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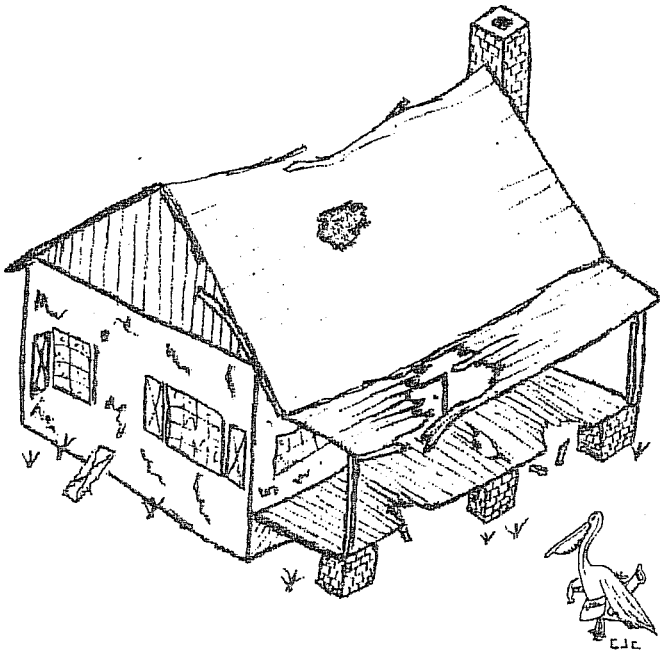
PUBLIC AFFAIRS RESEARCH
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Guide to the Proposed Constitutional Amendment

October 1, 1988 Election

Louisiana voters will be asked to vote on one proposed amendment to the Louisiana constitution at the October 1, 1988 statewide election.

No. 1 Five-Year Property Tax Assessment Freeze for Housing Restoration



THE AMENDMENT WOULD: Allow owners, who restore or improve residential property to be used or rented by low and moderate income families in locally-defined "housing strategy areas," to pay property taxes for five years on the same assessed value as before the assessment.

VOTER DECISION: A vote for the amendment would permit selective five-year property tax abatements on improvements to housing under certain conditions. A vote against the amendment would deny the authority to grant such tax abatements.

CURRENT SITUATION: Housing officials in New Orleans and other urban areas indicate that the current high vacancy rates reduce the ability of owners to upgrade rental housing to standards required for participation in federally subsidized housing programs.

A 1982 constitutional amendment and companion law permit five-year tax abatements to be granted on the added value to commercial structures restored or improved within a downtown, historic or economic development district. A recent study on housing for the City of New Orleans recommended that a similar incentive be used to encourage housing rehabilitation in designated areas of the city.

PROPOSED CHANGE: The proposal would allow the State Board of Commerce and Industry, with approval of the governor and the affected local tax recipient bodies, to contract with property owners who restore or improve housing in a parish-defined "housing strategy area," to assure their assessed values would not be raised for five years after they improve the property. To qualify, the property would have to either be (1) vacant for six months, (2) in an advanced state of deterioration or (3) improved to provide safe and sanitary living conditions for use or rent by low or moderate income families. During the contract period, only low or moderate income families could use or rent the housing. Owner-occupied as well as rental housing would be eligible.

The amount of potential local tax losses is unknown. However, local governments now provide services for those areas and collect fewer tax dollars because of their deterioration. Redevelopment of such areas would increase taxable property values at the end of the five-year contract period and might generate increased business activity, thereby producing more local revenue.

COMMENT: The property tax abatement is proposed to help encourage housing rehabilitation. Used alone, the tax savings would not be very large. A rental unit with improvements which add \$10,000 in market value would be forgiven \$1,000 in assessed value for five years. At 100 mills, the property tax savings would be \$100 a year, or about \$8 a month. Supporters of the proposal, however, hope to package this incentive with federal grants and tax credits for greater impact.

Tax incentives are justifiable only when they induce the desired results and when the benefits to the community exceed the cost of taxes foregone. This proposal includes protections for the state and affected local governments in that a state board, the governor and each of the affected taxing bodies may deny a proposed grant. However, none of the parties is held responsible for making a cost/benefit analysis.

The proposed amendment has no companion legislation to define "housing strategy area," "low and moderate income" and "advanced state of deterioration." Rather, these definitions would be the responsibility of the parish governing authorities. While this would allow local control, liberal definitions could vastly expand eligibility and the tax impact.

If this program is to be instituted, a constitutional amendment is required. However, the proposal would add a relatively lengthy paragraph to the constitution to authorize a minor program.

LEGAL CITATION: Act 1008 of 1988 amending Article VII, Section 21, by adding Paragraph (I).



Public Affairs Research Council of Louisiana, Inc.
4664 Jamestown Avenue, No. 300 · P.O. Box 14776
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Mark your calendar . . . PAR Annual Conference, Tuesday, April 11, 1989, Baton Rouge Hilton

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