition is inevitable, the City will be forced to continue to spend City funds to demolish the properties. While some of the cost of demolition is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost.

Cost items:

- Annual cost to demolish privately owned vacant buildings @ \$10,000/building: \$1,880,000

LESS: 10% recovered cost: (\$188,000)
TOTAL ANNUAL COST LESS RECOVERED COSTS: \$1,688,000
10-YEAR COST, assuming 2.5% annual inflation: \$18,910,000

NUISANCE ERADICATION BY WEED CUTTING & DEBRIS REMOVAL:

Explanation: Many privately owned problem properties are vacant; other privately owned properties have improvements but are abandoned—e.g., the owner does nothing to maintain the property. In both of these situations, City funds must be spent to remove unsightly conditions from the property so that the properties cause the least amount of harm to other properties on the block. While some of the cost of is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost. No deduction is made in this category for parcels acquired via property tax foreclosure, since once the property and the neighborhood deteriorate due to irresponsible property ownership it takes a long period of time for the property

to be placed into productive use and the City must still maintain the property in the meantime to the best of the City’s ability. Unlike the cost to abate nuisances, these costs cannot be spread over a number of years—maintenance must be performed annually. If liens are imposed and foreclosed upon, in most instances the private owner will not pay off the liens—thus, the property falls by default into public ownership and the City will be still responsible for maintaining the property on an ongoing basis, unless and until the City can sell the property to another private owner.

Cost items:

- Annual cost of weed/trash removal on vacant lots—10,000 lots x 70% x 8 events/year x \$250/event: **\$14,000,000**

LESS: 10% recovered cost: **(\$1,400,000)**

TOTAL ANNUAL COST: **\$12,600,000**

10-YEAR COST, assuming 2.5% annual inflation and assuming 10% of properties sold to private owners each year: **\$90,014,000**

LOST REVENUES

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

Explanation: Vacant and abandoned properties drive down the value of other properties located on the same block. The abandonment of a property is visible signal that its owners do not care about it to other owners on the block and to those who otherwise might be interested in purchasing property on the block. The City receives a high volume of complaints each year about vacant and vandalized privately owned properties. In 2005, according to the City’s vacant building survey, the City had 3,751 privately owned residential vacant and vandalized buildings located on approximately 1,631 City blocks—the number of vacant and vandalized properties per block ranged from 1 to 16. The City must be able to take these properties out of the hands of irresponsible owners who care nothing about the surrounding neighborhoods. If the City cannot do so, the City and other taxing jurisdictions will suffer from the negative impact of these problem properties on other properties forever, with no way to take back neighborhoods from owners that wreak havoc on our neighborhoods and responsible neighbors’ lives. Assuming that each City block with one or more abandoned property reduces the value of other properties on the block by 10% (believed to be a conservative number in blocks that are plagued with more than one vacant and vandalized property), the cost to the City and other taxing jurisdictions in property taxes and the cost to adjacent owners in reduced property values are calculated below. No deduction is made in this category for parcels acquired via property tax or nuisance eradication lien foreclosure because the damage to neighboring property values has already been done by the time the City acquires the property through tax or nuisance eradication lien foreclosure. With eminent domain, the City has the ability (assuming funding is available) to acquire the property before damage to neighboring property values becomes irreversible.

- Total # of City blocks (approximate): 5,800
- Total # of parcels: 141,081
- Average parcels/city block: 24.32
- City blocks w/vacant & vandalized buildings: 1,631

▪ Parcels negatively impacted by vacant buildings:	39,673
▪ Average assessed value/residential parcel:	\$14,796
▪ Total value parcels with vacant buildings on block:	\$586,896,952
▪ Estimated 10% negative assessed value impact due to vacant buildings:	(\$58,689,695)

EST. NEGATIVE ANNUAL TAX IMPACT—	
\$7/\$100 ASSESSED VALUE:	(\$4,109,007)
10-YEAR IMPACT, assuming 2.5% annual inflation:	(\$46,034,772)

In addition, nuisances hurt adjacent property owners by negatively impacting the value of the adjacent owners' property. This hurts owners by impairing their ability to sell or borrow against the property at a higher value.

NEGATIVE IMPACT ON MARKET VALUE OF NON-VACANT PRIVATELY OWNED PROPERTIES (ASSESSED VALUE/19%):	(\$308,947,879)
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LOST REVENUES DUE TO LACK OF PROPERTY IMPROVEMENT BY PRIVATE PARTIES:

Explanation—Vacant Building Rehabilitation: In addition to the loss of property tax associated with negative impacts on surrounding non-vacant properties, the fact that owners allow vacant and vandalized properties to deteriorate also costs the City and other taxing jurisdictions in lost tax revenue. When privately owned formerly abandoned or vacant properties are redeveloped as private property, these properties add growth to the City's tax base above and beyond the growth permitted by the Hancock Amendment. In addition, it is not reasonable to expect that the City itself would rehabilitate and occupy these properties that were formerly occupied by private parties—if the City were required to rehabilitate and occupy the properties forever, it would cost the City significant amounts of money to rehabilitate the properties, as described above, and to maintain the properties in the event that private parties do not purchase them. Further, if the City rather than private parties rehabilitates and occupies the properties (as is required by the amendment—the City cannot take the property by eminent domain and sell it to a private owner for rehabilitation), the City will lose revenue that it would otherwise collect due to fees on improvement costs. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to encourage property improvement and tax base growth if the amendment is passed:

Lost Property Tax Revenue—Lack of Vacant Building Rehabilitation:

▪ Average assessed value of privately owned vacant/vandalized building:	\$7,181
▪ Low end of average sales price for rehabilitated rehabilitated residential property:	\$100,000
▪ Low end of average assessed value for rehabilitated residential property @ 19%:	\$19,000
▪ Value lost due to inability to make available for private rehabilitation:	\$11,819
▪ 50% if of privately owned vacant buildings rehabilitated:	1,876
EST. NEGATIVE ANNUAL TAX IMPACT—	
\$7/\$100 ASSESSED VALUE:	(\$2,216,653)
LESS: 15% to City ownership via property tax foreclosure:	\$332,500
LESS: 15% redeveloped for commercial use:	\$332,500
TOTAL ANNUAL PROPERTY TAX IMPACT:	(\$1,551,657)
10-YEAR IMPACT, assuming 2.5% annual inflation:	(\$17,383,810)

Lost Building Permit Fee Revenue—City Rehabilitation:

▪ # of privately owned vacant buildings to be rehabilitated:	1,876
Approximate average cost of rehabilitation:	\$100,000
▪ Building Permit fee rate:	\$9/\$1,000
▪ Building permit fees lost:	(\$1,688,000)
▪ # of privately owned occupied buildings to be abated:	4,000
Approximate average cost of rehabilitation:	\$20,000
▪ Building Permit fee rate:	\$9/\$1,000
▪ Building permit fees lost:	(\$720,000)
TOTAL LOST BUILDING PERMIT FEE REVENUE:	(\$2,408,000)
LESS: 20% Private owner compliance:	\$481,590
NEGATIVE IMPACT:	(\$1,926,410)
ANNUAL COST—ASSUME 10% PER YEAR:	(\$192,641)

Explanation—Lost Revenue due to Lack of Vacant Land Redevelopment: Many privately owned City properties are vacant lots where the improvements have been demolished, either by the City or by the private owner. These vacant lots are scabs on otherwise intact neighborhoods. In many city neighborhoods, these vacant lots outnumber parcels with improvements. In many cases, the vacant parcels, 25' wide, are flanked by other vacant properties owned by multiple owners. The City's inability to use eminent domain to assemble these vacant lots and abandoned properties and return them to productive use will result in significant lost revenues—sales tax revenues, property tax revenues and payroll/earnings tax revenues. In addition, the development of new retail and other facilities is essential to preserving the City's existing population and encouraging new residents to locate in the City. Such development is currently occurring in the City but will come to a halt if the amendment passes. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to

encourage commercial redevelopment of abandoned property and tax base growth if the amendment is passed:

▪ # of privately owned vacant lots in City—2005:	10,131
▪ Average area of 1 vacant lot—sq. ft:	7,955
▪ Total vacant lot area:	80,592,105
▪ Assume additional 50% City-owned lots that cannot be developed w/o adjacent privately owned vacant lots:	40,296,052
▪ Total developable vacant lot area:	120,888,157
▪ Assume 1/8 of vacant lot area could be redeveloped as commercial:	15,111,019
▪ Assumed building/lot coverage for commercial development:	25%.
▪ Total area of retail not developed:	3,777,755
▪ Average retail sales/sq. ft.:	\$300
▪ Average annual City sales tax:	2.5%
ANNUAL LOST SALES TAX REVENUE:	(\$28,333,000)
LESS: 15% to City ownership property tax foreclosure/other:	\$4,249,974
TOTAL ANNUAL SALES TAX REVENUE:	(\$24,083,000)
10-YEAR IMPACT, assuming 2.5% annual inflation:	(\$269,813,151)
▪ Average jobs/1,000 sq. ft. commercial:	3
▪ Total commercial jobs:	11,333
▪ Average salary/retail job:	\$22,000
▪ Estimated payroll:	
ANNUAL LOST CITY PAYROLL/EARNINGS TAX @ 1.5%:	(\$3,739,977)
LESS: 15% to City ownership—property tax foreclosure/other:	\$560,997
TOTAL ANNUAL PAYROLL/EARNINGS TAX REVENUE:	(\$3,178,981)
10-YEAR IMPACT, assuming 2.5% annual inflation:	(\$35,615,336)
▪ Average assessed value/private owned vacant parcel:	\$3,291
▪ Average assessed value commercial non-vacant parcel:	\$54,386
▪ Difference in assessed value—vacant/non-vacant:	\$51,095
▪ Total privately owned vacant parcels:	10,131
▪ Assume additional 50% City-owned parcels hat cannot be developed w/o adjacent privately owned vacant lots:	5,065
▪ Total parcels unable to be developed:	15,196
▪ Assume 1/8 of vacant lot area could be redeveloped as commercial:	1,899
▪ Total estimated assessed value increase--currently vacant parcels developed as commercial:	(\$97,029,000)
EST. NEGATIVE ANNUAL PROPERTY TAX IMPACT—	
\$8.64/\$100 ASSESSED VALUE COMMERCIAL RATE:	(\$8,383,305)
LESS: 15% to City ownership property tax foreclosure/other:	\$1,257,501
TOTAL ANNUAL PROPERTY TAX REVENUE:	(\$7,125,840)
10-YEAR IMPACT, assuming 2.5% annual inflation:	(\$79,833,500)

OTHER FISCAL IMPACTS:

Non-Physical Nuisances: The proposed amendment does not clearly define “nuisance.” Non-physical nuisances (e.g., criminal activity, drugs, antisocial behavior) are difficult if not impossible to cure and cannot be cured with “eradication” activities that place a lien on the property. Often the use of eminent domain is the only way to get such a property out of the hands of problem owners and into the hands of a responsible party.

Inability to Redevelop as Higher Quality Residential Property: Much of the City’s housing stock is obsolete and unattractive to the modern housing market. Eradicating nuisances per se does not allow the City to redevelop obsolete residential property into homes that will attract modern residents. Thus, the inability to redevelop obsolete and deteriorated residential property as higher quality residential property also has a cost. This cost can be estimated but they have not taken the time to do so here.

Inability to Adequately Address Blighted Areas and Impact on Other Property: The City has been in a continuing state of decline for the past five decades. Only recently has this decline been arrested. Now the City’s problems are slowly but surely being turned into opportunities, in large part because people believe that the City is making progress and will continue to do so. This progress has been possible due in large part to the availability of eminent domain for private redevelopment. If the proposed amendment becomes effective, this progress will come to a halt, and this in turn will (a) discourage “new” investors and homeowners from giving the City a chance, and (b) discourage those who have already invested in the City from remaining. The City has many problems, and those problems are being addressed, but total transformation cannot and will not happen overnight. It is essential that the City be able to continue to make progress if the successes recently experienced are to be sustained.

The **City of Kirkwood** indicated that the fiscal impact on the city would be minimal.

The State Auditor's Office did not receive a response from **Cole County, Greene County, Jackson County, St. Louis County, the City of Gladstone, or the City of Columbia.**

Fiscal Note Summary

The total cost or savings to state or local governmental entities cannot be known. Some state governmental entities estimate no related costs, however, certain state governmental entities may have unknown or indirect costs. Estimated costs to local governmental entities will vary, but could be significant.