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Abstract: The article presents the author's views on collective bargaining and revitalizing urban areas, in light of the U.S. Supreme Court case, Kelo v. City of New London. Already the U.S. House of Representatives has passed a bill to deny federal funds to state or local governments that use eminent domain powers for economic development. There is a better way than eminent domain to give developers access to sizable plots of land in the city: allow homeowners to privatize their neighborhoods and sell en masse directly to developers. A recent example of how this would work can be found at a housing cooperative in Washington, D.C. known as Sursum Corda. The families will receive \$80,000 per unit, a future share in KSI's profits from the site and an option to purchase a discount-priced home in the development. A new state law, which would allow collective bargaining, would work like this: If a group of urban owners wished to consolidate their properties, they would petition the city. A transfer agreement for streets, parks and other public services would get worked out. Then if a supermajority of 70% or 80% voted to approve, a new private community association, including all the property owners, would be established. There would be no cram-down eminent domain; the property owners themselves, through a supermajority vote within their association, would approve any sale. And they'd get a price set not by judicial decree but by private negotiation.

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Privatizing the Inner City

Forget condemnations. Here's how to bring housing, Costco and Ikea to urban areas.

IN JUNE THE SUPREME COURT SAID THAT NEW LONDON, CONN. could force Susette Kelo and a small group of homeowners to sell out to private developers. It was not a popular decision. Already the U.S. House of Representatives has passed a bill to deny federal funds to state or local governments that use eminent domain powers for economic

development. Many state legislatures are considering similar laws. (See related commentary, 'Jettisoning Justices' Injustice'.)

But older cities face serious land-use problems. How can a dense urban area like New London or Hartford revitalize itself if developers have to build one lot at a time? Should residents of failing cities insist that shopping centers be built only in the far suburbs, displacing farms and increasing suburban sprawl? Must all large housing developments be relegated to the exurbs?

There is a better way to give developers access to sizable plots of land in the city: allow homeowners to privatize their neighborhoods and sell en masse directly to developers.

A recent example of how this would work can be found at a housing cooperative in Washington, D.C. known as Sursum Corda ("lift up your hearts"). Sursum started out in the late 1960s as a rental project sponsored by the Department of Housing & Urban Development. In 1992 it was converted to a cooperative, privately owned by the former tenants. Six months ago developer KSI came knocking. It wanted to put up a 500-unit development on Sursum's 6-acre site. In late October the 167 low-income families in Sursum Corda agreed to sell their neighborhood to KSI. The families will receive \$80,000 per unit, a future share in KSI's profits from the site and an option to purchase a discount-priced home in the development. The transaction was approved by a board vote--no solo holdout could stop the bulldozers.

This is a good deal for all sides. Under competitive pressure from other developers, KSI raised its initial offer by \$30,000. Because the families bargained together as a single unit, they got a better deal than they could have gotten as individuals. The land, which lies close to a new Metro stop, will be converted to more valuable use.

Many other nations have long had laws that make it easier for property owners to pool their resources. In Japan these laws played a significant role in reconstruction after World War II. Japanese property associations consolidate land, install infrastructure and lay out new development plans. A two-thirds majority is empowered to make decisions.

Community associations are spreading rapidly in America's suburbs. From 1980 to 2000 half of new U.S. housing was built within a community association. It's time that the benefits of associations become available in older cities as well.

A new state law would work like this: If a group of urban owners wished to consolidate their properties, they would petition the city. A transfer agreement for streets, parks and other public services would get worked out. Then if a supermajority of 70% or 80% voted to approve, a new private community association, including all the property owners, would be established.

There would be no cram-down eminent domain; the property owners themselves, through a supermajority vote within their association, would approve any sale. And they'd get a price set not by judicial decree but by private negotiation. Proceeds would be divided according to the association's rules. If the owners preferred to stay in the neighborhood, rather than sell out, their new association would then function much like a residential version of a business improvement district. They could collect assessments, for instance, to sweep the sidewalk.

In the 1930s the Wagner Act provided for collective bargaining between newly organized workers and businesses. Today we need an urban Wagner Act that will enable collective bargaining between neighborhood property owners and developers.

PHOTO (BLACK & WHITE): "There is a better way to give developers access to sizable plots of land: allow homeowners to privatize their neighborhoods and sell en masse."

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