



March 10, 2024

**SUMMARY OF BILL:** Makes various revisions to the *Neighborhood Preservation Act* (NPA). Requires a detailed stabilization plan prior to receivership of property. Removes outstanding municipal fines, penalties, expenditures, and assessments and all amounts attributable to state and local taxes and assessments, including all outstanding amounts secured by delinquent property tax liens from the receiver's lien.

**FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- Pursuant to Tenn. Code Ann. §§ 13-6-104, 13-6-105, 13-30-102, and 13-30-103:
  - The NPA establishes a process by which an owner of residential property may bring an action against another owner of residential property for failure to maintain such property within community standards;
  - The NPA applies to Davidson, Shelby, and Madison counties, and to any local government which has created a local land bank;
  - The *Tennessee Local Land Bank Program* authorizes the creation of local land banks which facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use; and
  - The following local governments are authorized to establish a land bank:
    - Fourteen cities with home rule charters;
    - Three metropolitan governments; and
    - Five cities and counties that meet certain population requirements.
- Under the NPA, a court may authorize a receiver to take possession and control of properties considered to be a public nuisance. The receiver must submit a plan for development of the property to the court for review and may petition the court for authority to conduct an auction and sale to a qualified buyer without abatement of the public nuisance.
- The proposed legislation authorizes an owner, interested party, or proposed receiver to instead provide a public nuisance abatement plan and also authorizes a receiver to provide a stabilization plan.
- If the court deems a plan submitted by a receiver to be sufficient, the court may empower the receiver to pay all outstanding municipal fines, penalties, expenditures, and assessments and all amounts attributable to state and local taxes and assessments,

including all outstanding amounts secured by delinquent property tax liens, in addition to the other authorizations under current law.

- The receiver is required to file a report with the court every 60 days. Upon issuing a final report and a finding by the court that that the public nuisance has been abated, the court shall establish the amount of the receiver's lien.
- A receiver's lien is a first priority lien in favor of the receiver against the subject property that secures all expenses incurred by the receiver.
- The proposed legislation removes municipal fines, penalties, expenditures, assessments, and state and local taxes and assessments, including any and all outstanding amounts secured by delinquent property tax liens from what is secured under a receiver's lien; however, the legislation also authorizes the court to empower the receiver to pay such state and local fines, penalties, assessments, and taxes.
- It is assumed that the court will empower the receiver to pay such fees; any impact to state and local revenue is estimated to be not significant.
- A property owner who satisfies the receiver's lien pursuant to a receiver's stabilization plan must submit and complete a public nuisance abatement plan.
- Under current law, if the property owner does not satisfy the receiver's lien, the subject property will be sold.
- The proposed legislation provides that if the receiver completed work pursuant to a stabilization plan, then only qualified buyers may bid at the auction. The terms of the auction must include the requirement of a bond or other security ensuring abatement of the public nuisance within nine months of the closing date. If a qualified buyer's bid prevails, the receiver's stabilization plan must be amended by the court to include supervision of the qualified buyer until the abatement of the public nuisance, at which time the receivership must be terminated.
- The proposed legislation makes various revisions to the NPA, and these changes may impact local operations. However, it is assumed that such changes will not increase the number of actions filed against non-compliant property owners.
- It is assumed that local governments will be able to absorb any additional responsibilities and that any subsequent fiscal impacts will be negligible.

## **CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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