

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-13)**

Subject

Initiative petition from Ron Calzone regarding a proposed constitutional amendment to Article VI, Section 21 and Article I, Section 26, 27, and 28. (Received November 10, 2010)

Date

November 30, 2010

Description

This proposal would amend Article VI, Section 21 and Article I, Section 26, 27, and 28 of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, the **State Tax Commission**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Gladstone**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Mark M. Levin, **City Administrator**, **City of Maryland Heights** provided information to the State Auditor's office.

Tim Fischesser, Executive Director, St. Louis County Municipal League provided information to the State Auditor's office.

Andrew Clements, Assistant Director of Public Works and Transportation, City of St. Joseph provided information to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated they assume that the implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposed amendment would not have any fiscal impact on their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated they defer their response to the Office of Administration, Division of Facilities Management, Design and Construction who is responsible for managing state-owned and leased property utilized by their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Corrections** indicated this initiative petition will have no impact for their department.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated they assume that this petition will result in no fiscal impact to their department.

Officials from the **Department of Social Services** indicated that since their department does not exercise the power of eminent domain, there is no fiscal impact to their department.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact to their office. They also indicated there should be no impact on general or total state revenues.

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated that with regard to this initiative petition, there will be no direct fiscal impact to their office. Please defer to the Office of Administration Budget and Planning and the Department of Revenue.

Officials from the **State Tax Commission** indicated this initiative petition will not have a fiscal impact to their agency.

Officials from **St. Louis County** indicated the county is opposed to the changes proposed in Article I, Sections 26-28 and in Article VI, Section 21. They estimated the costs of the proposed changes to the county at \$26,920,000 based on the following computations and comments:

Section 26 - Must be declared for public good or owners consent.
Cost \$400,000:

4 parcels @ \$50,000 each for two years because St. Louis County will not be able to condemn some properties. Properties might not be considered necessary to the project due to a very liberal definition of "necessary" but because of topography, property lines, and minimal AASHTO Standards, must be encroached on by the project construction.

Section 26 - Use of other than industry standard appraisal information:
For a typical year, St. Louis County estimates the cost to be \$6 million because nontraditional methods may be applied.
20 parcels @\$150,000 average for two years.

Section 26 - Property cannot be used until final determination by court.
Cost = \$20 million. Delay to projects will cause increase in construction costs. 10 projects @ \$1,000,000 each increase per year for two years.

Section 28, paragraph 2: Property can be sold to owner if project inactive for five years. Cost = \$520,000. St. Louis County estimates 2,000 hours of employee time@ \$30/hour to duplicate efforts and property research costs to repurchase properties for the project. This projection includes additional time to sell parcel back to original property owner. This includes an estimated \$200,000 in property value increase: 100 properties @\$2,000 each for two years.

The proposed change to Section 26 states, "The value of the property may be determined by, but is not limited to, appraisal methods typical to the ordinary course of business, and any evidence which would be considered by an appraiser in the ordinary course of business shall be relevant and admissible". That sentence relating to how to value property taken in condemnation seems to be an attempt to define what is relevant evidence. Broadening the evidence to include matters that appraisers don't usually consider does not help either party in such a proceeding. The phrase "but is not limited to" could be so loosely interpreted as to include opinions of value founded upon speculation and unsupported claims.

Also in Section 26, the sentence that prohibits the disturbance of property "until a final legal determination of the legitimacy of the taking is established..." could result in substantially increased construction costs, especially relating to highway projects. For example, in a highway project that consists of multiple parcels, no construction contract could be let until all legal challenges are finally disposed. In order for a challenge to be finally disposed of, all appeals and requests for transfers and rehearings (including any remands to the trial level) must be complete. This process may take years, and in certain cases, the appellate process may jeopardize the status of parcels for which there were no legal challenges, because of the passage of time referenced in Section 28, paragraph 2.

In the changes proposed in Section 28, the five-year requirement of "substantial accomplishment of the declared purpose" would prove problematic in long-term road expansions and improvements, such as St. Louis County's Baxter Road project.

Officials from the **City of Kansas City** indicated no increase in revenues will be experienced by this amendment and no savings will be experienced by this amendment. City officials provided the following comments regarding potential costs and losses resulting from passage of the initiative petition.

If the City of Kansas City were unable to condemn blighted property for economic development the costs could be split into two categories: First, there would be added costs to assemble land for redevelopment, as the purchaser would be held hostage, potentially, by landowners within the project boundaries. When land is acquired by eminent domain, by law the commissioners or jury must determine what the "fair market value" of the land is, and that is what the condemnor pays. Without condemnation, the landowner could simply demand exorbitant sums, which either kills the project or provides a windfall to one person at the expense of the taxpayers. That part of the equation alone, the increase in acquisition costs, would cost the city millions of dollars per year.

Second, the city has to deal with the blight still, if it is not able to condemn for economic development. And since large parts of Kansas City are blighted, removing the blight requires large scale demolition and nuisance abatement. Once you abate the nuisance, the result is a vacant lot that is attractive for dumping and has to be mowed or otherwise cared for at great expense, but that remains in the hands of the various owners who almost never take of those things. Typically, these properties end up in a land trust pursuant to the Land Tax Collection Act, because the taxes are not paid and the assessment for the nuisance abatement is larger than the value of the land. So what is the cost of the city if large tracts of land end up in this cycle? Has to be millions again in abatement expenses, lost tax revenue and the effect this kind of blight has on the adjoining land.

The city will incur losses pursuant to this amendment, though those losses are hard to quantify at this time. This amendment would make it impossible for a city in Missouri to condemn land for purely economic purposes, whether the land in question was blighted or not. If that were the case, typical "Downtown" type large-scale development would cease. The city has projects already underway on which it has or will have assembled land and will need to condemn part of the assembly. The losses would be of several types; first if it cannot complete the assembly at all it will have to descope, rescope or cancel the project. The professional (architect, designer, surveyor, appraisal) fees incurred would be lost. Also lost would be the acquisition costs of land assembled but the city no longer had a use for, in the case of a cancelled project. Second, the economic impact of not being able to do any more of these projects would have a huge financial impact on the city. It is again hard to quantify but the difference between having a

revived downtown or other area or not having the redevelopment would be many millions of dollars.

The proposed amendment would be a disaster for cities in Missouri for the reasons noted above. It is not just the money lost from the lack of development that leads cities to resist initiatives like this. In cities that have already been decimated by flight to the suburbs and a lack of decent public schools, blight has an insidious way of spreading out at the edges. And there is no way to clear blight one property at a time, you need wholesale blight clearance to make the economics work. And the only way to do that is with massive urban redevelopment.

Officials from 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. In addition, the following related information was provided by the city.

The initiative petition proposes changes to Article I, Sections 26, 27, and 28 that would prohibit the use of eminent domain for redevelopment by providing that: (a) only public entities can acquire property using eminent domain; (b) no private ownership or other private rights shall be considered a public use; (c) the future use must be declared at the time of acquisition and cannot be changed; and (d) the public entity that acquired the property via eminent domain cannot transfer such property to private ownership any sooner than twenty (20) years following the acquisition unless the original owner has been offered the right to buy back the property at the original price or unless the private owner is providing products or services incidental to the function of a publicly owned facility. Section 5 of the proposed amendment to Article I, Section 28, also appears to change Article VI, Section 21, by effectively stripping out the ability of local governments to use eminent domain for redevelopment that involves private entities through a provision that states that the proposed revisions to Article I, Sections 26, 27, and 28 limit the application of Article VI, Section 21. These proposed changes will result in both extreme costs and extreme loss of revenue to the city. The city uses eminent domain sparingly. 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 our 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 our privately owned vacant buildings and lots are not maintained by their private owners.

The result is that 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. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses again leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild

the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. 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 distress that currently exists in the city using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. They cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct their tax base without partnerships with private enterprise. The proposed amendment would prohibit partnerships with private enterprise in redevelopment.

If the city is forced to address its distressed areas by using city funds and twenty-year city ownership to cure the distress, 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 on the attachments below. Further, since the city cannot possibly afford this cost, estimated at over \$40 million per year, the vast majority of these distressed areas will remain distressed. The proposed amendment would render the city powerless to arrest the decline that has occurred over the past five decades, and set the stage for greater decline in the future as the proposed amendment rewards speculators, slumlords and predatory land owners for their irresponsible behavior by eliminating one of the few effective tools for addressing the problems they cause.

Over the years, the city has also come to own many properties in distressed areas due to property tax and other lien foreclosures—this is but one symptom of areawide distress. Many of the distressed properties in the city 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 unless the city used public funds to do so. As detailed on the attachments below, they estimate that this inability to engage in redevelopment would cost the city more than \$40 million annually in lost future revenues, in addition to the \$40 million in additional city costs the city would incur in direct city funding of redevelopment activities directed towards alleviation of nuisance and problem properties.

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 nearly (\$70 million) annually, and nearly (\$750 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% ANNUAL INFLATION:	NOTES:
ESTIMATED CITY NEW/CONTINUING COSTS:			
Nuisance Identification/Abatement Management:	(\$2,725,000)	(\$31,066,152)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,750,000)	(\$282,160,462)	
--Demolition:	(\$1,732,500)	(\$21,945,814)	
--Weed Cutting/Debris Removal:	(\$13,860,000)	(\$123,322,900)	10-year cost reduced by vacant lots assumed to be redeveloped
ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:			
Property tax impact: Negative impact of vacant/vandalized privately owned properties on adjoining property values:	(\$3,297,210)	(\$37,589,591)	
Property tax impact: Inability to make property available for private rehabilitation:	(\$458,840)	(\$5,230,969)	
Property tax impact: Inability to develop property commercially:	(\$4,740,289)	(\$54,041,293)	
Lost building permit revenue: Inability to make available for private rehabilitation:	(\$364,500)	(\$4,155,454)	
Lost sales tax revenue: Inability to develop property as retail:	(\$14,904,040)	(\$169,912,351)	
Lost earnings/payroll tax revenue: Inability to develop commercially:	(\$1,586,559)	(\$18,087,444)	
TOTALS:	(\$68,418,937)	(\$747,512,430)	

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, which the proposed amendment eliminates as a redevelopment tool by providing that any property acquired by the City using eminent domain cannot be "sold, leased, transferred, or otherwise made available for use by a private party" for a twenty-year period after the acquisition. The following analysis assumes that the City can in fact acquire the properties and alleviate the problematic conditions and hold them for a twenty-year period, even though this will not be possible in a practical sense, and attempts to calculate the cost. If these properties cannot be addressed with eminent domain and private redevelopment, 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 management of the properties. The analysis below does not calculate the additional loss of revenue the City will face as more people and business leave the City because the City is powerless to address their problem and nuisance property concerns, nor does it assume that the City will acquire the properties using eminent domain and hold them for twenty years—it assumes that the proposed amendment effectively eliminates eminent domain as a tool for dealing with problem properties, which is clearly the intent of the amendment. If eminent domain were used and the City were required to hold and operate the properties for a 20-year period, the costs would be far greater than the costs estimated below.

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 problem properties and manage the eradication of the problems without the use of eminent domain and private redevelopment. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

• Current cost of problem properties task force:	\$342,000	Actual current cost
• Cost of police officer to serve warrants:	\$60,000	Actual current cost
• Cost to increase problem properties task force by 400%:	\$1,608,000	Current cost X 4
• Cost of staff to manage eradication of 750 nuisances per year (10% of 7,500 total):	\$715,000	(10 staff x \$50K ea.; 2 attorneys @ \$75K each; 1 manager @ \$65K, including
TOTAL ESTIMATED ANNUAL COST:	\$2,725,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$31,066,152

NUISANCE ERADICATION BY REPAIR:

Explanation: Occupied privately owned problem 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.

NUISANCE ERADICATION BY REPAIR:

• # occupied building nuisances abated by City:	400	10% of estimated 4,000 buildings
• # vacant nuisances abated by City:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Additional cost to abate occupied building nuisances:	\$10,000,000	Estimated \$25,000 per occupied
• Additional cost to abate vacant building nuisances:	\$17,500,000	Estimated \$100,000 per vacant building
TOTAL ESTIMATED ANNUAL COST:	\$27,500,000	
LESS: 10% cost recovered via lien foreclosure:	(\$2,750,000)	
NET ANNUAL COST:	\$24,750,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$282,160,462

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.

NUISANCE ERADICATION BY DEMOLITION:

• # of privately owned vacant buildings requiring demolition:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Average cost to demolish each privately owned vacant buildings:	\$11,000	5% of estimated 3,500 non-LRA buildings per 2008
TOTAL ESTIMATED ANNUAL COST:	\$1,925,000	
LESS: 10% cost recovered via lien foreclosure:	(\$192,500)	
NET ANNUAL COST:	\$1,732,500	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:	\$21,945,814	

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.

NUISANCE ERADICATION BY WEEDCUTTING & DEBRIS REMOVAL:

• # of privately owned vacant lots requiring demolition:	7,000	70% of total 10,000 vacant lots
• Average cost per lot for weedcutting/debris removal:	\$2,200	8 events/year @ \$275/event
TOTAL ESTIMATED ANNUAL COST:	\$15,400,000	
LESS: 10% cost recovered via lien foreclosure:	(\$1,540,000)	
NET ANNUAL COST:	\$13,860,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation, 5% inv. reduction per year:	\$123,322,900	

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.

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

• Total # of City blocks (approximate):	5,771	Per City Assessor's
• Total # of parcels:	103,475	Per City Assessor's
• Average parcels/City block:	17.93	Per City Assessor's
• City blocks w/vacant & vandalized buildings:	1,618	Per City Assessor's records/ vacant
• Parcels negatively impacted by vacant buildings:	29,011	
• Average assessed value of residential parcel:	\$17,500	
• Total value parcels w/vacant buildings on block:	\$507,692,709	Parcels negatively impacted x average
• Estimated negative impact on assessed values of parcels due to vacant buildings on block:	(\$50,769,271)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ESTIMATED LOST REVENUES:	\$3,297,210	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$37,589,591	

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 :	\$267,206,689	Assessed value/.19 = impact on market value
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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 REVENUE DUE TO LACK OF PRIVATE PROPERTY IMPROVEMENT:

• Average assessed value of privately owned vacant/vandalized building:	\$7,545	2005 value per City Assessor w/2.5%
• Average sales price--single-family home:	\$164,698	City Assessor Data--
• Average assessed value--single-family home:	\$31,293	
• Assessed value lost due to inability to make vacant buildings available for private rehabilitation:	\$23,748	
• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Total annual assessed value lost due to inability to make vacant buildings available for private rehabilitation:	(\$8,311,829)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$539,812	
LESS: 15% to City ownership via tax foreclosure:	(\$80,972)	
NET ANNUAL COST:	\$458,840	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$5,230,969	

LOST BUILDING PERMIT FEE REVENUE:

• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Approximate average rehabilitation cost:	\$100,000	
• Approximate total rehabilitation cost:	\$35,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
• # of privately owned occupied buildings that could be privately rehabilitated per year if available:	400	10% of total 4,000 buildings
• Approximate average rehabilitation cost:	\$25,000	
• Approximate total rehabilitation cost:	\$10,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$405,000	
LESS: 20% private owner compliance:	(\$40,500)	
NET ANNUAL COST:	\$364,500	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$4,155,454	

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 scars 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:

LOST REVENUE DUE TO LACK OF VACANT LAND REDEVELOPMENT:

• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Average area of one (1) vacant lot:	4,687	125' x 37.5'
• Total vacant lot area:	47,483,997	125' x 37.5'
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	23,741,999	
• Total developable vacant lot area:	71,225,996	
• Assume 10% of vacant lot area could be redeveloped as retail:	7,122,600	
• Assumed building coverage for retail:	25%	
• Total area not developed as retail:	1,780,650	
• Average retail sales/sq. ft./year:	\$300	
• Total retail sales lost:	\$534,194,966	
• City sales tax rate:	3.10%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$16,560,044	
LESS: 15% to City ownership tax foreclosure/other:	(\$1,656,004)	
NET ANNUAL COST:	\$14,904,040	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$169,912,351	

• Average jobs/1,000 sq. ft. retail:	3	
• Total retail jobs lost:	5,342	
• Average annual salary/retail job:	\$22,000	
• Total payroll lost:	\$117,522,893	
• City earnings/payroll tax rate:	1.50%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$1,762,843	
LESS: 15% to City ownership tax foreclosure/other:	(\$176,284)	
NET ANNUAL COST:	\$1,586,559	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$18,087,444	

• Average assessed value of privately owned vacant parcel:	\$3,772	2005 value per City Assessor w/2.5%
• Average assessed value commercial non-vacant parcel:	\$57,139	2005 value per City Assessor w/2.5%
• Assessed value difference--vacant/non-vacant:	\$53,367	
• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	5,066	
• Total developable parcels:	15,197	
• Assume 10% of vacant lot area could be redeveloped as retail:	1,520	
• Total estimated assessed value increase if parcels were developed:	(\$81,099,195)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$5,266,987	
LESS: 15% to City ownership tax foreclosure/other:	(\$526,699)	
NET ANNUAL COST:	\$4,740,289	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$54,041,293	

ATTACHMENT B (CONT'D)
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 we 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. If eminent domain is not available as a redevelopment tool in conjunction with private redevelopment, businesses and residents will once again leave the city and the same kinds of decline, disinvestment and population loss that the city previously suffered will continue into the foreseeable future.

Officials from the **City of Gladstone** indicated the proposed changes to the Missouri Constitution as identified in initiative petitions 10-13 and 10-14 would result in significant increases in cost and significant amounts of lost revenue to the City of Gladstone. They provided the following estimated costs and comments.

City officials said it is difficult to quantify the cost and loss to the city if the Missouri Constitution is amended as proposed in either initiative petition 10-13 or 10-14. However, the City of Gladstone has initiated considerable neighborhood improvements projects that have become very effective at rebuilding blighted neighborhoods. Costs have exceeded \$100,000 for abatement and maintenance issues. The city currently has initiated a multi million dollar improvement to a blighted shopping center. Without the rights to work through eminent domain, this blight improvement could never have been leveraged with the private owner.

City officials said they use eminent domain sparingly. But it is a very important tool that is vital in efforts to overcome blight. Eminent domain is needed to eradicate vacant, abandoned, dangerous and problem properties. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire all vacant, abandoned, dangerous, and problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. The city does not wish to be a landlord for such properties for twenty (20) years. According to the proposed amendments, the city could not even enlist the assistance of private enterprise in the operation of the properties or to realize any income of the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, transferred, leased or otherwise made available for use by a private entity within 20 years of such taking, unless the original owner...been afforded the first opportunity to purchase such property back at a price no greater than was paid at the time of taking..." Private redevelopment and ownership allows the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city.

The amendment would also make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. 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 distress that currently exists in the city using public funds alone.

Unfortunately, there are situations in which vacant and abandoned properties, owned by absentee landlords, drive down the values of surrounding properties. The city must be able to take these properties out of the hands of irresponsible owners who care nothing about the property. The city does have nuisance abatement procedures in place; however, if the property owner even pays the minimum property tax, the city's recourse for improving the property is limited.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no significant fiscal impact on their college.

Mark M. Levin, City Administrator, City of Maryland Heights provided information in opposition to this proposal. Below is a summary of the information city officials provided.

City officials said the proposed amendment would substantially increase the costs of needed public infrastructure improvements. The rules of evidence limiting the admissibility of evidence in the determination of property values by the court will be set

aside by authorizing the admittance of any evidence that may be construed to be relevant. Based upon repeated experience in cases involving the acquisition of rights-of-way, this provision will substantially increase the cost of property acquisition.

During the last three years, the City of Maryland Heights undertook 10 public improvements projects requiring the acquisition of real property. The cost of land for these projects ranged from \$2500 to \$522,000; the total cost of land was \$1,322,636, an average of \$440,878 per year. The City Council has recently approved a 5-year \$40,000,000 Capital Improvement program that contains 24 projects similar to those completed in previous years. A very conservative estimate projects that the passage of this amendment would increase property acquisition costs for the City of Maryland Heights by 20%, or \$88,000 per year.

Tim Fischesser, Executive Director, St. Louis County Municipal League provided information in opposition to this proposal. Below is a summary of the information the agency provided.

St. Louis County Municipal League officials said they are opposed to the proposed changes as it would likely stymie local redevelopment efforts that are needed due to a stagnant economy and foreclosure on many homes in their county.

While the level of blight and property abandonment is not as acute in St. Louis County as in the City, there are areas in the County that have seen significant disinvestment. Many municipalities, particularly those in North St. Louis County have seen substantial population losses since the 1970's. The increase in the number of home foreclosures in recent years has exacerbated this problem.

St. Louis County and its municipalities face the same issues as the City of St. Louis in identifying and abating nuisances caused by vacant properties and with revenue loss from these abandoned areas. Some areas of the city have been experiencing disinvestment for over 50 years, leading to an estimated 3700 vacant buildings and 10,000 vacant lots. While the numbers of vacancies in the county has not reached the epic proportions seen in the city, there are still a large number in some poorer communities and it continues to grow as a result of the national economic downturn.

County officials said their estimate of costs and revenue losses was based on 38 % of the estimate of costs and revenue losses computed by St. Louis City. They said this percent was arrived at by dividing St. Louis County's poverty rate in 2008 (9%) to that of the City (24%). The officials said the poverty rate is a good index to base demand for the use of eminent domain for economic development and revitalization. The officials said these amounts are not one time costs, but would be incurred annually if the amendment were to be approved by voters.

<u>Estimated New/Continuing Costs</u>	<u>City</u>	<u>County</u>
Nuisance Identification/Abatement Management	(\$2,725,000)	(\$1,035,500)
Nuisance Eradication by:		
City Funded Repair	(\$24,750,000)	(\$9,405,000)

Demolition	(\$1,732,000)	(\$658,160)
Weed Cutting/Debris Removal	(\$13,860,000)	(\$5,266,800)
<u>Estimated New/Continuing Revenue Losses</u>	<u>City</u>	<u>County</u>
Property tax impact: Negative impact of vacant/ vandalized privately owned properties on adjoining property values	(\$3,927,210)	(\$1,492,340)
Property tax impact: Inability to make property available for private rehabilitation	(\$458,840)	(\$174,359)
Property tax impact: inability to develop property commercially	(\$4,740,289)	(\$1,801,310)
Lost building permit revenue: Inability to Make available for private rehabilitation	(\$364,500)	(\$138,510)
Lost sales tax revenue: Inability to develop property as retail	(\$14,904,040)	(\$5,663,535)
Lost earnings tax revenue: Inability to develop commercially earnings tax	(\$1,586,559)	NA, no County
TOTALS	(\$68,418,937)	(\$25,635,514)

Andrew Clements, Assistant Director of Public Works and Transportation, City of St. Joseph provided information in opposition to this proposal. City officials estimated the costs of the proposed changes to the city at \$37,375,000 based on the following computations and comments.

City officials indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the city. They said the city uses eminent domain sparingly. 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.

Much like St. Louis, St. Joseph boasted a population of 100,000 in 1900, which has fallen to 73,000 since. As a result of this population loss, there are now hundreds of vacant lots and structures in the City of St. Joseph.

Redeveloping this decay would be easy if all of the properties adjacent to each other, but old-style building lots (many times 40' x 100' wide) will not accommodate modern development. To re-develop, multiple lots need to be combined in a practical density to attract both developers and builders to invest and for potential residents to purchase and live in. But lacking concentrations of contiguous lots, re-development is difficult to achieve. The vast majority of privately owned vacant buildings and lots are not maintained by their private owners. Many of these structures suffer from the blight in the larger neighborhood and block reasonable re-development. Blight, and its effects on neighboring properties, property taxes, and public service delivery spread ever wider if not addressed.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind 25% of St. Joseph's population left.

Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses again leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. While few cities enjoy the prospect of utilizing this power as a re-development tool, it is nevertheless a tool that is effective both in its actual use and its possible to motivate all of the players involved in re-development to make the decisions necessary to rescue neighborhoods and commercial areas one at a time. 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 distress that currently exists in the city using public funds alone.

City officials said because of the limited time allowed to review this issue and its far-reaching impacts, sufficient time to analyze the fiscal impact has not been provided. However, over a ten year period they estimated an impact of approximately \$7,500,000.

The officials further added that changes to the constitution regarding public purpose, property retention, and deadlines for use, would have dramatic and far-reaching impacts on any government undertaking typical public projects in a typical year.

In St. Joseph, city government seeks to be as efficient and prudent with public funds as possible. An effective tool to hedge against future costs for projects that do not have complete funding available is to pursue corridor preservation projects. Examples of this would be to acquire property necessary to build a new road in the future of easements for a new sewer, flood control, or utility project. Taxpayers realize a benefit from purchasing property today at current valuations and also head-off future costs by purchasing property before it develops. Already developed property costs more and has more negatives attached to it (possible purchase and demolition of homes and businesses) that could easily be avoided if the government owned necessary property before development.

It is not uncommon for corridor preservation projects to precede actual utilization by 10-20 years. However, if section 28.2 were enacted, all property would return after five years. This would effectively eliminate the ability of government to reduce the future costs of future public improvements. It will make easily avoided conflicts more expensive and more difficult, with property owners and taxpayers suffering needlessly. In St. Joseph, this provision assumes the following:

- 2% per year cost escalation for listed projects of \$10,000,000 = \$200,000/year x 10 years = \$2,000,000

Section 26.1 proposes to make debatable the public purpose of project's public use. In fact, it opens the door for the approach taken to address the public use being decided via a jury trial. The potential impact to a project involves an adversarial position being taken for a completed project design, and an alternative decision being made by a jury. This would require the unit of government to re-design the project according to the direction of the jury, and regardless of the technical merit and cost-effectiveness of that decision. Aside from the financial impact of the delays involved, re-design would expose government to re-paying for the same design, typically 10% of the project budget. In St. Joseph, the impact would be as follows:

- \$150,000,000 CSO Program x 10% = \$15,000,000 in additional design fees over 20 years
- \$50,000,000 Road Projects x 10% = \$5,000,000 in additional design fees over 10 years

Section 26 also makes significant changes to the requirements of appraisals. On federal projects, and per state law now, appraisals are required to be made by licensed professionals. The intent is that for appraisals to consistently follow prescribed methodology, be objective, consistent, and defensible. The change to allow appraisals to conform with "methods typical to the ordinary course of business" essentially throws this professional approach out. If this change were made, a multitude of methods may be accepted, throwing valuation into a much higher level that is made without basis in fact. St. Joseph typically has experienced differences between trained individuals and the lay community at 50% or more. Over the next twenty years, the following would be expected:

- \$9,000,000 – value of CSO property/easement acquisition x 50% escalation = \$4,500,000 extra that taxpayers would have to needlessly pay for a public project.
- \$5,000,000 – value of Road Projects property/easement acquisition x 50% escalation = \$2,500,000 extra that taxpayers would have to needlessly pay for a public project

Section 28.4 has the potential for a massive abuse. It is not at all unusual for property owners to declare that they will not be able to utilize a property if not all of it is purchased, stating that the balance of the property not required would be an uneconomic remnant. Many governments, to avoid the creation or claim of such a condition, purchase the entire parcel,

construct their improvement, and the re-sell the balance of the property that was not needed in the first place.

Under the provisions of 28.4, a property owner has the potential to realize a profit twice on a property. The first, being the sale of property the government didn't originally need but acquired at the insistence of a property owner. The second, from a sole-source arrangement wherein he can re-purchase at the lower rate after improvements have been made to the property (when it would be worth more via the virtue of having a new road, new utilities, grading/clearing, etc. that was necessary for the project.) Taxpayers are hurt initially having to buy more property than needed, but can't realize the benefit of that investment by being required to sell a property back at the pre-developed rate. This type of issue is claimed on approximately 10% of all property acquisition activities as follows:

- \$14,000,000 (value of all property activities) x 10% = \$1,400,000
 - o \$1,400,000 x 50% (value of properties purchased at insistence of owners) = \$700,000
 - o \$700,000 x 25% (enhanced value typical of "unusable" property after a project) = \$175,000
 - o Total lost \$875,000

One of the basic reasons that local government exists is to provide public services and construct and maintain public infrastructure. The proposed changes to the constitution would fundamentally alter these basic tenets of government, destroying the ability of government to plan for the future and to construct projects. In the time given to comment, St. Joseph was not able to compute the far-reaching and more significant impacts to a community that can't grow, can't improve itself, and can't provide the basic elements that its citizens, prospective businesses, and prospective citizens expect and require. The lost employment and resident opportunities are significant.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, **Cole County**, **Greene County**, **Jackson County Legislators**, the **City of Columbia**, the **City of Kirkwood**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, and **St. Louis Community College**.

Fiscal Note Summary

The total cost or savings to state or local governmental entities is unknown. Most state governmental entities estimate no costs, however, one state governmental entity reported potential unknown costs. Estimated costs, if any, to local governmental entities could be significant.