



Passing legislation to create a land bank in Kansas City will allow the city government to hold land for future development.

Audrey Spalding is a policy analyst at the Show-Me Institute, which promotes market solutions for Missouri Public Policy.

TESTIMONY

February 8, 2012

LEGISLATORS SHOULD SERIOUSLY CONSIDER THE FAILINGS OF THE SAINT LOUIS LAND BANK BEFORE CREATING A KANSAS CITY LAND BANK

By Audrey Spalding

*Testimony Before the Missouri House of Representatives
International Trade and Job Creation Committee*

To the Honorable Members of the Committee:

Ladies and gentlemen of the committee, thank you for the opportunity to testify today.

My name is Audrey Spalding and I am a policy analyst at the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own. This testimony is intended to summarize research that the Show-Me Institute has conducted and reviewed regarding the Saint Louis Land Reutilization Authority.

Saint Louis, the city where I live and work, is home to the oldest land bank

in the United States. The Saint Louis land bank, also known as the Land Reutilization Authority, has been in existence for more than four decades. It owns more than 10,000 parcels, making it the largest land holder in the City of Saint Louis. I hope that you consider its track record before creating a similar entity in Kansas City.

Proponents argue that land banking can help a city assemble – a word used in the legislation you are considering today – large swaths of land. This can involve holding land vacant for years. The hope is that one day the city will be remade with massive development projects.

ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY

Why create an agency similar to one that has failed in Saint Louis?

However, as we have seen in St. Louis, these large-scale development projects frequently fail to materialize, and people who want to purchase property to build a small business, or rehab a home, are often turned away.

I spent a great deal of time researching the Saint Louis land bank. I attended its public meetings, examined its minutes, and have spoken with people who have tried to purchase its property, only to be turned down. I care deeply enough about this issue, that even though the Show-Me Institute published my paper on the operations of the Saint Louis land bank almost a year ago, I continue to monitor its actions and speak to community groups in the city about the land bank.

Given that provisions of Missouri House Bill 1116 are very similar to the state statutes that authorize the Saint Louis land bank, I think that you can view the Saint Louis land bank today as the future for Kansas City if this legislation is passed.

Frequent rejections of legitimate offers to purchase vacant property

My research found that for eight years, from 2003 through 2010, the Saint Louis land bank rejected almost half of all formal offers to purchase its property.

The most frequent reason for rejection was that the property was being – and I quote – “held for future development.”

In a paper published in 1975 by Team

Four, Inc., for the City of Saint Louis, the company noted that the powers awarded to the Saint Louis land bank could “...assemble a large inventory of property...” (p. 18). As to whether this strategy has worked, consider the fact that the Saint Louis land bank now owns more property than ever.

Some may fear that vacant property in poorer areas of a city will not attract buyers. One of the main findings of my study was that people wanted to buy property in both North and South Saint Louis City – it was not true that there were no buyers for land bank property in areas beset by vacancy. However, it was true that offers were turned down throughout the city.

In just the eight years examined, the LRA received offers to purchase more than 5,300 different parcels – more than half of what it owned. It rejected offers to purchase more than 2,200 of those properties, and rejected multiple offers to purchase at least 550 properties.

Indeed, eight different offers to purchase 1252 Academy, just a little north of Saint Louis City’s bustling Central West End, were rejected. In 2001, the Saint Louis land bank said “no” the first time because the property was being held for future development. In 2010, the Saint Louis land bank said no for the eighth time, because the property was being held as part of a larger development site. Ten years, and no development.

Consider the cost of having a city maintain a vacant property for years instead of allowing someone to purchase it to start a business, own a home, or even just mow the grass.

When you turn down an offer to purchase property today in the hopes of a future, better development tomorrow, you are turning down a certain offer (and property tax revenues), in the hopes that a future offer will materialize. In this economy, such a bet is ill-advised.

It is true that private actors often turn down offers to purchase property in the hopes of attracting a better offer in the future. But when the government makes such decisions, it is not subject to the disciplines of a free market. As Saint Louis proves, economic efficiency — profit and loss — does not drive decisions, political clout does. Government should not be “picking winners and losers.” At best, the process results in inefficiency; at worst, it is corrupt.

The legislation you are considering today would give a Kansas City land bank the power to arbitrarily choose who to sell property to, and to make development bets. Under this legislation, the Kansas City land bank could:

...manage, maintain, protect, rent, lease, repair, insure, alter, hold and return, assemble, sell, trade, acquire, exchange, or otherwise dispose of any such real estate, on such terms and

conditions as may be determined in the sole discretion of the commissioners. The land bank commissioners may assemble tracts or parcels of real estate for public parks or any other purposes and to such end may exchange or acquire parcels...

This language is exactly the same as that in Missouri Revised Statutes 92.900 (4). The Kansas City land bank that could be created would have the same powers as those the Saint Louis land bank has enjoyed for the past 40 years.

The political nature of land banks

Unfortunately, the Saint Louis land bank’s operations appear to be somewhat political. Our area aldermen can sometimes effectively kill a sale just by neglecting to provide a letter of support in favor of the sale — no written record is required. As former Saint Louis land bank commissioner Howard Hayes told a would-be buyer, “We put a lot of weight on that judgment.”

I have seen four different offers to purchase a property rejected in a single year. The fifth offer was accepted when the area alderman showed up at the land bank meeting, and told the land bank commissioners to approve the sale.

Additionally, aldermen and city staff have held properties off of the Saint Louis land bank’s for sale list.

An example of this holding is the following: “The Alderman feels that

You can view the Saint Louis land bank today as the future for Kansas City if this legislation is passed.

Consider the cost of having a city maintain a vacant property for years instead of allowing someone to purchase it to start a business, own a home, or even just mow the grass.

this is an area where development is imminent, and would like the agency owned parcels in the area to be classified 'C' to protect them from sale to someone other than an approved developer." That was put in place in 2004, and was in effect through at least 2010.

I can go on about the policy failures we have seen in Saint Louis. Indeed, those are detailed in the paper I have submitted with my testimony today. I hope that Kansas City can avoid what has happened in Saint Louis. I hope that both sides of our state can learn from one another's policy successes and failures.

But I would like to make a final point: *Passing legislation to create a land bank in Kansas City will allow the city government to hold land for future development. And by doing, that the city will be betting against the very residents that it is supposed to help.*

Why create an agency similar to one that has failed in Saint Louis? Why pin development hopes and dreams on large-scale developers who have yet to materialize instead of trusting the small business owner, the longtime community resident, and someone, in a case that I have seen again and again, who sees this property as his or her first chance to own a home?

I am happy to answer any questions that you may have.

**Join the fight for liberty in our state.
Become a Show-Me Institute supporter:
www.showmeinstitute.org/donate**



4512 West Pine Blvd. | Saint Louis, MO 63108 | 314-454-0647 | www.showmeinstitute.org

View State Government Spending:
showmeliving.org

Read Our Blog:
showmedaily.org

Use Our Interactive Database:
showmeideas.org

Find Us on Facebook:
facebook.com/showmeinstitute

Follow Us on Twitter:
twitter.com/showme