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TESTIMONY

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SENATE BILL 750 AND EXPANSION OF THE LAND BANK PROGRAM

By David Stokes

Testimony Before the Missouri Senate Emerging Issues 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 David Stokes, and I am director of municipal policy 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 local land banks in Missouri.

St. Louis is home to the oldest land bank in the United States. The St. Louis land bank, also known as the Land Reutilization Authority (LRA), has been in existence for five decades. It owns more than 7,500 parcels, making it the largest landholder in the City of St. Louis. As you may surmise from this statement, it has not succeeded in its mission of returning land to private use. Even worse, it has become a central focus of corruption within St. Louis government.[1] In 2021, the *Kansas City Star* released an investigative report on the myriad of failures with the Kansas City land bank.[2] I hope that you consider the very poor track records of the existing land banks before expanding the ability to create land banks to most cities and counties in Missouri.

Proponents argue that land banking can help a city assemble large swaths of land. This can involve keeping land vacant for years in the hope that one day the city will be remade with massive development projects.

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

The same problems have occurred in Kansas City.

Show-Me Institute researchers spent a great deal of time several years ago researching the St. Louis land bank.[3] Given that provisions of this bill are very similar to the state statutes that authorize the other land banks, I think that you can view the failures of the St. Louis and Kansas City land banks as the future for the rest of the state if this legislation is passed.

Corruption in St. Louis

In 2022, three members of the St. Louis Board of Aldermen were indicted and convicted on bribery charges.[4] One of the bribery charges related to payments for assistance in the acquisition of property owned by the LRA at less than the standard price.[5] As the charges related to the LRA were described in the newspaper (emphasis added)[6]:

> For example, it **says the businessman wanted to buy an LRA-owned property** at 4201 R Geraldine Ave. in north city, which is within Alderman Jeffrey Boyd's 22nd Ward. Property records identify Mohammed Almuttan as current owner of the Geraldine site. Almuttan was neither charged nor identified by name in the indictment.
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> In July 2020, the businessman was connected to Boyd by another alderman, John Collins-Muhammad, the indictment says. At the time, the LRA had listed the Geraldine site for sale with a value of $50,000. But during a meeting with the businessman, Boyd indicated the property was appraised at a much higher value of $459,000 and said he would support whatever bid the businessman offered.
>
> **Before leaving the meeting, the businessman gave Boyd $2,500 for agreeing to support his effort to buy the property, the feds allege.**
>
> **The next month, Boyd sent a letter to L.C. supporting the businessman's $9,000 bid, the indictment says.**

As the old saying goes, when the business of buying and selling is controlled by the legislature, the first thing to be bought and sold are the legislators. The idea that we would be expanding the opportunities for corruption like this to other parts of Missouri is absurd. We should be seeking to reduce the role of the government in owning private property, not dramatically expanding it throughout the state.

Serious problems at the Kansas City Land Bank

The *Kansas City Star* published a story on the Kansas City land bank in December of 2021. The *Star* documented a history of questionable decisions by the land bank, including frequent decisions in recent years to reject offers to purchase property by qualified individuals and groups with no explanation given. According to the *Star* (emphasis added)[7]:

> At its July meeting, **the board rejected 31 of the 33 purchase offers without explanation** beyond a rote recitation that they were deemed insufficient, the commissioners felt the buyer didn't have the resources to carry through with their plan, or both.
>
> "This is not an agency that is interested in selling properties; it's more interested in regulating who gets them and under what circumstances," development lawyer and former city councilman Mark Bryant told the *Star* after an offer from him and his partners at Onyx Development Corp. was rejected at a recent Land Bank meeting.
>
> The non-profit that Bryant, barbecue baron Ollie Gates, and former Research Medical Center public affairs director Will McCarther operate wanted to add to their holdings around the 4900 block of Montgall Avenue by buying eight Land Bank lots at a deep discount to potentially build an assisted living center.
>
> […] Lecturing the board, **Bryant said it was wrongheaded to reject the offer when no one else has been interested in buying the lots since they became part of the Land Bank portfolio four years ago.**
>
> He finds it absurd that the Land Bank won't sell the land to a willing buyer when no one else wants it.

The rejection of offers to purchase property by the Kansas City land bank continues an unfortunate trend that Show-Me Institute researchers previously documented at the St. Louis land bank. The desire for large-scale "miracles" impedes the more realistic—and commendable—aims of neighborhood residents and groups who want to improve

their communities a few parcels at a time. Other examples in the *Star* report include a neighborhood group that wanted to buy a few properties to build a small park. They were rejected by the land bank, as were residents who simply wanted to acquire adjoining properties to expand their own yards. Expanding one's yard, as simple as that may be, has the multiple benefits of putting the land back on the tax rolls, removing it from city mowing expenses, and helping a family invest in its own neighborhood. But the Kansas City land bank is consistently rejecting those offers. This is not the type of approach we need to expand to the rest of Missouri.

Frequent rejections of legitimate offers to purchase vacant property in St. Louis

Show-Me Institute research found that for eight years, from 2003 through 2010, the St. 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 "held for future development."

In a paper published in 1975 by Team Four, Inc., for the City of St. Louis, the company noted that the powers awarded to the St. Louis land bank could allow the city to "assemble a large inventory of property."[8] While Team Four's plan was never officially adopted by the city, the intention to assemble and hold large amounts of property for future sale and redevelopment certainly influenced the St. Louis land bank. As to whether this strategy has been beneficial to the city, consider the fact that the St. Louis land bank still owns substantial amounts of property.

Some may fear that vacant property in poorer areas of a city will not attract buyers. One of the main findings of the Show-Me Institute's study[9] was that people wanted to buy property in both North and South St. 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. A very similar trend has been experienced in Kansas City with its land bank.

In just the eight years examined, the St. Louis land bank 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 it rejected *multiple* offers to purchase at least 550 properties. Indeed, eight different offers to purchase 1252 Academy, just a little north of St. Louis City's bustling Central West End, were rejected. In 2001, the St. Louis land bank said "no" the first time because the property was being held for future development. In 2010, the St. 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 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 St. Louis proves, economic efficiency—profit and loss—does not drive government 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 most cities and counties in Missouri the ability to create a land bank and thereby the power to arbitrarily choose who to sell property to—in other words, to make development bets. Under this legislation, land banks throughout Missouri could be formed to essentially become government-owned real estate speculators. That is not a future that should inspire confidence or hope.

The National Geospatial-Intelligence Agency

Supporters of land banks will likely argue that the St. Louis land bank was an important part in the National Geospatial-Intelligence Agency (NGIA) project in North St. Louis. That is incorrect. While the NGIA project will be beneficial, and the St. Louis land bank did transfer many city-owned properties to it, this was a government project that did not need the St. Louis Land Bank to do anything. Both the Federal[10] and St. Louis city governments had the legal authority to use eminent domain for this project. Indeed, the City of St. Louis used

condemnations, eminent domain, and lawsuits to acquire a few dozen acres of land for this project.[11] While the LRA may have simplified the process somewhat for the NGIA, the St. Louis land bank was not necessary for the NGIA project to move forward.

The political nature of land banks

Unfortunately, the operations of the Kansas City and St. Louis land banks 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 explicit, written "rejection" is required. As former St. Louis land bank commissioner Howard Hayes told a would-be buyer, "We put a lot of weight on that judgment."[12] In light of the recent bribery convictions, St. Louis is reviewing this process, but the flaws in it are inherent to land banks. In Kansas City, the extended family of an influential elected official was given a special deal for a group of properties. The family did not redevelop the properties as they promised. They simply "flipped" many of them to another purchaser, using the special deal they received from the land bank to increase their profit margin.[13]

While the study by SMI regarding the St. Louis land bank is several years old, the problems it demonstrated obviously continue in St. Louis. They have also been repeated in Kansas City, just as Institute writers predicted when they opposed the creation of the Kansas City land bank in 2012.

I could go on about the policy failures we have seen in St. Louis and Kansas City. Indeed, I hope that both sides of our state can learn from each other's policy successes and failures.

Passing legislation to allow the creation of a land bank in almost every city and county will allow local government to hold land for future development and increase opportunities for corruption and favoritism around Missouri. In doing so, the local governments will be betting against the very residents it is supposed to help.

Why authorize cities and counties to create new agencies similar to those that have failed in St. Louis and Kansas City? 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, or someone—in a case we have seen again and again—who sees a property as his or her first chance to own a home?

Land banks have failed in St. Louis and Kansas City, and are in the process of failing in St. Joseph. The rest of Missouri will not benefit from land banks.

Thank you for the opportunity to testify today.

NOTES

1. Barker, Jacob, "St. Louis Aldermanic President, Two Allies Indicted on Federal Bribery Charges", *St. Louis Post-Dispatch*, June 3, 2022.
2. Hendricks, Mike. "'They're Trapping Us in Blight': Kansas City Land Bank Has Failed, East Side Residents Say." *Kansas City Star*, December 13, 2021.
3. Spalding, Audrey and Stahl, Bruce. "Standstill: Is Saint Louis Hindering Development by Waiting for Large-Scale Miracles?" Show-Me Institute Policy Study No. 27, April 2011.
4. Barker, Jacob, "St. Louis Aldermanic President, Two Allies Indicted on Federal Bribery Charges," *St. Louis Post-Dispatch,* June 3, 2022.
5. Kirn, Jacob, "City Halts New Land Bank Deals after Indictment Detailed Leader's Role," *St. Louis Business Journal*, June 6, 2022
6. Ibid.
7. Hendricks, Mike. "'They're Trapping Us in Blight': Kansas City Land Bank Has Failed, East Side Residents Say." *Kansas City Star*, December 13, 2021.
8. Team Four, Inc. "Citywide Implementation Strategies: The Draft Comprehensive Plan," 1975, page 18.
9. Spalding, Audrey and Stahl, Bruce. "Standstill: Is Saint Louis Hindering Development by Waiting for Large-Scale Miracles?" Show-Me Institute Policy Study No. 27, April 2011.
10. United States Department of Justice, "History of the Federal Use of Eminent Domain," January 24, 2022, https://www.justice.gov/enrd/history-federal-use-eminent-domain.
11. Barker, Jacob. "St. Louis Uses Eminent Domain—Again—on NGA Land." *St. Louis Post-Dispatch*, September 24, 2018.
12. Spalding, Audrey and Stahl, Bruce. "Standstill: Is Saint Louis Hindering Development by Waiting for Large-Scale Miracles?" Show-Me Institute Policy Study No. 27, April 2011.
13. Hendricks, Mike. "'They're Trapping Us in Blight': Kansas City Land Bank Has Failed, East Side Residents Say." *Kansas City Star*, December 13, 2021.

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