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STANDSTILL

IS SAINT LOUIS HINDERING
DEVELOPMENT BY WAITING
FOR LARGE-SCALE MIRACLES?

STANDSTILL: HOW CITY AGENCIES HAVE HINDERED DEVELOPMENT IN SAINT LOUIS WHILE WAITING FOR LARGE-SCALE MIRACLES

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EXECUTIVE SUMMARY

This study examines the actions of the largest landholder in the city of Saint Louis, the Land Reutilization Authority (LRA). The LRA works in concert with other planning agencies to direct development in the city. Most of the LRA's properties come to the agency by default, through the receipt of tax-delinquent property that is not sold at the city's tax auctions.

In 1971, when the state of Missouri passed legislation authorizing the creation of this landholding agency, the legislature tasked the LRA with the responsibility of returning abandoned, publicly held land to private use. The end goal, the statute says, is for these properties to return to tax-revenue-producing status. The LRA now holds more than 9,000 parcels, and although many individuals and businesses have attempted to purchase LRA property, the agency accepts less than a quarter of offers.

From a public policy perspective, offers to buy vacant city properties are win-win: The city has fewer vacant properties to maintain, and private individuals can take on the risk and profits of redeveloping some of the most undesirable properties in Saint Louis. Yet from January 2003 through December 2010, Saint Louis government has rejected offers to purchase more than 2,200 vacant city properties. This study details the processes behind the LRA's actions and suggests areas for policy reform.

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I. INTRODUCTION

During the past 10 years, no fewer than nine different people and businesses attempted to purchase 1252 Academy Ave. The property, vacant for more than a decade, is a small parcel in the northwestern portion of Saint Louis. It is a small slice of one city block, consisting of both grassy vacant land and a one-story building, a former laundromat. The property at 1252 Academy is vacant, to be sure, but the neighborhood is also, in some ways, vibrant: In fact, 80 percent of the properties in the surrounding 18th Ward are occupied.¹

This building, 1252 Academy, a one-story structure, has been vacant for more than a decade, and sits within view of both occupied, maintained homes and vacant properties.

Photo by Audrey Spalding.



A vacant property like 1252 Academy is not unusual in Saint Louis. Between the years 2005 and 2009, the city of Saint Louis averaged a 20-percent residential vacancy rate — nearly double the national average.² The highest concentration of vacant property in the city is located north of Delmar Boulevard, the main dividing line between north and south Saint Louis, where about one in every four properties is vacant.³ By contrast, south of Delmar fewer than one in 15 properties is vacant.⁴

That is not to say that northern Saint Louis is homogenous. In fact, this area of the city is the most difficult to characterize in a single sentence. Some

blocks are almost entirely deserted, or have remained vacant for so long that they have become grassy plots, but there are many pockets of new development.

As the photos on page 5 illustrate, new development often springs up amid or adjacent to vacant structures. In north Saint Louis, this economic growth creates odd scenes: Homes that look as if they were cut out of a new subdivision appear to be pasted into the middle of a vacant area, or three well-maintained homes may sit on a much-too-large, otherwise empty, city block.

In other areas of Saint Louis, such as the neighborhoods surrounding Saint Stanislaus Kostka Parish, large swaths of new multifamily residential development encompass many city blocks. Only the edges of these new homes and commercial areas butt up against empty land.

This means that nine offers to purchase any particular vacant parcel are significant. And yet, eight of the nine individuals and businesses who offered to buy 1252 Academy were told that they could not purchase it. The entity responsible for these rejections? Local government.

All told, there are about 22,200 vacant parcels in Saint Louis, amounting to more than 15 percent of all available property in the city.⁵ Roughly 12,000 of those parcels are privately owned, with the rest owned by an array of governmental agencies.⁶ The largest owner of vacant land, by far, is the city's Land Reutilization Authority (LRA), a city agency tasked with managing vacant land and returning it to the private market.

In 2009, the LRA held approximately 9,300 parcels.⁷ The property at 1252 Academy is part of the LRA's vast holdings, which are predominantly located in north Saint Louis. This area of the city has

a long history of scattered and stalled development, so the agency's refusal to sell 1252 Academy can be seen as symptomatic of a disbelief by city officials in the ability of organic, decentralized development projects to remake the city.

As early as 2001, Ronald Bell, who had developed other LRA properties in the immediate area, attempted to buy the 1252 Academy property. Bell offered \$1,200⁸ for the parcel, the agency's asking price, and yet the LRA refused to sell. In a short letter to Bell following the LRA's decision, Georgiana Stuart, then director of real estate for the Saint Louis Development Corporation (SLDC), dismissed his offer, saying:⁹

The LRA Commission rejected your offer to purchase the subject property because the property is classified 'C', and being held for development.

Stuart provided no other explanation. She did not offer any details about which development 1252 Academy was being held for, or why Ronald Bell's proposed development for the property did not meet the LRA's requirements.

Instead, the agency — which, according to state statute, is supposed to return vacant, publicly owned land into private use — simply rejected Bell's offer to purchase the property. An examination of similar form rejection letters that the LRA sent to other individuals who attempted to purchase 1252 Academy in later years revealed that the only clear reason for rejection is that the agency wanted to continue holding the property.

In 2005, perhaps the most comprehensive and impressive offer to purchase the 1252 Academy property was submitted to the LRA by the Williams Family Group, a company set up by several siblings



The developed properties shown were purchased in 2004 from the LRA, and new homes now sit directly across the street from vacant and dilapidated properties.



Aerial view created with Google Maps; other photos by Audrey Spalding.



Figure 1 — Map of All Vacant Property in Saint Louis City

Properties in black were classified by the city assessor as vacant, as of 2009.

Map by Audrey Spalding, using ESRI Arc GIS software.



with the sole purpose of rehabbing vacant city properties. It offered to purchase 1252 Academy and an adjacent property for a total of \$4,288. The family company had a successful track record of turning vacant, abandoned property into fully occupied residences, and went out of its way to detail its financial standing and plans to rehab the properties. For 1252 Academy, the Williams Family Group saw an opportunity to develop office and storage space. In addition to an estimate of the cost to rehab the properties, and a list of the contractors it intended

to use for the project (contractors with which the company had worked before), the Williams Family Group also provided formal letters from its owners, with the exact amounts that each owner would be committing to the redevelopment project.¹⁰

The agency had already rejected four previous offers by this point, so it may seem predictable that the LRA rejected the Williams Family Group's bid, as well. In the same format used in previous rejection letters, the SLDC's director of real estate wrote to the two sisters representing the company that:

The LRA Commission rejected your offer to purchase the subject property because the properties are classified 'C' and being held for development.

The LRA did not further specify its rationale for any of these rejections, and when future formal offers were made for the property, the agency entertained them only long enough to formally reject them. Meanwhile, 1252 Academy sits vacant, and every 365 days that a property sits vacant in Saint Louis is another 12 months that it continues to deteriorate, and another year in which surrounding residents will look at the deterioration and consider moving into a safer, better-maintained area.

Eventually, in 2008, the LRA received an offer from I-70 Northwest Development Corporation, a nonprofit development company that works to build low-income housing in the city.¹¹ I-70 Northwest Development Corporation made an offer more in line with the type of development that the LRA appears to look for, as we discuss later in this paper. It offered to buy a package of 12 properties along Page Boulevard, with 1252 Academy sitting on the western edge of the nearly block-long proposed development strip.

According to its application, and unlike the Williams Family Group's proposal, I-70 Northwest Development Corporation offered little of its own money to redevelop the property. Instead, it specified that it would seek nearly \$6 million in state tax credits, a \$150,000 loan from the city of Saint Louis' Affordable Housing Commission, a \$100,000 loan from the city's Community Development Administration, and a \$200,000 loan from a local bank.

The company noted in its application that it would defer about \$85,000 of its developer fee during construction of the project, and counted that deferral as a source of financing. In the last sentence of the page detailing the project's proposed sources of financing, the company disclosed that it would put some of its own money toward the project: "I-70 Northwest will make a nominal cash investment of \$591."¹²

Ultimately, the 12 properties, including 1252

Academy, never changed hands. In 2009, after I-70 Northwest Development Corporation's option on the project had expired before finalizing the purchase, the company renewed its offer, and the LRA countered. The properties are still vacant, however, and the LRA still owns them. Delester Jefferson, a board member of I-70 Northwest Development Corporation, said the company is still trying to move forward, but that getting the tax credit-based financing in place has been difficult.¹³

Despite these financing difficulties, the LRA has continued to reject other offers to purchase 1252 Academy. In July 2010, the LRA rejected two competing offers, both of which met the LRA's asking price and one of which came with formal support from both the area alderman and the neighborhood association. June and Anthony Barber planned to open a restaurant at 1252 Academy, but their offer was rejected for the same specified reason that Anthony Bell's offer was

Offers to Purchase 1252 Academy Ave.

Ronald E. Bell, offering \$1,200 in May 2001: Rejected "because the property is classified 'C', and being held for development."

Anthony Alexander, offering \$500 in December 2003: Rejected "due to the condition of other property that you own in the City."

Henry Burkhalter and Alexia Simmons, offering \$1,000 in March 2004: Rejected "because the property is classified 'C' and being held for development and due to insufficient financial resources to support the project."

Darryl Madison, offering \$500 in October 2004: Rejected "due to insufficient financial resource to support the project, and because the parcels is being held as part of a larger site."

Brenda Evans and Shirley Watt, offering about \$2,000 in December 2005: Rejected "because the parcels are classified 'C' and being held for development."

Jimmie L. McMiller, offering \$1,000 in October 2006: Rejected "because the parcel is being held as part of a larger development site, and due to insufficient financial resources to support the project."

June P. Barber, offering \$1,000 in July 2010: Rejected "because the parcel is being held as part of a larger development site."

Courtney Johnson, offering \$1,000 in July 2010: Rejected "because the parcel is being held as part of a larger development site."

rejected in 2001 and the Williams Family Group's offer was rejected in 2005: The parcel is being held for development.¹⁴

The LRA's actions in the case of 1252 Academy may be an adverse reaction to two offers made on the property during the late 1990s.¹⁵ The LRA accepted both offers, and both times, the offeror lost interest before completing the purchase. But it seems strange that the LRA, an agency tasked with returning abandoned land to private use, would give up after two unsuccessful small-scale offers and reject future offerors out of hand. The LRA's actions in the case of 1252 Academy appear to be part of a larger pattern of behavior, and the agency's attempts to encourage development in the city of Saint Louis likely have complex rationales.

This study is an exploration of the city government's efforts at managing vacant city property, and the unintended consequences of a single agency's actions. At the heart of this study is the question of whether city residents would be better off if the LRA and city government were to stop spending decades waiting for large-scale grandiose developments and instead accept offers to purchase property for smaller-scale development projects, such as a single-property rehab.

Government Land Ownership as Land Use Control

Professional planners dreamed of placing large areas of land under public control as early as the 1940s.¹⁶ However, the radical rethinking of individual property rights that would have been required in order to allow such vast municipal ownership of land was a barrier to the development of this power.

Planners identified the difficulty of achieving public support for government land ownership “in a country where real estate is characteristically in many small ownerships and where a lingering laissez-faire philosophy resists any modification of an individual owner's property rights.”¹⁷ Despite the rarity of municipal ownership of large land areas, government restrictions on land use were common by the middle of the 20th century. During the preceding decades, property rights began to be “ostensibly subordinated to the health, safety, and welfare of the community”¹⁸ through building codes, zoning laws, and urban redevelopment legislation.

Zoning

During the 1920s, public officials began to regulate the following physical characteristics of land improvements: “height, number of stories, and size of buildings and other structures, the percentage of lot that may be occupied, the size of yards, courts, and other open spaces, the density of population, and the location and use of buildings, structures, and land for trade, industry, residence, or other purposes.”¹⁹ Conventional wisdom held that such regulation “protects both public and private interests” by operating within the framework of a comprehensive plan for a municipality's physical development.²⁰ As an exercise of the police power, this regulatory taking did not require government to compensate private owners for the potential loss of value associated with any of these restrictions.²¹ Like building codes, zoning laws could only operate prospectively, and thus could not mandate retroactive changes to existing land uses.

Urban Redevelopment

Under the auspices of urban redevelopment laws beginning in the 1940s, governments developed

a process to assign rights of land ownership from one private landowner to another as a way to control development. These laws made provision for “the rehabilitation or the clearance and complete rebuilding of substandard and blighted areas by private redevelopment corporations operating with the aid and under the control of local government.”²² Upon the “showing of [a] present public necessity,”²³ urban redevelopment laws allowed the exercise of government’s eminent domain power as a means of “eliminating slums and of supplying adequate housing.”²⁴ The power to abrogate private property rights in the pursuit of redevelopment was considered an essential “first step in the reconstruction of a blighted area.”²⁵ With any eminent domain action, private property owners are entitled to receive compensation from government in exchange for the taking of their lands.

Land Banking

Whereas urban redevelopment laws authorized the use of eminent domain for redevelopment by private corporations only in areas specifically designated as “blighted,” a more expansive government power allows government to exercise direct ownership rights to any lands anywhere at any time. This is precisely what a system of government land banking allows. Indeed, “General land banking allows a public body to acquire and hold land without having a designated purpose for that land.”²⁶

Professional planners chafed at what they viewed as “deficiencies in present regulatory measures” to achieve “a thoroughgoing regulation of urban land-use patterns and policies,”²⁷ and they sought this expansive power. To planners, government land ownership would allow them to exercise strict

control over every aspect of a community’s physical development:²⁸

[I]t is the conclusion of planning experts that the complete control of property provided by fee-simple public ownership offers the most satisfactory method of directing urban land policies. Extensive municipal land ownership is promising not only for replanning developed urban areas, but also as a reserve for future needs and as a means of controlling private property uses.

Government land ownership would permit centralized “[c]ontrol over time, location, and type of development,”²⁹ while also allowing government to “capture ... the appreciation in land value caused by government action in aid of growth.”³⁰ The sale or transfer of land from government to a private owner allows “special restrictions enforceable by contract [to] be established for different parcels of land.”³¹

Government land ownership was billed as a mechanism to “prevent inharmonious encroachments upon homogeneous communities,” “provide breathing spaces and recreational areas for congested sections,” “serve as a source of future low-cost housing sites,” and achieve “regulation of land values.”³² Specific areas of cities envisioned as appropriate for government acquisition included “[p]remature subdivisions, slum areas, and large tracts of ‘waste’ land on the borders of municipalities.”³³ Planners suggested that “[a]cquisition of such property would be inexpensive and its redevelopment would occasion a relatively slight interference with established private interests.”³⁴

As early as the 1940s, “[f]oreclosure of ...

quantities of tax-abandoned land” was identified as an efficient legal mechanism to achieve government land ownership “at comparatively slight expense.”³⁵ This process would bring only “scattered parcels of property” under their control, however, so planners sought the additional power to “exchange public land outside an acquisition area for privately-owned land within such a section” in order to “render pieces of land, wherever situated, potentially valuable for municipal purposes.”³⁶

Once under the control of a land bank, land need not be immediately transferred to a private owner for redevelopment, as in an urban redevelopment project. To the contrary, a land bank allows “[v]acant land [to] be marshalled together and held indefinitely ...”³⁷

In the absence of a required timetable for development of lands under their control, land banks are empowered to determine the following as an exercise of their discretion: “location and amount of land to be transferred; the interest to be transferred; the time of the transfer; the price; the uses to be prescribed or prohibited ... and the process by which the transferee is selected.”³⁸

Even proponents of such expansive governmental authority admit that “the possibilities of political abuse are ever present in land transactions”³⁹ and that “[t]o permit municipalities to assemble large land reserves in a haphazard fashion may occasion needless or dishonest expenditures and even intensify rather than alleviate ... maladjustments.”⁴⁰ One commentator reviewing an Ohio land banking law observed: “The bill specifies that land can be sold without competitive bidding. What then will keep a parcel from automatically going to a councilman’s brother?”⁴¹

As a way to guard against untoward government land sales, planners proposed “a comprehensive master plan, specifically indicating the areas in which property may legitimately be accumulated” as “[t]he most promising administrative safeguard ...”⁴² However, even the most detailed of plans do not foreclose the possibility that “the actions of individual decision makers may be swayed by personal inclinations in favor of particular land use patterns.”⁴³

II. CREATION OF THE LAND REUTILIZATION AUTHORITY

To understand the creation and the mission of Saint Louis’ largest land owner, we must look at the context of its creation — an exodus of city residents. In the second half of the 20th century, hundreds of thousands of residents left Saint Louis city for the suburbs.

As Figure 2 shows, the number of city residents in 2000 amounted to less than half of the 1960 population. Saint Louis reached its peak population at the 1950 Census, with 856,000 residents. But by 1971, the city had experienced a decline in population of more than 25 percent, to 622,000.⁴⁴ Commentators at the time said, “The drop has been the most precipitous of any major city in the United States.”⁴⁵ Concurrent with this population decline, property tax delinquency became pervasive, with 12,000 tax-delinquent parcels by 1970.⁴⁶

Prior to 1971, Saint Louis city government had greater difficulty seizing lands for nonpayment of property taxes. Seizure actions had formerly been

conducted parcel by parcel, rather than against multiple tax-delinquent parcels simultaneously.⁴⁷ In addition, Missouri courts cast serious doubt on the validity of titles produced through the former tax foreclosure process, forcing subsequent landowners to incur the expense of filing suit to quiet the title.⁴⁸

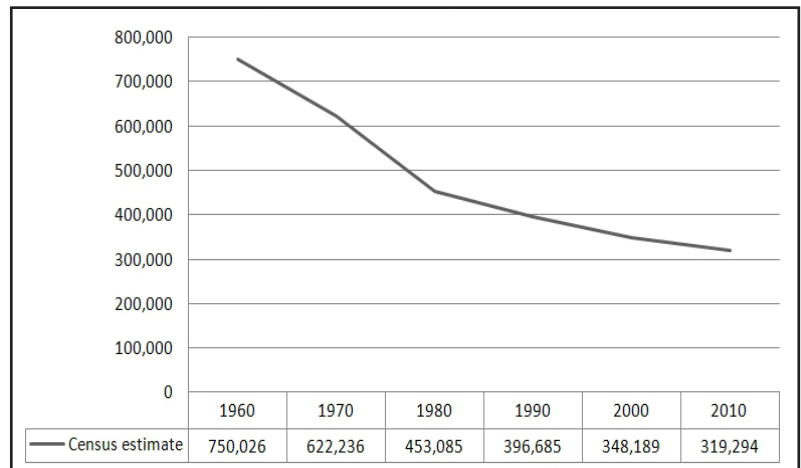
The mechanism that most cities use to turn over abandoned property to new owners is to sell tax-delinquent properties at a tax sale, where properties are sold to the highest bidder. But, by 1970, Saint Louis had not held such a sale for more than 20 years.⁴⁹

The Missouri General Assembly responded to the burgeoning vacant land problem in Saint Louis by passing a new law that afforded the city's government expansive new powers for land use control. House Bill 472, "Relating to delinquent and back taxes on certain property in certain cities and the disposition of that property, with penalty provisions," passed the Missouri Senate unanimously — with 29 votes in favor and five absences — on June 1, 1971.⁵⁰ The Missouri House of Representatives previously had approved an identical bill on March 31 of that year, with a vote of 142 in favor, 7 opposed, and 14 absent.⁵¹

Described by the *St. Louis Post-Dispatch* as "a key feature of the city's legislative program,"⁵² the bill became law on June 15 upon receiving the signature of Gov. Warren Hearnes.⁵³ The Saint Louis Board of Aldermen accepted the powers of the "Municipal Land Reutilization Law" with the approval of an ordinance on Dec. 21, 1971.⁵⁴ Thus, the LRA was created.

Intended as a legal mechanism to speed the foreclosure and sale of tax-delinquent properties, the Municipal Land Reutilization Law afforded

Figure 2 — Saint Louis City Population



government much greater powers than did previous laws aimed at enforcing property tax collections.⁵⁵

In addition to its streamlining of the property tax foreclosure process, the law established a public corporation authorized to acquire, hold, manage, and sell tax-foreclosed properties for which no private owners had bid. This represented a dramatic expansion of government power to determine land use policy in Missouri's then-largest city.⁵⁶

In 1972, the first year Saint Louis had the authority to begin taking over abandoned land, roughly 9 percent of all city properties were tax delinquent.⁵⁷

The Municipal Land Reutilization Law

Effective penalties for nonpayment of taxes are necessary to ensure tax collection, so Saint Louis city leaders convened a "special task force" to examine tax foreclosure procedures in other Missouri cities, focusing primarily on Kansas City.⁵⁸ This task force concluded that the Land Tax Collection Law, its

validity having been upheld by the Missouri Supreme Court in 1944, offered an appealing framework for any legislation to streamline the tax foreclosure process in Saint Louis.⁵⁹

Key components of both the Land Tax Collection Law and the Municipal Land Reutilization Law were: 1) simplified requirements for property owner notification in tax foreclosure actions; 2) authorization of government power to seize multiple tax-delinquent properties through the filing of a single petition in circuit court; 3) guaranteed validity of land titles produced by the tax foreclosure process; and, 4) the establishment of a public corporation to administer lands unclaimed at tax auctions.⁶⁰

In Saint Louis, the Municipal Land Reutilization Law allows government to initiate a tax foreclosure action against a parcel of land after two years of tax delinquency.⁶¹ Foreclosure commences in the event that the property owner and the city's collector of revenue do not agree to terms for a "redemption contract"⁶² that would permit installment payments of taxes owed. Under the law, the collector of revenue needs simply to publish a list of tax-delinquent lands subject to an impending foreclosure action "in a daily newspaper of general circulation" in order to inform landowners of the likely loss of their property.⁶³

A single lawsuit filed by the collector of revenue in circuit court against as many as hundreds of tax-delinquent parcels simultaneously is sufficient to initiate the sale of tax-delinquent lands at auction.⁶⁴ The court will identify the full value of taxes and penalties — including interest and attorneys' fees — owed for each parcel.⁶⁵ Once approved by the circuit court, the amount of taxes and fees owed for each parcel becomes the minimum required bid for any private owner making an offer to purchase said parcel

at a foreclosure auction on the courthouse steps.⁶⁶

In an attempt to regain lost tax revenue, such a pricing mechanism obscures the actual value of a vacant city property. Individuals who attend Saint Louis' property tax auctions are required to pay at least the sum of back taxes and penalties, regardless of the actual value of the property. This practice likely results in the discouragement of potential bidders on certain properties because the tax liability associated with those properties is so great.

The Land Reutilization Authority as Land Use Control

The Municipal Land Reutilization Law has every hallmark of a mid-20th century urban planner's ideal regime for land use regulation. The law favors government actors over private actors at every step, from eased notice requirements for government to initiate foreclosure actions to a compressed timetable for seizing tax-delinquent property. Most significantly, the law stipulates that in the event a private bidder at a foreclosure auction fails to meet the minimum bid for a parcel as required by the law, the parcel's ownership shall automatically vest in a public corporation at no cost to the corporation.⁶⁷ This corporation, the LRA, is "an authority for the management, sale, transfer and other disposition of tax delinquent lands."⁶⁸ The LRA gets most of its land from foreclosure auctions. According to the Saint Louis Sheriff's Department, nearly 32 percent of properties put up for bid at tax foreclosure auctions end up in the LRA's hands.⁶⁹

The law states that the LRA was "created to foster the public purpose of returning land which is in a nonrevenue generating nontax producing status,

to effective utilization in order to provide housing, new industry, and jobs for the citizens of any city operating under the provisions of [The Municipal Land Reutilization Law] and new tax revenues for said city.”⁷⁰

The LRA is empowered by law to “accept the grant of any interest in real property made to it, or to accept gifts and grant in aid assistance,”⁷¹ “sue and issue deeds in its name,”⁷² “convey title to any real estate sold or conveyed by it by general or special warranty deed,”⁷³ “have access to any and all city and county records at any time and may call upon any and all city and county officers, departments, boards, planning commissions or other commissions for studies, statistics or recommendations,”⁷⁴ and “appoint a director and such other employees.”⁷⁵

A commission of three administers the LRA, each member appointed separately by the mayor, comptroller, and Board of Education in Saint Louis.⁷⁶ The Municipal Land Reutilization Law enumerates the commission’s expansive role: “The land reutilization commissioners shall have power, and it shall be their duty, to manage, maintain, protect, rent, lease, repair, insure, alter, hold and return, assemble, sell, trade, acquire, exchange or otherwise dispose of any real estate, on terms and conditions as may be determined in the sole discretion of the commissioners. The land reutilization 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, and otherwise effectuate such purposes by agreement with any taxing authority.”⁷⁷

The law envisions a role for private business to assist with the disposition of lands that come under the LRA’s control. The statute states that “[a]ny real estate agent or broker licensed to do business in the

city” may, with the approval of the commission, “sell any property upon the terms and conditions imposed by the commissioners.”⁷⁸ However, the agency does not contract with private real estate agents to sell property. Instead, a group of public employees is responsible for the initial consideration of offers to purchase LRA property. More often than not, as this study will demonstrate, the commission chooses not to sell.

Problems With Government Ownership

The Municipal Land Reutilization Law’s powers were first used on Jan. 10, 1972, when the Saint Louis collector of revenue and the director of the new LRA jointly filed suit against 48 parcels of land to recover delinquent property taxes.⁷⁹ This action was greeted with optimism by contemporary observers, who opined that “Industrial development has been severely limited within the city limits because of a lack of available land.”⁸⁰ By this logic, the ability to acquire land directly from the city government represented an improvement over the perceived impediments of acquiring land for new development through private market transactions. Indeed, many cheered “the creation of an inventory of land for developers”⁸¹ that such government land ownership would provide.

Public acceptance of government’s expanded powers to shape development in Saint Louis was often rooted in a conflation of tax delinquency with property vacancy.⁸² A common expression of this view held: “The longer a piece of property is tax delinquent, the more likely it is that the property will be vacant. This is because tax delinquency is

indicative of owner disinterest, and as that disinterest reflects itself in property neglect, tenants leave.”⁸³ Advocates of land banking authority wanted government to hold title to tax delinquent property, arguing that “there is a low probability of achieving revitalization through actions of the private market alone because of the low economic value of the property involved.”⁸⁴

Despite the belief among many that tax-delinquent property was nearly always vacant, many acquisitions by the LRA proved that tax-delinquent property was often as viable and occupied as was any other private property. A 1976 Missouri State Audit Report found that certain properties the LRA had documented as “non-revenue producing” were, in fact, occupied.⁸⁵ Occupied homes, apartments, and even a hotel came into the LRA’s inventory during its first years of operation, presenting management and public relations difficulties for the corporation.⁸⁶

The LRA’s nearly limitless mandate to acquire, manage, improve, or dispose of land affords its board of commissioners discretion to implement any number of urban planning programs. During the 1970s and 1980s, planners devised a series of controversial new recommendations for how best to deploy land banking authority in cities experiencing population loss. Termed “planned shrinkage,” this concept was described as “a planning proposal for clearing businesses and individuals from targeted areas of high abandonment, as a matter of public policy, and clustering them in more viable areas. As an area is vacated, services would be withdrawn and the land cleared and left undeveloped until redevelopment opportunities arose. Withdrawn services and limited public resources would be concentrated and

redirected toward more viable neighborhoods.”⁸⁷

Land banks were ideal planning agencies to implement a shrinkage program, because they had unfettered powers to hold land indefinitely. Shrinkage was proposed as a means to reduce municipal expenditures, although planners were the first to admit that “a well documented case of substantial savings is not possible.”⁸⁸ Advocates of shrinkage proposals argued that, by demolishing structures in a land bank’s inventory, cities would save money on maintenance, while “Policing could be accomplished with the mere sweep of a searchlight.”⁸⁹

The LRA’s statutory mandate affords such great latitude to its commissioners as to permit the corporation to stimulate and stifle development simultaneously. Historian Colin Gordon’s 2008 profile of 20th-century land use regulation and urban redevelopment programs in Saint Louis, *Mapping Decline*, identified the problems inherent to the operations of government agencies like the LRA: “There was a persistent mismatch between the definition of the City’s problems and the solutions pursued.”⁹⁰ Is the LRA designed to build the city up, or to tear it down?

III. DATA

The LRA holds meetings once per month⁹¹ to take formal action on offers to purchase the agency’s property. These meetings, held on the 12th floor of an office building in downtown Saint Louis, are sparsely attended. During 2010, roughly 10 people attended any given meeting, almost all of whom were there to ask the commission why their offers to purchase property were rejected, or to make sure the commissioners didn’t have any final questions or



LRA commission meeting, June 30, 2010.

Photo by Thomas Duda.

concerns that might derail a tentative acceptance if left unanswered.

The bulk of the meetings are spent with the LRA commissioners sitting at a table at the end of the room, listening to offerors, one by one, standing at a podium to present their case for being able to purchase a property. The commissioners sometimes ask questions, or explain that the offeror's case for purchasing a property isn't strong enough. SLDC staff members, who work with offerors to craft a formal property purchase application, sit in on the meeting and answer questions, as well as explain the reason that the SLDC recommended a particular offer be accepted or rejected.

We should note that the LRA is under the umbrella of the SLDC, the city's government planning department. Throughout this study, we refer to the LRA because we are focusing on actions specific to it, but SLDC staff members assist the LRA commissioners, and recommend actions on each offer to buy property. Those recommendations are frequently followed, and, as such, this study concerns

both the actions of LRA commissioners and of SLDC staff.

Two records are born from the LRA's formal meetings. The first of these, the agenda, is available to anyone attending the meeting. It includes a list of all formal offers to purchase property for the month, including the property's address, whether the local alderman had indicated whether he or she supported the sale, when the LRA first acquired the property, and the agency's tentative action. LRA commissioners occasionally, after hearing persuasive testimony from an offeror, deviate from the tentative action listed on the meeting agenda.

The second record is the minutes generated from LRA meetings. The meeting minutes are the definitive, final record of who attended the meeting and the formal actions taken by the LRA. These records include not only who attempted to purchase which property and for how much, but also the LRA's reasons for rejecting an offer. Additionally, if the LRA accepts or counters a property offer, the agency usually stipulates closing contingencies —

actions that the offeror must take in order to be able to purchase the property. The minutes enumerate those contingencies, as well.

The minutes are the definitive, final record of the LRA's actions, and are created by the agency itself, so they are the best source of information that can be used to assess the agency's track record. Additionally, because the LRA itself creates these records, they may be considered overly rosy accounts of the agency's workings.

The objective at the heart of this study is to describe the LRA's actions, by calculating how frequently the agency rejects property offers and why. In order to find answers to these questions, we created a database by entering data from LRA minutes for the years 2003 through 2010.

Data entered included meeting date, the number of properties associated with an offer, property

address, bidder name, whether the offer was accepted, rejected, countered, or deferred, the LRA's reasoning for a rejection, contingencies associated with an acceptance or counteroffer, and the calculated offer price per property (in the case of offers for more than a single property). For purposes of analysis, we created unique offer identification codes.

It is important to note that the data used here represent only formal offers to purchase property. Making a formal bid to purchase LRA property is not a simple process. Not only must an individual looking to purchase a property provide documents in order to demonstrate that he or she has the means to buy the property, but the LRA also expects that person to demonstrate that he or she has the financial resources to complete the proposed project. Furthermore, the individual must provide plans about how he or she will be using the property. It is

Figure 3 — LRA Parcel Inventory, 2000–2009

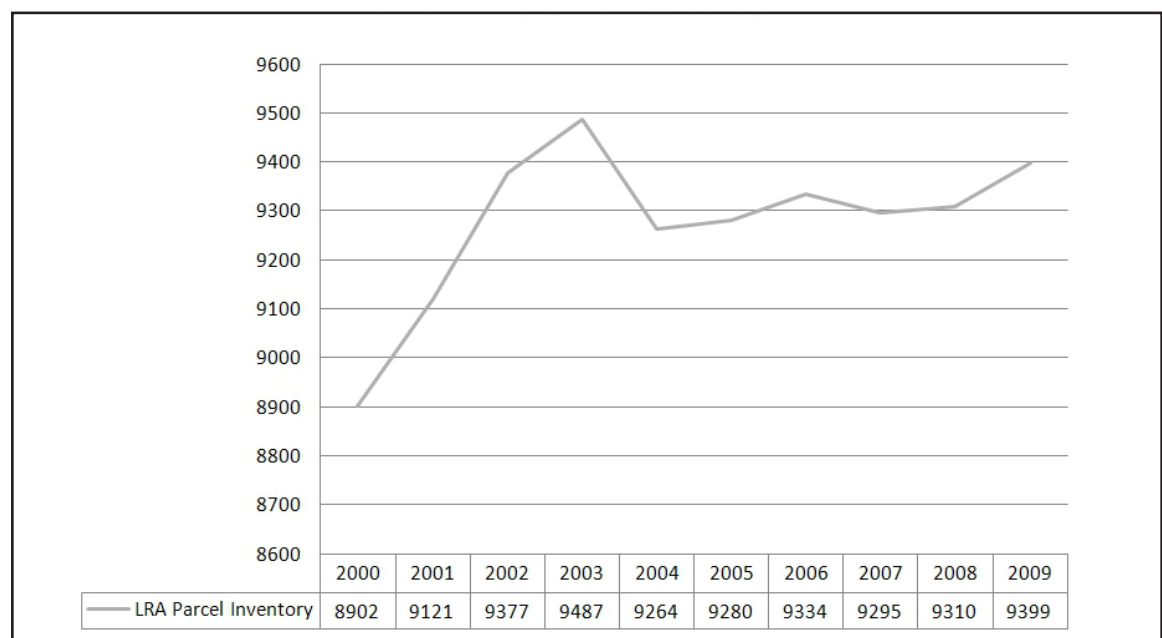
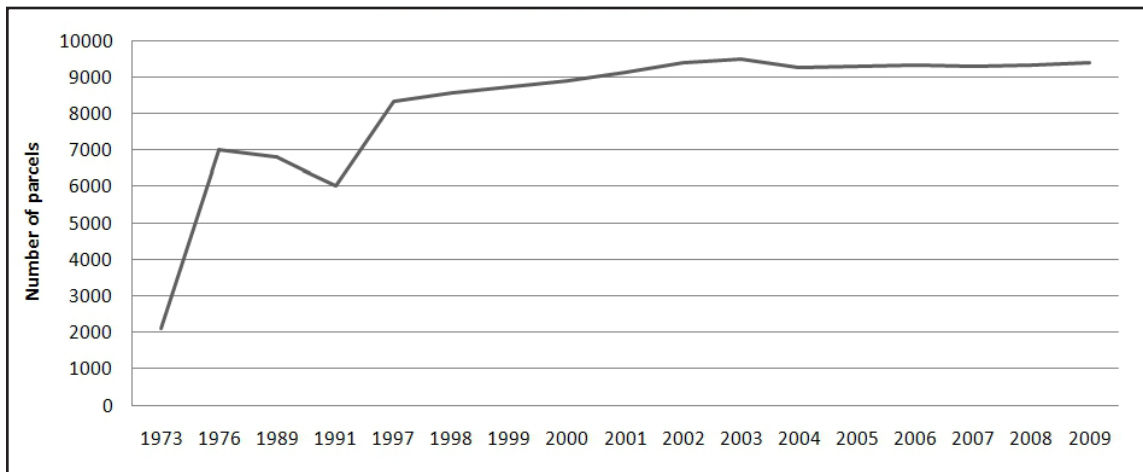


Figure 4 — Historic LRA Parcel Holdings



likely that a number of individuals are discouraged from this time-intensive process. We have no way of quantifying this discouragement effect.

Additionally, the very nature of the available information used to construct the LRA offer database means that we are not accounting for individuals who may have contacted the agency or their area alderman and been told verbally that a particular property is not for sale. We do not know whether this type of informal rejection occurs, but the LRA offer process certainly has room for it to happen.

According to city assessor data, the LRA has continued to amass parcels during the past 13 years. In 2000, the LRA held more than 8,900 parcels.⁹² By 2009, as Figure 3 shows, the LRA's holdings had increased to nearly 9,400, an increase of 5.6 percent.

Over this time period, there are a few jumps and dips in the LRA's holdings. Amid economic booms and busts, this variance is expected — common sense would suggest that in years of economic growth, an agency such as the LRA would sell a great deal of properties, and in years of slower economic growth,

the agency would tend to sell fewer properties.

If city officials wish to decrease the amount of money that the city pays to maintain vacant properties, the best outcome would be for the agency to reduce its holdings. When we look further into the past, however, we find that the LRA's holdings have remained fairly stable during the past decade in comparison to its rapid acquisition of parcels in earlier decades. Figure 4 combines newspaper accounts⁹³ of the agency's property holdings with the city assessor data from 1997 to 2009, to create a rough sketch of the agency's holdings since its inception.

For the most part, LRA parcel holdings appear to have steadily increased during the past four decades, although with a few sudden upticks. The most sudden of these (not included in Figure 4) is a *Post-Dispatch* estimate from 1996 that the LRA held 14,000 properties.⁹⁴ This estimate seems flawed, given that for the following year, city assessor data (the earliest year for which this data is available) indicated that the agency owned 8,331 parcels. Eliminating that single — likely erroneous —

estimate reveals a picture of the LRA slowly but steadily accumulating land.

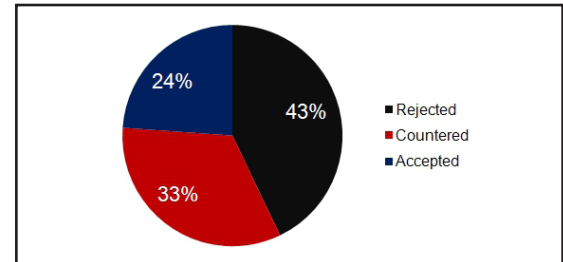
If the explanation for this trend were simply that more and more city residents are abandoning property by failing to pay property taxes, leaving city government with no choice but to take over the property, this policy study would have reached an abrupt, pessimistic end. Instead, the issue is more complex: The data we have collected show that this accumulation of properties is, in all likelihood, attributable in part to specific policies adopted by the LRA. There is also cause for optimism: If the LRA were merely to adjust its policies, the city could soon see a drastic increase in economic development within its boundaries, while reducing budget costs.

What the LRA Has Done During the Past Eight Years

Between January 2003 and December 2010, the LRA has formally taken action more than 2,900 offers to purchase property.⁹⁵ Many of those offers were for multiple properties, so the number of properties that individuals have attempted to purchase is actually much larger. According to our calculations, the LRA received offers to purchase more than 5,300 different properties during that time period.⁹⁶ This number does not double count multiple offers to purchase the same property — it only tallies unique property addresses that individuals have attempted to purchase, either once or numerous times.

Already, we have reached a statistic that deserves further elaboration. The LRA owns a little more than 9,300 properties, so if the agency had approved every single formal offer to purchase property, it could have, in the span of eight years, sold roughly half of

Figure 5 — LRA Formal Actions on Offers to Purchase Property, January 2003–December 2010



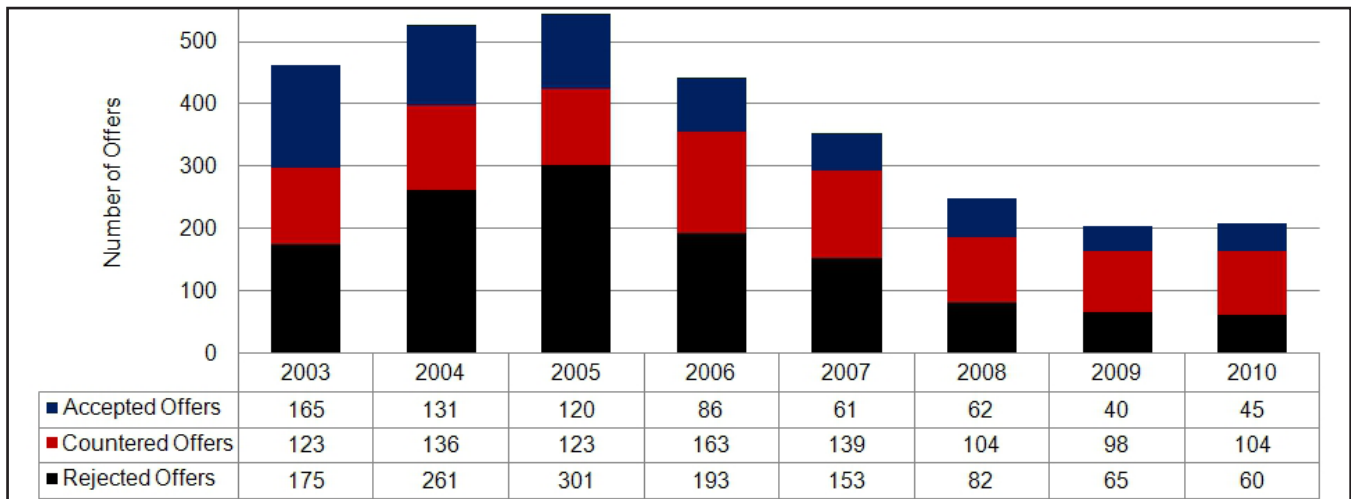
its holdings, if it had accepted all offers to purchase property (and if all individuals and companies that made formal offers had followed through).

It is impossible to know exactly how this would have impacted the city of Saint Louis as a whole, but certainly Saint Louis government would have spent less money maintaining vacant land, and would have received increased property tax revenue from the privatized land.⁹⁷ Instead, the story is a different one. According to the agency's minutes, nearly half of the LRA's formal actions on property offers in recent years (to accept, reject, or counter) were rejections.⁹⁸ As Figure 5 shows, the LRA rejected nearly one out of every two offers to purchase property.⁹⁹

During the past eight years, the LRA has rejected offers to purchase at least 2,200 different properties.¹⁰⁰ In fact, at least 550 of those properties that the agency refused to sell received multiple formal offers that were rejected. These numbers show that the LRA has not only refused to sell some properties, but has repeatedly rejected formal offers to purchase some of its properties. It is simply not true that there is no demand for vacant city property.

There is more to the LRA's actions than a single pie chart can convey. When examined by year, some interesting trends appear. First, as shown in Figure 6, the number of offers that the LRA receives for

Figure 6 — LRA Formal Actions on Offers to Purchase Property, by Year



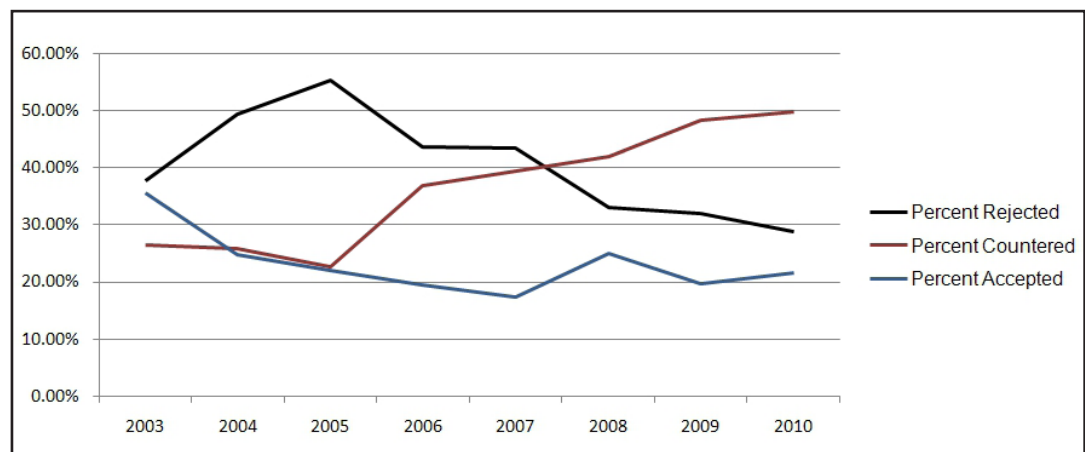
property has dropped drastically between 2005 and 2010. We suspect that a great deal of this drop can be attributed to the recent economic recession. The most recent drop in formal LRA offers seems to fall somewhat in line with the dates marking the high and low points of the recent economic recession, which the National Bureau of Economic Research (NBER) estimates to have begun in December 2007 and reached its worst point in June 2009.¹⁰¹

The second trend is a higher rejection rate during years when the LRA received a high volume of offers to purchase property. For the years 2003 through 2007, the LRA's most common action was to reject offers. The LRA's patterns of rejecting, accepting, and

countering offers can be examined more thoroughly in Figure 7, which graphs the percentage, by year, of offers that are accepted, countered, or rejected.

It is apparent from Figures 6 and 7 that the LRA rejects more offers to purchase property in years when the agency receives a large volume of offers. For example, of the years surveyed, the LRA received the most offers to purchase property during 2005 — but this was also the year in which the agency had

Figure 7 — LRA Property Purchase Offers, Tracked by Agency Action Percentages



its highest rejection rate, of more than 55 percent. In 2010, however, the agency received roughly one third the number of offers it had received in 2005, and that year the agency also had the lowest rejection rate we have seen during the eight years for which we have surveyed data. That year, the agency rejected less than 30 percent of the offers it considered.

These differences in the LRA's rejection rate may seem small, until we look at what happens when the agency begins accepting offers to purchase properties. From 2003 to 2004, the LRA saw a decline in the number of parcels it owned (see Figure 3), from 9,487, to 9,264.¹⁰² During 2004, however, when the LRA received *more* formal requests to purchase property, its holdings *increased* by 16 parcels. What factors led to a relatively high level of parcel sales in 2003, but a mediocre level in 2004?

When the LRA receives a large number of offers and accepts a high percentage of them during periods of economic growth, it is possible to move a great deal of property off of the city rolls and into private hands — where it has the potential to be developed into new homes and businesses. If the agency wants to see more dramatic declines in its holdings, it should accept more offers to purchase property in times of both economic growth and decline.

Counteroffers and Acceptances

Interestingly, in years when the LRA rejects a lower percentage of offers, the agency does not *accept* a higher percentage of offers. Since 2003, the LRA has never accepted more than 25 percent of the offers it has considered. Instead, the agency has increased its counteroffer rate. In 2005, the LRA

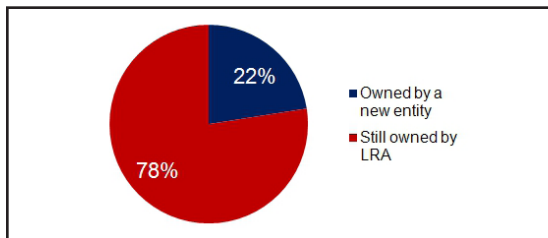
counteroffered for about 20 percent of the offers it considered, but by 2010, that percentage had risen to more than 50 percent.

A counteroffer from the LRA can take many forms. It is not simply a dispute in the price that an offeror must pay in order to purchase a property. Sometimes, the LRA will ask for more money. Other times, however, the agency demands offerors to undertake specified actions before it will sell a property. For example, in May 2010, the LRA told a company that it could close on two properties only if it also acquired another, privately held property.¹⁰³ In July 2007, the agency noted that an offeror's plans for a property would be approved as long as the land use "complements the historic nature of Dr. Martin Luther King Dr."¹⁰⁴

The vast majority of counteroffers and acceptances during our period of analysis include a specification that the sale will be completed only if the offeror's plans, budget, and financing are approved. It is difficult to quantify such a requirement. The LRA's actions do not include language regarding what specifically about a particular offeror's plans, budget, or financing might trigger the withdrawal of a counteroffer or acceptance. Such vague language, in the context of the public choice theory of economics, leaves open the possibility that the termination of a counteroffer or acceptance could be triggered by political forces.¹⁰⁵

One way to quantify what a counteroffer from the LRA actually entails is to look at whether the properties included in a particular counteroffer are eventually acquired by a private owner. If the LRA treats the contingencies that it enumerates in the minutes as suggestions, or formalities, or if offerors find it easy to meet the agency's requirements, most

Figure 8 — Results of LRA Counteroffers



counteroffers should result in the property eventually being acquired by a new entity. Instead, as Figure 8 shows, less than one in four properties are actually sold.

In order to allow for delays in the process of a property changing hands, Figure 8 compares counteroffers made between January 2006 and December 2008 against city assessor data for 2009 (the data is finalized at the end of the year).¹⁰⁶ This way, the analysis allows for a year or more to pass during which a counteroffer can culminate in a sale. Additionally, the time period is short enough that it likely eliminates the possibility that this figure inadvertently includes instances in which the LRA has successfully sold a property, but the new owner, through persistent property tax delinquency, abandoned it, resulting in a return of the parcel to LRA ownership. According to our analysis, fewer than a quarter of properties that were part of an LRA counteroffer are actually sold within a two-year period.

A counteroffer may not result in a sale because of actions taken by the offeror, who may decide that the LRA's price is too high, or lose interest in the property, as happened in the case of 1252 Academy during the late 1990s. There is no feasible way to discern which effect results in the most dropped counteroffers. However, one way to broach that question is to look at the end result of acceptances. If the LRA treats a counteroffer differently than it treats an acceptance, there should be a marked difference in the end result.

Figure 9 — Results of LRA Acceptances

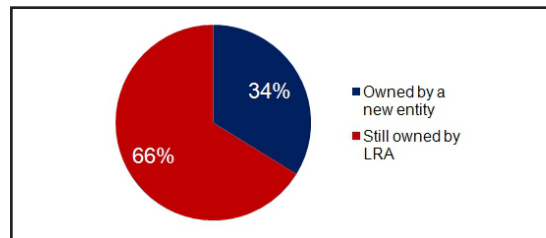


Figure 9 shows the ownership of properties that were part of an accepted offer. Of those properties, 34 percent were sold; the LRA is no longer listed as owner. Acceptances result in the sale of property more than 50 percent as often as counteroffers do, so it is significant whether the LRA decides to accept or counter an offer. If the LRA's goal were, as statute specifies, to sell its properties, it would accept more offers instead of making counteroffers.

Even if the remaining 66 percent of the properties that were part of accepted sale bids all failed to change hands because of offerors who failed to follow through, a higher acceptance rate is still better for the city. After all, in cases of rejection, 100 percent of the properties in question do not change hands.¹⁰⁷ Additionally, the more property that the city sells to private owners, the less city government has to pay to maintain vacant land. It is beyond the scope of this paper to calculate the full cost to the city of Saint Louis of the LRA's practice of holding vacant land, but it is worth noting that cutting and maintaining the grass on vacant properties alone can cost about \$1 million each year.¹⁰⁸

Reasons for Rejection

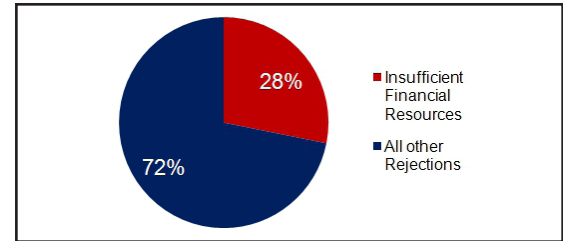
As mentioned previously, the LRA's minutes include a few lines about why a particular property

offer was rejected. Those sentences can provide both a glimpse into the LRA's rationale for rejecting a particular offer, but also, when they are considered in aggregate, the most common reasons for rejection can be used to piece together hints of the agency's overarching motivations. As a warning for readers, we should point out that the following reasons are not mutually exclusive — some offers are rejected for more than one of them.

Occasionally, the LRA will reject one bid to purchase a property in favor of another offeror. Of all the rejection reasons examined, this is the most infrequent: Only 51 offers, or about 3.9 percent of all rejected offers between January 2003 and December 2010, have been rejected because a different offeror was interested in the property.

One major reason that the LRA rejects offers is if the agency deems that an offeror will be unable to complete the proposed project because of financial reasons. As shown in Figure 10, of the rejected offers between January 2004 and June 2010, the LRA cited “insufficient financial resources” as a reason for

Figure 10 — Offers Rejected Because of Insufficient Financial Resources



rejecting 28 percent of them.

Again, vagueness in the LRA's communication with offerors is a barrier to evaluating the validity of the agency's designation of an individual or company as financially unable to complete a particular development. Its rejection letters do not specify the level of financial resources that individuals and companies must demonstrate in order to be allowed to purchase a property.

For instance, Takisha Hardieway attempted to purchase 2925 Union Blvd. in July 2010. Hardieway offered \$2,000, the price that the LRA had listed for 2925 Union.¹⁰⁹ On her application for purchase, Hardieway noted that she would finance the project

2925 Union Blvd.



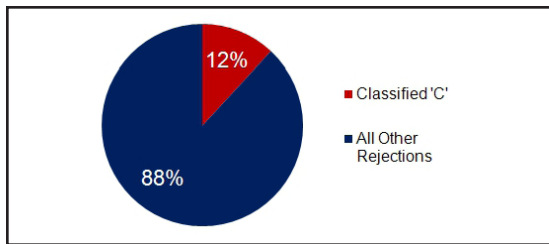
In 2010 alone, there were four different offers from four different individuals to purchase 2925 Union Blvd. All were rejected. The LRA lists the Union property's price at \$2,000. Of the four offerors, two met the LRA's price. The other two offered \$1,500. The LRA frequently accepts bids below its listed property price.

Had the agency wanted to, it could have accepted any of those offers, or perhaps even held a bidding auction for the property, in order to get the best price.

Instead, the agency, which according to state statute is supposed to return vacant, publicly owned land to private use, rejected every single offer. According to the agency's records, one major reason for rejection was that “the parcel is being held as part of a larger development site.”

But exactly what development is intended for 2925 Union is unclear.

Figure 11 — Offers Rejected Because a Property Is Classified as “C”



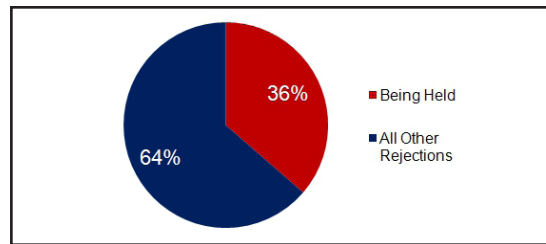
with a settlement of \$70,000 that she would soon receive. She also explained that she could use a line of credit for the rehab, and that her father, a contractor, had offered to help.

The LRA's response, in a short letter, was that her offer had been rejected in part “due to insufficient financial resources to support the project ...”¹¹⁰ Nowhere did Laura Costello, the SLDC's director of real estate and author of the rejection letter, explain why \$70,000 wasn't enough, or dispute that Hardieway would receive her expected settlement.

In light of rejections such as Hardieway's, we can report only that 28 percent of rejections cite insufficient financial resources as a reason for rejection. We cannot substantiate the LRA's claims that those individuals and businesses are actually incapable of financing their proposed redevelopment projects.

Another, less common, reason for rejection is that a property is classified as “C.” According to state statute, the LRA has the authority to classify its properties into three categories: “A,” property that is “suitable for private use”; “B,” property that is “suitable for use by a public agency”; and “C,” property that is “not usable in its present condition or situation and held as a public land reserve.”¹¹¹ State law says only that the LRA must make these designations, not that any class designation necessarily means that a property cannot be sold.

Figure 12 — Offers Rejected Because the Property Is Being “Held” for Future Development



As is apparent from Figure 11, the LRA cites the class “C” designation on roughly 12 percent of its rejections. Once each year, the LRA approves resolutions designating specific areas as “C.” Properties in these areas, for that year forward, can be difficult — and sometimes impossible — to purchase.

In a discussion about this paper's findings, LRA staff members disputed the significance of a property being classified “C”: “Class ‘C’ means that there's an interest in this area ... it doesn't mean that we don't sell it,” Costello said. We cannot substantiate or disprove Costello's statement with available information. However, it is important to note that properties classified as “C” are actually taken off the LRA's list of for-sale properties that is made available to the general public.¹¹²

The LRA is not solely responsible for the decision to take properties effectively off the market. Aldermen can also request that specific areas be held for a variety of purposes. The box on page 24 contains verbatim examples of the language and reasons that the LRA specifies for an area to be classified “C.” Those reasons include such things as an alderman working with a developer who might develop the area, or agency staff requesting that areas be held vacant as a form of land use control.

Interestingly, the records also include when the

request for a particular class “C” designation was made. Some requests were made more than 10 or 15 years ago, and continue to stay in place. For example, one area of the city (the first item listed within the box below) has been held vacant since at least 1997, despite the fact that a large-scale development project for the area fell through. The reason given for continuing to hold on to those LRA properties is “so that plans for the area can be explored.”

Finally, a significant number of rejections note that the property up for bid is “being held” for future development. Of the LRA’s rejections, 36 percent mention that the area is intended for some other purpose.

Of the data surveyed, this reason is the most prevalent. Rejections, for the most part, are occurring neither because the majority of offerors are being outbid by others, nor because offerors lack the wherewithall to develop a property. Rather, LRA plans for the area appear to be the most common

cause for a rejection.

“We look at the overall city land use plan,” said Otis Williams, deputy director of development for the SLDC. “And we consider that in all of our considerations of offers. If someone is trying to do something that is inconsistent with the land use plan, then that is a consideration for us.”

Aldermen can play a critical role in the LRA’s decision to accept or reject an offer. If they have either failed to provide input on the proposed sale, or have requested that it not be approved, the commission will likely deny the proposed sale. “We put a lot of weight on that judgment,” LRA Chairman Howard Hayes said during the agency’s May 2010 meeting.

“Before we sell anything, we make sure that we get the aldermen’s approval,” said Barbara Geisman, former deputy mayor for development, in an interview. “Basically, the sort of working arrangement we have with the aldermen is that if they don’t want

Examples of Class “C” Property Designation

Class “C” designations, approved at the LRA’s March 31, 2010, meeting. Dates in parentheses indicate when the designation was first put in place (quoted text reproduced below as originally written):

“4100 blocks of Clara Place, Walbridge Place and N. Euclid, the 4900 blok of Farlin Ave.: These properties were formally in Ward 20, where the Alderwoman was working with a developer to build new homes and rehab those that can be rehabbed in this area. The LRA owned property on these blocks continue to be classified ‘C’ so that plans for the area can be explored.” (12/97)

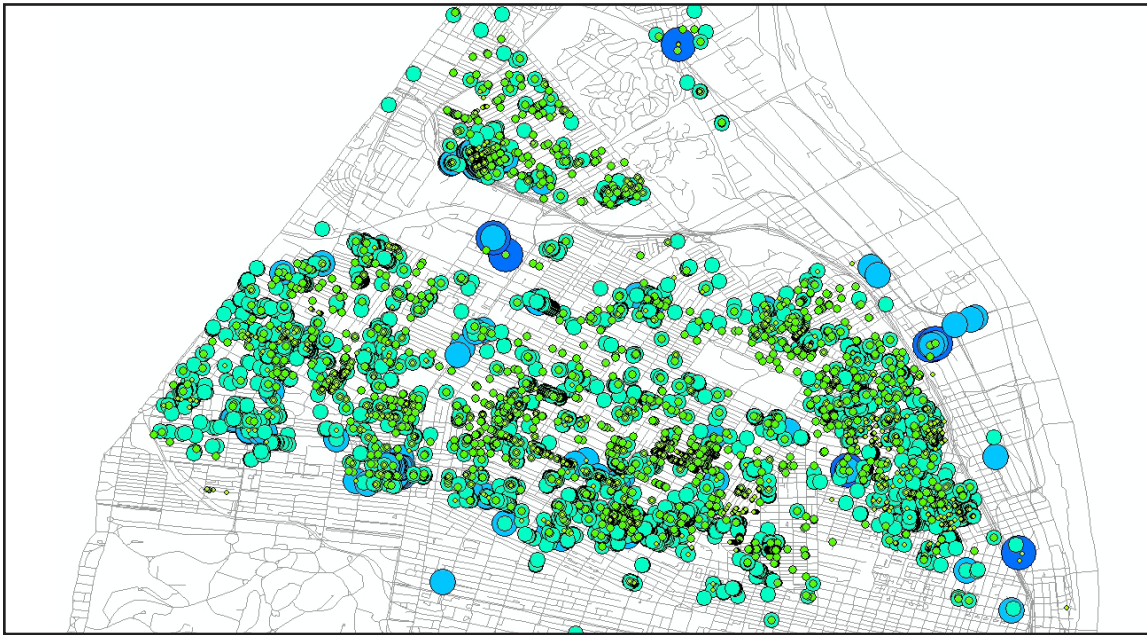
“Salisbury/North 20th /Bremen/North 25th: The Alderman feels that this is an area where development is imminent, and would like the agency owned parcels in the area to be classified ‘C’ to protect them from sale to someone other than an approved developer.” (12/04)

“Branch, Blair, Hebert, North 13th St., Wright, North Florissant, North 21st.: The Alderwoman is working with a developer in this area, and has requested that agency owned parcels be classified ‘C’ and held for the project which will consists of rehab of existing buildings and new construction infill housing.” (07/03)

“I-55/City Limits/Mississippi River: This is an area where development is imminent, and SLDC staff requested that the agency owned parcels in the area to be classified ‘C’ to protect them from sale for ause that would conflict with an approved development plan.” (3/05)

“Martin Luther King/Belt/Academy: The Alderman has requested that this area be classified ‘C’ to facilitate residential development.” (6/08)

Figure 13 — Map of LRA Property Offers, January 2003–December 2010



to do something, we don't want do it."¹¹³

The LRA's minutes have changed over time, so it is difficult to piece together the number of offers rejected in recent years as a result of aldermanic input. The reasons listed in LRA minutes for recent years never mention the word "alderman" or "alderwoman." However, starting in 2005 and going backward, the minutes do frequently mention aldermen as a reason for an offer rejection.

During years 2003–2005, 53 different offers¹¹⁴ mentioned the input of the area alderman as a reason for rejection. For example, the LRA rejected an offer to purchase seven properties on Clara Avenue and Dr. Martin Luther King Drive in December 2004 "because the offeror does not have the support of the alderman and the neighborhood for the purchase and planned use."¹¹⁵

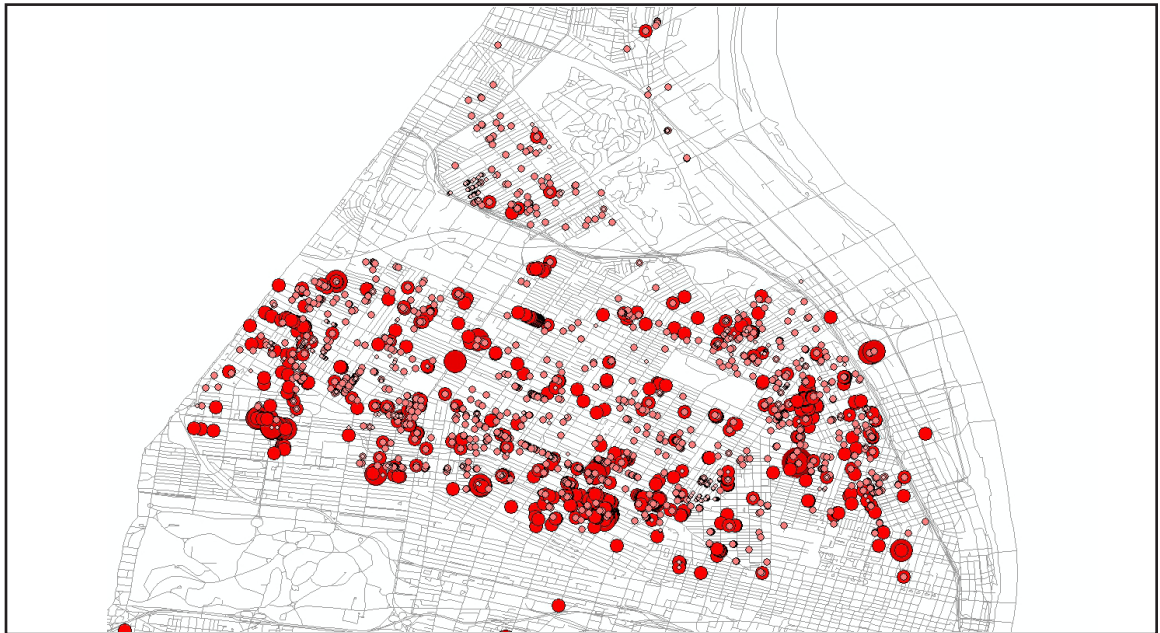
Given Geisman's statement, made in 2010,

coupled with a May 2010 statement by Hayes, along with the fact that the agency lists, in bold type, whether an alderman has provided input regarding a particular offer on its agendas, we suspect that it is more likely that the LRA's minute recording practice has changed. The agency may still reject offers at the request of aldermen without recording that reason.

Where Offers Are Made

Taking the offer database built from the LRA minutes, it is then possible to map offers to purchase LRA property made during recent years. Figure 13 shows a map of offers made between January 2003 and December 2010. The smaller the mark, the smaller the proposed bid, on a per-property basis. The larger the mark, the larger the proposed bid. The smallest points are bids for \$1 or less per property.

Figure 14 — Map of LRA Property Rejections, January 2003–December 2010



The largest, in blue, are bids for more than \$50,000 per property.

The amounts offered by bidders to purchase LRA property are clearly significant. Between January 2003 and December 2010, there were offers to purchase more than 3,300 properties for at least \$1,000 per property.¹¹⁶ It is apparent from Figure 13 that offers are made in almost every area of the city in which the LRA owns property. This is cause for optimism, from a development standpoint — individuals and companies want to buy LRA properties, and for a significant amount of money.

When we look at a map of rejected offers during the same time period, it becomes clear that rejections are also pervasive throughout the city. Figure 14 shows rejected offers. Again, the smallest marks on the map are for the lowest bids, with the larger circles showing the highest bids. The largest circles represent

offers of more than \$50,000 per property, while the smallest marks demarcate offers of \$1 or less per property.

During this time period, the LRA rejected offers of more than \$1,000 to purchase nearly 900 different properties.¹¹⁷ If we expand the range to include all dollar amounts, the total tally of properties that were part of rejected offers climbs to more than 2,200.¹¹⁸ For comparison, the LRA accepted offers that included roughly 2,300 different properties during the same time period.¹¹⁹

Possible Explanation for Some Rejections

One possible explanation for the LRA's rejection rate of nearly 50 percent could be that the agency rejects an offer to buy a property because it knows

that a better offer for the same property is in the works — either formally, or taking shape as part of the city’s redevelopment plan. Our previous analysis accounts for this, somewhat: We did analyze the LRA’s stated reasons for rejections. However, because the agency uses vague language to explain its rejections, it could be that the agency frequently rejects an offer for a property only to sell that property to another person soon thereafter.

If this is occurring, there have to be limits to the amount of time that is reasonable for the agency to forgo selling a property. The LRA could not claim, for instance, that selling a property 30 years after rejecting several earlier offers for purchase is evidence that the agency somehow knew of a better offer that would occur decades into the future, and had the foresight to wait.

We will set aside the arguments about whether it is possible for the agency to foretell future offers, whether the agency should have the power to discriminate between would-be buyers, and whether the agency is even capable of discerning the best use for a property or the likelihood of a particular redevelopment project’s success.¹²⁰ This analysis is intended to meet the arguments put forward by the

LRA on the agency’s own terms.

The estimates in Figure 15 allow for the agency to take up to two years to accept or counter an offer to purchase a property after rejecting previous offers. So, if the LRA refused to sell a property in February 2003, the agency could take up until December 2004 to accept or counter a new offer to purchase the property, in order for that parcel to be listed as a “future sale.” If the LRA refused to sell a property in December 2008, the agency could take up until December 2009 for that future sale to be accounted for.

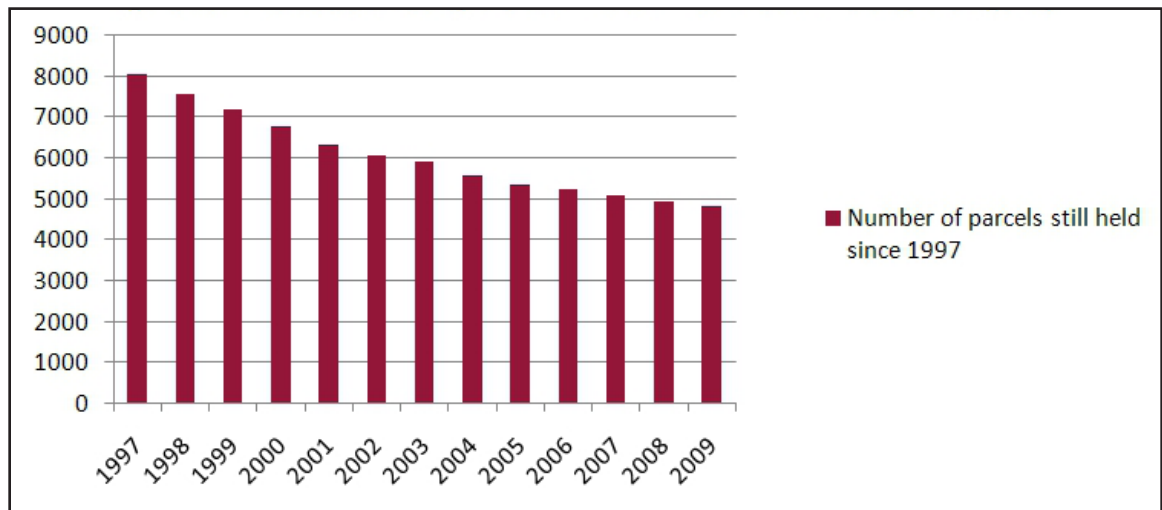
The most optimistic interpretation of the data in Figure 15 can explain one out of every five properties that the LRA refuses to sell. But there are reasons to expect that amount to be smaller. First, the agency likely did not know about all of the offers that would come about in the future for the properties it refused to sell. It would be *incorrect* to say that the LRA rejects one out of every five properties because it knows of a future offer for those properties. Many offers to buy LRA property are made without a great deal of advance warning.

Second, we generously count counteroffers as part of our potential “future sales” tally, but do not count deferrals as part of our rejection tally — even

Figure 15 — Estimates of LRA “Future Sales,” January 2003–December 2009

Rejection Year	Number of Property Sales Rejected	Number of Rejections That Were Part of an Accepted or Countered Offer Up to Two Years Later	Percentage of Rejections That May Have Resulted in “Future Sales”
2003	414	89	21.5%
2004	546	118	21.6%
2005	456	111	24.3%
2006	501	140	27.9%
2007	447	67	15.0%
2008	151	24	15.9%
2009	96	20	20.8%

Figure 16 — Parcels Owned by the LRA in 1997 That Are Still Held by the Agency



though both counteroffers and deferrals may very well serve as a soft rejection.

One recent case illustrates a deferral functioning as a rejection perfectly: In October 2010, Shantay Sykes offered to purchase 3227 Itaska St. for \$2,100.¹²¹ She told the commission that she planned to rehab the property: “The reason I wanted this house ... not to rent it out or anything, I just wanted something for me and my mother, she’s been diagnosed with breast cancer ...”¹²²

According to its minutes, the LRA “deferred” her offer. However, at the commission meeting, commissioner Howard Hayes told Sykes he doubted her abilities to bring the house up to code through redevelopment, and that the LRA would not budge from its \$25,000 asking price. As a result, Sykes withdrew her offer for 3227 Itaska. Such incidents are not recorded as rejections in our data, although the agency’s deferral, coupled with statements by its head commissioner, effectively functioned as a rejection.

Incidentally, several people have tried to

purchase 3227 Itaska since 2009, the year the LRA acquired the property, and no one has offered \$25,000. In fact, Sykes’ offer was the highest offer that the agency had received for the property.

The offer history of 3227 Itaska can also serve as an example of a counteroffer serving as an effective rejection. In early 2010, the LRA considered an application from Michael Walker to purchase the property. Walker put together a substantive application, with plans, cost estimates, contractor information, a proposed floor plan, and even photographs of his other properties. The agency countered Walker’s proposed purchase price of \$2,000 with a request for \$25,000.

In an email on Feb. 24, 2010, Walker wrote:¹²³

In short, I cannot agree to the current asking price given the market conditions ... I would like to come to an agreement but the current asking price makes this investment very risky and not so good for me.

Although this study counts counteroffers in the LRA's favor, as possible future sales, such an example clearly illustrates that counteroffers, as well as deferrals, can serve effectively as a rejection.

Results of the LRA's Actions

Because the LRA frequently rejects offers to purchase property, not only does the agency hold more property than it likely ever has, it also holds a great deal of property that it has failed to sell.¹²⁴ In 1997, the LRA owned 8,060 parcels.¹²⁵ In 2009, more than a decade later, the agency still owned at least 4,824 of those parcels. Figure 16 shows, by year, the number of parcels owned by the agency in 1997 that still remained on its books. Nearly 60 percent of the parcels that the LRA owned in 1997 still remain in LRA ownership, more than a decade later.

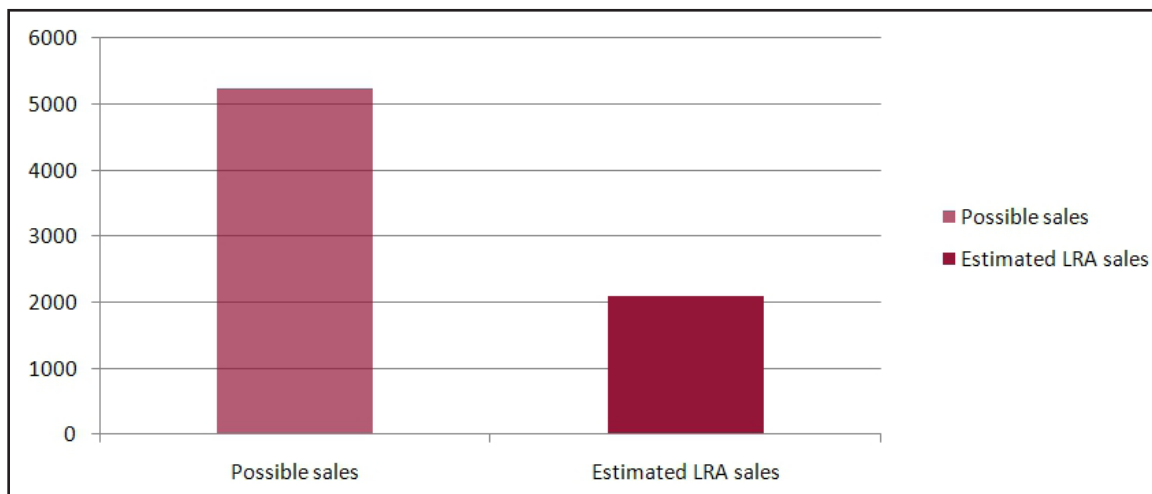
We can compare the number of properties that the LRA could have sold with the number of parcels that it did sell (or transfer) by analyzing city assessor data. We have both LRA bid information and city

assessor information for the years 2003 through 2009. During that time period, there were offers to purchase more than 5,200 different properties from the LRA. We can derive potential LRA sales from the net result of actual estimated LRA sales and acquisitions by comparing LRA holdings between each set of consecutive years, and noting the number of parcels from the previous year no longer held by the LRA during the final year.

That analysis yields an estimate of 2,096 parcels that the LRA sold between 2003 and 2009. It is likely that the agency sold less than this, because this tally does not distinguish between sales and transfers. For example, if the LRA had transferred five properties to the Land Clearance for Redevelopment Authority, another entity under the umbrella of the city's planning department, this tally would count that as the sale of five parcels, despite the fact that the parcels merely moved between two related city agencies.

Figure 17 compares the LRA's actual sales

Figure 17 — Comparison of Possible and Estimated LRA Property Sales, 2003–2009



between 2003 and 2009 with the estimated possible sales, calculated as the tally of unique properties that individuals have attempted to purchase from the LRA from 2003 through 2009. Looking at the data in this way, it appears that the LRA has completed roughly 40 percent of possible property sales.¹²⁶

IV. QUESTIONS FOR FURTHER RESEARCH

Can the LRA Acquire All the Information Necessary to Distinguish Between Successful and Unsuccessful Development Projects?

Otis Williams, the deputy director of the LRA, agrees that the agency is fallible: “Neither you nor me know the future, and so we all make our decisions based on what we know at the time. It’s not that I know best, it’s just the best information we have at the time. We could look back over the history of the LRA and we can shoot a hole in a number of our decisions, but those were based on the information we had at the time.”¹²⁷

When Williams spoke of “we,” he of course referred to a small group of people — the LRA’s board of commissioners and its staff. In doing so, he highlighted what Friedrich Hayek, the renowned Nobel laureate economist, called the “pretense of knowledge,” or the “fatal conceit” — the notion that a group of planners and bureaucrats have the ability to possess knowledge that will allow them to outperform the market in advancing material prosperity and well-being.

Ludwig von Mises — Hayek’s mentor — described the market as a daily referendum to “determine precisely what should be produced, in what quality, and in what quantities.”¹²⁸ In countless transactions, consumers cast their votes for the goods and services that they value more, or less, through rising or falling prices. Hayek elaborated on this basic idea in emphasizing the almost magical effect of an unfettered or uncontrolled price system, determined through free competition and choice, in allocating resources to their most efficient and productive ends.

Hayek wrote that the price system “enables entrepreneurs, by watching the movement of comparatively few prices, as an engineer watches the hands of a few dials, to adjust their activities to those of their fellows. ... The more complicated the whole, the more dependent we become on that division of knowledge between individuals whose separate efforts are coordinated by the impersonal mechanism known by us as the price system.”¹²⁹

There is broad agreement among economists of all stripes on the centrality and importance of Hayek’s insight. Harvard professor and, until recently, President Barack Obama’s chief economic adviser Lawrence Summers cited Hayek in explaining the organizational power of the invisible hand: “Things will happen in well-organized efforts without direction, controls, or plans. That’s the consensus among economists. That’s the Hayek legacy.”¹³⁰

In his seminal work “The Use of Knowledge in Society,” Hayek explained that there is not one type of knowledge, but two. The first, scientific knowledge, is the type of knowledge associated with experts.¹³¹ For example, both physicians and lawyers possess a great deal of specific, technical expertise

that we would characterize as scientific knowledge. But the second type of knowledge that Hayek identifies is unorganized, and decentralized. This knowledge, he wrote, comes from “the particular circumstances of time and place.”

The aggregation of this dispersed knowledge is what makes the price system so efficient, because practically every individual, to some degree, essentially fills the role of expert regarding his or her own circumstance. In the case of economic development planning in Saint Louis, an individual who lives on a specific city block where the LRA holds a number of parcels would know, better than any outside observer, about the prevalence of crime,

the tenor of the neighborhood, ease of transportation to and from the area, and whether certain lots had a tendency to flood in heavy rain. Of course, this is only a sample list — individuals living in certain areas possess many more types of specific, and often comprehensive, knowledge than those we have listed. Similarly, a business owner looking to purchase and develop a few LRA properties into, say, an apartment building, would have a much better understanding of his financial situation than any outsider attempting to discern it from bank statements.

The basic failure of the LRA’s operations follows from Hayek’s insight. It is rooted in the fallacy that a central agency can look at a city —

Imagine Schools



Cabanne Avenue and Goodfellow Boulevard, a city block in north Saint Louis.

Photo by Thomas Duda.

In February 2005, Imagine Schools, a charter school organization, offered to buy thirteen properties in this area for the incredible price of \$316,411. The LRA said no. According to the February 2005 minutes, the LRA’s reason for rejection was “... because these parcels are in an area where residential development is occurring, and they should be held for that purpose.”

Today, 11 of those 13 properties are still held by the LRA. The other two were purchased by Maple Acres Development Co. in 2006, for \$54,700, and are still vacant.

“With the information I had, it was the best recommendation we could give,” said Otis Williams, deputy director of the LRA, when asked about the Imagine Schools offer.

an incredibly complex interworking organization of individuals and institutions — and then divine the types of economic action that the city most needs. The real folly is not in making mistakes on individual transactions, but in trying to substitute its judgment, as an arm of government, for the “man on the spot” knowledge encapsulated in the Hayekian view of a pricing system that leaves every individual free to act as the expert in responding to his or her needs.

The present study has documented a number of examples of how individuals who have been thwarted in their desire to improve their immediate surroundings as a result of LRA’s refusal to sell abandoned and vacant buildings. What we don’t know — and what lies beyond the scope of this study — is how many more buildings and lots in now-desolate areas of the city might have been purchased and renovated under a different set of policies that did not favor government actors over private actors at every step.

Could the Organizational Structure of the LRA Lend Itself to Abuse?

Economics literature has long warned of the possibility of collusion between businesses seeking favors from politicians and politicians seeking favors of their own from businesses. This is sometimes called “rent seeking,” a concept first widely discussed by economist Gordon Tullock in 1967.¹³² In public policy, rent seeking can take a form as complex and legal as the U.S. auto industry petitioning the federal government to increase tariffs on foreign-made cars, or as simple and illegal as a restaurant

owner persuading his local elected official to revoke a competitor’s liquor license in exchange for cash.

Economists of the “public choice” school study such phenomena by focusing the analytical tools of economics onto the public sphere. Even strong proponents of expansive governmental authority recognize “the possibilities of political abuse are ever present in land transactions” conducted by public agencies or authorities that involve private-sector enterprises.¹³³

Within the context of political economy, it is easy to see that the organizational structure of the LRA could provide incentives for the abuse of power. There are only three LRA commissioners, and for a sale to occur (or not to occur), an individual or company would need to persuade only two individual voters. Furthermore, the commission places a great deal of weight on staff sale recommendations, as well as statements from the local alderman. If a high-ranking staff member, or alderman, decides that a particular sale should, or should not, occur, it is likely, based on the records we have reviewed, that their opinion will carry significant weight. A rent seeker could, therefore, persuade the entire commission merely by influencing that single official.

For example, in 1996, the *St. Louis Post-Dispatch* reported that the LRA had awarded Alderman Freeman Bosley Sr. an excellent real estate deal: He paid nothing in rent, taxes, or penalties on an LRA property for three years.¹³⁴

In 2003, the LRA accepted an offer to purchase two of its properties from a private company for \$1 per property. Roughly only 50 other buyers during the past eight years have been awarded the opportunity to purchase property from the LRA

at such low a price. In October 2009, the *Post-Dispatch* reported that the Missouri Department of Transportation would pay \$2.3 million to get the property back, because it was in the path of an interstate expansion. According to the *Post-Dispatch*, LRA staff members had opposed the sale, which took until 2006 to complete, because they knew of the upcoming interstate project. The commission approved the sale anyway. It is unclear whether political influence pushed the sale forward despite the fact that the property would likely need to be acquired again in the future by a public entity, at a high price.¹³⁵

In the case of the LRA, by holding a number of properties vacant, the agency restricts the amount of vacant property available for purchase. A restriction of the supply of relatively inexpensive city property means that private owners of similar property can sell their holdings at a higher price, without worrying that prospective buyers will turn to the LRA to make a purchase. Furthermore, if a large-scale developer is assured that an area will not be sold to any other buyers for a lengthy period of time, he can make plans for the development without putting some of his own finances at risk.

From an outside perspective, state statutes grant the LRA a great deal of authority and leeway, so actions motivated by rent seeking could be difficult to distinguish from the wide range of other actions taken by the agency.

V. CONCLUSION

According to state statute, the LRA exists to “foster the public purpose of returning land which is in a nonrevenue generating nontax producing status,

to effective utilization in order to provide housing, new industry, and jobs for the citizens of any city ... and new tax revenues for said city.”¹³⁶

This appears to read as an unequivocal mandate for the LRA to promote private growth. This provision does not suggest that a viable alternative to privately owned vacant land is for city government merely to take ownership of it. Instead, the law is concerned with getting the vacant land back into private, non-vacant, productive use, whether residential or commercial. After all, the only way for new growth to result in new tax revenue is for the land to be returned to *private* ownership. A public owner, such as the city of Saint Louis or its land management agency, does not pay property taxes.

Yet, according to our survey of recent LRA actions, the agency does not appear to have effectively worked to accomplish the goals tasked to it by state statute. It has rejected nearly one out of every two offers considered, and for reasons that frequently do not take issue with a would-be buyer’s ability to complete a development project. This is the case not only during any particular year, but is a pattern of handling offers that the LRA has consistently demonstrated from 2003 through 2010.

Furthermore, when the LRA rejects an offer to purchase a property, it rarely counters or accepts another offer to purchase that property soon afterward. This indicates that the LRA is not rejecting offers because the agency has other offers in the pipeline — it is rejecting offers to purchase property despite having no alternative buyers lined up.

If Saint Louis wants to encourage large-scale developers to build expansive new development, one way of making that dream a reality would be to

make large swaths of vacant land available to those developers. One way to piece together a large amount of vacant land is by holding onto the land that is already vacant for a long period of time in order to amass the needed acreage.

However, one consequence of such a policy is the risk that current area residents may be encouraged to move away in the short term — along with the risk that potential future residents will see the prevailing vacancy rate and choose to live somewhere else. Former Saint Louis Mayor Vincent Shoemehl has referred to the risks of such a landholding policy as a “double-edged sword.”¹³⁷

The city may, eventually, be able to claim credit for attracting large developers to the area with such a policy, but, if so, it also must take responsibility for the residents who may have left because of that policy. At this point, it is difficult to identify any successful, large-scale development projects that have come about as a direct result of the city’s actions.¹³⁸

Furthermore, the city of Saint Louis has experienced a severe population decline of 8 percent during the past decade.¹³⁹ The stagnation in city economic development could be, in part, attributed directly to the agency’s policies, so it is time to take a different approach.

Randal O’Toole, a senior fellow at the Cato Institute, wrote in his book *The Best-Laid Plans: How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future* that to truly evaluate the effectiveness of planners and planning agencies, we must look not only at the successes, but also the failures. The LRA board room displays photos of completed developments that the agency has helped to facilitate, presenting them as success stories of its property-management policies. In this

study, we have peeled back the veil of the LRA to see the other side of the story, and quantify the extent to which the agency is deliberately holding land vacant.

As O’Toole wrote, agencies such as the LRA are responsible for both the good and bad outcomes of their decisions:¹⁴⁰

In the end, supporters of planning who want to take credit for their good intentions must take the blame for the negative results of their plans. It does not matter whether those results arise from political interference in planning, inadequate funding, unexpected events, or reluctant voters. All these are a part of the world of planning, and planners who assume them away are as guilty as planners who intended from the start to write bad plans.

An extreme position might be to recommend the elimination of the LRA entirely. However, at least for the present time, that would be imprudent. The city still holds tax auctions, and still fails to find owners for some of its tax-delinquent property. For the time being, there needs to be an agency to take ownership of that property and attempt to sell it.

Instead, we propose a modest change. We recommend that, absent a legitimate reason for rejection, the LRA begin selling property to individuals who want to purchase it. To be clear, we are not advocating that the agency give away property. A step in the right direction would be for the LRA to stop holding property for “future development” (as the agency does in nearly 40 percent of its rejections) if it cannot indicate a specific future development project that is in the

process of being implemented, for which a property is being held.

As seen in some of the “Class C” designations, some properties have remained off of the agency’s for-sale list for more than a decade. If vague language is used to reject otherwise competitive offers, there is the possibility that the LRA’s authority could be abused — that is, offers could be turned down for “future development” when in fact there was no legitimate reason for rejection.

Additionally, the LRA could make more information available to developers and small-scale rehabbers by openly acknowledging that there are some areas in Saint Louis that are being held in the short term for specific future development projects — and identifying those areas. Information about the city’s holdings operations should be freely available, so that small-scale redevelopment efforts and rehabbing efforts are not wasted in areas slated for a large-scale redevelopment that might result in the displacement of residents and businesses.

We strongly suggest that the LRA staff members and aldermen stop holding large areas of the city’s vacant property holdings off of the agency’s publicly available for-sale list for years, if not decades. By effectively hiding the fact that the agency owns nearly twice as much property as it formally lists for sale, the LRA is surely limiting its sales opportunities. Although some may bid on properties that are not on the for-sale list, surely others do not even attempt to purchase nearly half of the agency’s property simply because they do not know that it is available.

Furthermore, the LRA’s record keeping could be improved. When aldermen object to the sale of a particular property, they should be required to state that objection in writing. Per the agency’s current

practices, aldermen need only *not submit* a letter of support. Requiring aldermen to back up with a formal letter any strong suggestion that the LRA should not sell a property could help hold the LRA and city aldermen accountable.

At the heart of the LRA’s reluctance to sell a great deal of its property seems to be the fear that those who may purchase city property if more of it is available will do so only to hold onto that property for years themselves, without developing it. In a word, the agency seems to fear “speculation.” It is important to point out, however, that the city of Saint Louis, by holding onto more than 9,000 vacant city parcels for years, and refusing to sell many in the hope that a better development will come along, is engaging in a form of speculation itself.

As discussed in Section I of this study, those who first proposed municipal land banks like the LRA intended to permit government “[c]ontrol over time, location, and type of development,”¹⁴¹ while also allowing government to “capture ... the appreciation in land value caused by government action in aid of growth.”¹⁴² The agency appears to be attempting to do exactly that, while SLDC staff members and commissioners voice concerns that private entities will engage in similar behavior.

However, if past experience is any indication, the fear that private purchasers will fail to develop their properties is largely unfounded. In 2002, the LRA conducted an independent review of the disposition of properties that had been sold during the early part of 2001, and found that 75 percent of the owners had implemented “their plans, successfully turning boarded-up buildings and weedy lots into new houses and businesses.”¹⁴³ If developers who receive tax incentives were to begin their

development projects in the city that quickly, Saint Louis would be in much better shape.¹⁴⁴

In light of the data explored in this study, and considering stories like those of 1252 Academy, 2925 Union, 3227 Itaska, and the Imagine Schools offer, we recommend that the LRA work to sell more of its properties, unless it can identify a legitimate and concrete reason not to sell a specific property. In our research, we have come across many instances of the agency rejecting an offer in hope that a better offer will come along — to no avail.

Again, we can look to the past for guidance. The LRA actually tried the strategy of freeing up its property to potential offerors in 1989, by reducing the price of side lots (smaller than 40 feet wide) to a maximum of \$135. The pilot side lot program was limited to just a 16-block area within the city.¹⁴⁵ During a two-month period, six side lots were purchased. Throughout the rest of the city, which has an area of more than 60 square miles and encompasses thousands of city blocks, only 17 side

lots were sold during the same time period. The LRA's executive director at the time, Michelle Duffe, called these numbers inconclusive. But, given the geographic limitations of the program, the sale of six side lots in two months is impressive. If the agency were to try a similar, citywide policy today, we would expect similarly impressive results.

What is so modest about our proposed changes is that no law needs to be passed. In fact, these changes could be implemented if the three LRA commissioners were to wake up the day after this study is released, and decide to start selling more of the agency's property. There is no statute that requires the agency to hold property vacant, nor one that specifies that aldermen and agency staff should have the privilege to hold areas of the city off of the LRA's for-sale list, and there is no statute granting aldermen or any other city official power to effectively stop a sale from occurring. The changes we propose could be instantaneous. The only thing standing in the way is administrative policy.

NOTES

- 1 According to a geospatial analysis of 2009 Saint Louis city assessor data, which contains vacancy classifications for all city properties.
- 2 “Selected Housing Characteristics: 2005-2009,” *American Community Survey*. Online here: factfinder.census.gov
- 3 According to a geospatial analysis of 2009 Saint Louis city assessor data.
- 4 According to a geospatial analysis of 2009 Saint Louis city assessor data, which contains vacancy classifications for all city properties.
- 5 According to data from the Saint Louis city assessor, as of 2009.
- 6 Including, but not limited to, the city of Saint Louis, the state of Missouri, the state of Illinois, the United States of America, the Saint Louis Board of Education, the Missouri Department of Transportation, the Saint Louis Metropolitan Sewer District, the Saint Louis Metropolitan Parks & Recreation District, and the Saint Louis treasurer’s office.
- 7 According to analysis of 2009 city assessor data.
- 8 May 30, 2001, LRA minutes, item 34.
- 9 Letter from Georgiana Stuart to Ronald Bell, May 30, 2001.
- 10 Application to purchase 1252 Academy Ave. and 5092 Page Blvd., submitted on Oct. 21, 2005.
- 11 August 2008, LRA minutes, item 20. More about I-70 Northwest Development Corporation online here: i70northwestdevcorp.com/about.htm
- 12 According to the application submitted by I-70 Northwest Development Corporation, it is likely that the company was unable to put much more money toward the project without heavy use of government subsidy. After debt and expenses, the company reported less than \$20,000 in annual profit.
- 13 Telephone conversation with Delester Jefferson, Feb. 2, 2011.
- 14 After some of the Show-Me Institute’s preliminary research regarding the offers to purchase 1252 Academy was made public, the LRA reconsidered its rejection of the offer put forward by June and Anthony Barber. As of this study’s publication, the agency has not made a formal decision to accept or reject the Barbers’ resubmitted offer.
- 15 February 1999 offer canceled by offeror Charles L. Burns on Feb. 18, 1999, and August 1999 offer canceled by offeror Kennedy Romius on Feb. 17, 2000.
- 16 “Public Land Ownership,” *Yale Law Journal*, vol. 52, 1942–3, p. 635.
- 17 Ibid.
- 18 Gross, Robert D., and Richard P. Fishman, “Public Land Banking: A New Praxis for Urban Growth,” *Case Western Reserve Law Review*, vol. 23, 1971–1972, p. 901.
- 19 Chamberlain, Joseph P., “Department of Current Legislation: Zoning Progress,” *American Bar Association Journal*, vol. 15, 1929, p. 536.
- 20 Ibid.
- 21 Sandefur, Timothy, “Playing the Takings Game: How Government Regulates Away Property Rights,” Goldwater Institute, Policy Report no. 210, June 13, 2006.
- 22 “Urban Redevelopment,” *Yale Law Journal*, vol. 54, 1944–5, pp. 118–9.
- 23 Hemann, Patricia, “Land Banking Tax Delinquent Property: Reform and Revitalization,” *Cleveland State Law Review*, vol. 27, 1978, p. 517.
- 24 “Urban Redevelopment,” *Yale Law Journal*, vol. 54, 1944–5, p. 118. For a discussion of Missouri’s 1945 Constitution and eminent domain, see: Lee, Timothy, and Shaida Dezfuli, “The Specter of Condemnation: The Case Against Eminent Domain for Private Profit in Missouri,” Show-Me Institute, Policy Study no. 10, Oct. 17, 2007.
- 25 “Urban Redevelopment,” *Yale Law Journal*, vol. 54, 1944–5, p. 124.
- 26 Hemann, Patricia, “Land Banking Tax Delinquent Property: Reform and Revitalization,” *Cleveland State Law Review*, vol. 27, 1978, p. 523.
- 27 “Public Land Ownership,” *Yale Law Journal*, vol. 52, 1942–3, p. 637.
- 28 Ibid.
- 29 Feinman, Jay M., “Judicial Review of Land Bank Dispositions,” *University of Chicago Law Review*, vol. 41, 1973–4, p. 379.
- 30 Ibid.
- 31 Gross, Robert D., and Richard P. Fishman, “Public Land Banking: A New Praxis for Urban Growth,” *Case Western Reserve Law Review*, vol. 23, 1971–2, p. 907.
- 32 “Public Land Ownership,” *Yale Law Journal*, vol. 52, 1942–3, pp. 638, 644.

- 33 Ibid., note 18, p. 637.
- 34 Ibid.
- 35 Ibid., p. 637.
- 36 Ibid.
- 37 Patton, Susan Hedges, "Fighting Municipal Economic Woes with Planning and Land Use Tools: Land Banking to Promote Urban Shrinkage; A Proposal," *Buffalo Law Review*, vol. 30, 1981, pp. 277–8.
- 38 Feinman, Jay M., "Judicial Review of Land Bank Dispositions," *University of Chicago Law Review*, vol. 41, 1973–4, p. 381.
- 39 "Public Land Ownership," *Yale Law Journal*, vol. 52, 1942–3, p. 646.
- 40 Ibid., pp. 653–4.
- 41 Hemann, Patricia, "Land Banking Tax Delinquent Property: Reform and Revitalization," *Cleveland State Law Review*, vol. 27, 1978, p. 535.
- 42 "Public Land Ownership," *Yale Law Journal*, vol. 52, 1942–3, p. 654.
- 43 Feinman, Jay M., "Judicial Review of Land Bank Dispositions," *University of Chicago Law Review*, vol. 41, 1973–4, p. 381.
- 44 Langsdorf, Kenneth R., "Urban Decay, Property Tax Delinquency: A Solution in St. Louis," *The Urban Lawyer*, 1973, p. 729.
- 45 Ibid.
- 46 Ibid., p. 742.
- 47 Rose, Louis J., "Land Reutilization Bill Is Sent to Governor," *St. Louis Post-Dispatch*, June 2, 1971. Source: Mercantile Library Clipping Files.
- 48 Langsdorf, Kenneth R., "Urban Decay, Property Tax Delinquency: A Solution in St. Louis," *The Urban Lawyer*, vol. 5, 1973, p. 737.
- 49 Ibid.
- 50 Missouri House Bill 472 (1971) Bill File. Source: Missouri State Archives.
- 51 *Journal of the House of the State of Missouri, 1971: First Regular Session, January 6, 1971 to June 30, 1971*, vol. 1, 1971, p. 1,092.
- 52 Rose, Louis J., "Land Reutilization Bill Is Sent to Governor," *St. Louis Post-Dispatch*, June 2, 1971. Source: Mercantile Library Clipping Files.
- 53 Missouri House Bill 472 (1971) Bill File. Source: Missouri State Archives.
- 54 Langsdorf, Kenneth R., "Urban Decay, Property Tax Delinquency: A Solution in St. Louis," *The Urban Lawyer*, 1973, p. 745.
- 55 Hemann, Patricia, "Land Banking Tax Delinquent Property: Reform and Revitalization," *Cleveland State Law Review*, vol. 27, 1978, p. 525.
- 56 Gibson, Cambell, and Kay Jung, "Historical Census Statistics on Population Totals by Race, 1790 to 1990, and by Hispanic Origin, 1970 to 1990, for Large Cities and Other Urban Places in the United States," U.S. Census Bureau, Population Division, Working Paper no. 76, February 2005. Online here: tinyurl.com/4m4c2zm
- 57 Frank, Alexander, "Land Bank Strategies for Renewing Urban Land," *Journal of Affordable Housing & Community Development Law*, vol. 14, 2005, pp. 140–69.
- 58 Lachman, M. Leanne, and Susan Olson, *Tax Delinquency in the Inner City*, Lexington Books — D.C. Heath and Company, 1976, pp. 55–6.
- 59 Langsdorf, Kenneth R., "Urban Decay, Property Tax Delinquency: A Solution in St. Louis," *The Urban Lawyer*, vol. 5, 1973, p. 740. See also: Missouri Revised Statutes 141.210–810.
- 60 Ibid., pp. 740–1.
- 61 Lachman, M. Leanne, and Susan Olson, *Tax Delinquency in the Inner City*, Lexington Books — D.C. Heath and Company, 1976, p. 63.
- 62 Missouri Revised Statutes 92.815.1.
- 63 Missouri Revised Statutes 92.755.1. As an *in rem* action, an action taken against the property itself and not the property owner, government need not concern itself with proving that the owner was aware of the impending seizure of her property.
- 64 Missouri Revised Statutes 92.755.2.
- 65 Missouri Revised Statutes 92.775.2.
- 66 Missouri Revised Statutes 92.830.1.
- 67 Missouri Revised Statutes 92.830.2.
- 68 Missouri Revised Statutes 92.875.1.
- 69 According to data from the Saint Louis Sheriff's Department for years 2005 through 2009.
- 70 Missouri Revised Statutes 92.875.2.
- 71 Missouri Revised Statutes 92.875.1.
- 72 Missouri Revised Statutes 92.895.1.
- 73 Missouri Revised Statutes 92.895.2.
- 74 Missouri Revised Statutes 92.900(3).

- 75 Missouri Revised Statutes 92.905.1.
- 76 The LRA appears to be modeled after the 1961 Puerto Rico Land Administration, which featured a governing board composed of appointees of the governor and other executive agencies of Puerto Rico's government: "Because of the virtual identity of the Governing Board with the major governmental departments and agencies — each of which is extremely powerful in its own domain — the [Puerto Rico] Land Administration does not act with the autonomy otherwise indicated in its enacting legislation. Consequently, although authorized to undertake development projects on its own, the Administration has acted more like a clearing house or general procurer of land for the other departments of government." See: Gross, Robert D., and Richard P. Fishman, "Public Land Banking: A New Praxis for Urban Growth," *Case Western Reserve Law Review*, vol. 23, 1971–2, p. 921.
- 77 Missouri Revised Statutes 92.900(4).
- 78 Missouri Revised Statutes 92.900(3).
- 79 "Tax-delinquent property target of blanket suit," *St. Louis Globe-Democrat*, Jan. 11, 1972.
- 80 Langsdorf, Kenneth R., "Urban Decay, Property Tax Delinquency: A Solution in St. Louis," *The Urban Lawyer*, vol. 5, 1973, p. 731.
- 81 *Ibid.*, p. 746.
- 82 *Ibid.*, p. 732. See also: Hemann, Patricia, "Land Banking Tax Delinquent Property: Reform and Revitalization," *Cleveland State Law Review*, vol. 27, 1978, pp. 533–4.
- 83 Hemann, Patricia, "Land Banking Tax Delinquent Property: Reform and Revitalization," *Cleveland State Law Review*, vol. 27, 1978, p. 520.
- 84 *Ibid.*, pp. 533–4.
- 85 "Report on Special Examination of the Land Reutilization Authority City of St. Louis, Missouri," State Auditor of Missouri, year ended Dec. 31, 1975, p. 21. Source: Saint Louis Public Library.
- 86 "Charges City Evicts Complaining Tenants," *St. Louis Post-Dispatch*, Nov. 4, 1975; "City out of hotel business," *St. Louis Globe-Democrat*, Sept. 17, 1974; "City Evicting 4 From Home It Seized," *St. Louis Post-Dispatch*, Oct. 28, 1975. Source: Mercantile Library Clipping Files.
- 87 Patton, Susan Hedges, "Fighting Municipal Economic Woes with Planning and Land Use Tools: Land Banking to Promote Urban Shrinkage; A Proposal," *Buffalo Law Review*, vol. 30, 1981, p. 273.
- 88 *Ibid.*, p. 280.
- 89 Stone, Scott N., "Planned Shrinkage: Coping with Urban Decline," *Wayne Law Review*, vol. 25, 1978–9, p. 996, note 35.
- 90 Gordon, Colin, *Mapping Decline: St. Louis and the Fate of the American City*, University of Pennsylvania Press, 2008, p. 186.
- 91 The LRA usually does not hold meetings in November, so the agency will meet formally only 11 times during most years.
- 92 LRA ownership totals are derived from a query run across the city assessor's database for any city property owned by an entity called "LRA," "L.R.A.," "L R A," or "L R A P" in a surveyed year, with wildcard queries to check for data errors.
- 93 The first two estimates, for 1976 and 1978, are taken from the *St. Louis Globe-Democrat*. Estimates for years 1979, 1989, 1991, and 1997 are taken from the *St. Louis Post-Dispatch*.
- 94 Holland, Elizabeth, "Home Maker; Man rehabs houses, neighborhoods," *St. Louis Post-Dispatch*, June 2, 1996.
- 95 We counted as an "offer" each instance in which a unique entity tried to purchase a property or properties on a unique date. For instance, the LRA will occasionally hear "double offers," times when two individuals will try to buy the same property. We coded those as two offers. If one entity tried to buy multiple properties, we coded that as one offer. We did not include deferred or withdrawn offers in this tally.
- 96 The count is approximate, because of the possibility of errors in processing the data, which was grouped by property address, then cleaned for street name abbreviations and other error possibilities. Some information is missing from LRA minutes, so it is likely that the number of different that properties that individuals have tried to purchase is larger.
- 97 It is beyond the scope of this paper to calculate the cost to the city of Saint Louis of the LRA, in particular its practice of holding vacant land. It is worth noting, however, that cutting the grass on vacant properties alone has cost more than \$14 million during the past decade, according to calculations using information from the city's Forestry Division.
- 98 Between January 2003 and December 2010, the LRA rejected more than 1,290 offers.
- 99 Property offer deferrals — that is, when the LRA

- decides to reconsider an offer at a later date — were not included in this analysis, because no relevant action was taken. In those cases, the LRA merely delayed its decision to reject, counter, or accept an offer, and those later actions are included in the graph above. If we had included deferrals, our statistics would have been severely skewed, because some offers can be deferred numerous times before any action is taken.
- 100 Our database shows that the LRA rejected offers to purchase 2,319 unique properties, with 58 of them being rejected by the LRA in favor of another offeror. Subtracting 58 from 2,319 yields the above estimate. However, because the LRA minutes provided to us were incomplete, in some instances we were unable to locate actual property addresses for a rejected offer. This means that there are likely additional unique properties that someone attempted to purchase, but that are not included in this figure.
 - 101 “US Business Cycle Expansions and Contractions,” National Bureau of Economic Research. Online here: tinyurl.com/9qova
 - 102 According to an analysis of city assessor data.
 - 103 May 2010 meeting, agenda item 14; offer by Interstate Blood Bank. From the minutes: “Closing is contingent upon approval of the offerors plans, budget, financing, and their having site control of 5107 Delmar Blvd.”
 - 104 July 2007, LRA minutes, agenda item 13; offer by Mr. J’s Construction. From the minutes: “Closing is contingent upon approval of the offerors plans budget and financing to improve the lot and screen the use in a manner that complements the historic nature of Dr. Martin Luther King Drive.”
 - 105 We elaborate on this possibility in the discussion of the flaws of the organization of the LRA in section IV.
 - 106 LRA counteroffer data is matched to assessor data by address. Only exact address matches are included in this analysis. Of the exact matches (roughly 50 percent of the LRA’s counteroffers during the time period exactly matched city assessor data), 74 percent were still owned by the LRA, and 26 percent were owned by a new entity.
 - 107 This excludes rejections made in favor of another offeror.
 - 108 According to calculations using information from the city’s Forestry Division.
 - 109 LRA Field Report for 2925 Union, May 21, 2010.
 - 110 Letter to Takisha L. Hardieway from Laura Costello, July 2, 2010.
 - 111 Missouri Revised Statutes 90.900(2).
 - 112 Statement by Laura Costello on Jan. 26, 2011.
 - 113 In-person interview with Barbara Geisman on April 6, 2010. The full audio of this interview is available online for those readers who would like to hear Geisman’s quoted remarks in their full context: tinyurl.com/69zrc28
 - 114 These offers were for a total of 119 unique properties.
 - 115 Dec. 4, 2004, LRA minutes, item 37; offer from Jeff Eisenberg & Associates LLC.
 - 116 According to data collected, the exact count is 3,419. This is the count of unique properties, and does not include multiple offers of at least \$1,000 for the same property.
 - 117 The actual count, according to our analysis, is 926. That total does not double-count multiple rejections for the same property, nor does it include rejections made in favor of another offerors.
 - 118 The actual count, according to our analysis is 2,261. That total does not include multiple rejections or rejections in favor of other offerors.
 - 119 The actual count: 2,452. This count only tallies unique properties.
 - 120 Aggregating all of the knowledge necessary so that a central authority such as the LRA can manage a myriad of economic development decisions is practically impossible. How could this information be communicated? Should the LRA interview every resident living in the areas in which it holds property? When facing two bidders for a piece of property and deciding whether to sell or hold it, would it be reasonable for the LRA to examine all available documents and information about those bidders, then compare them to a developer that they suppose may come forward in the future, but which so far is unidentified? Is it possible for the agency to pull together all the information necessary to correctly distinguish between development projects that will succeed and those that will fail?
 - 121 Oct, 27, 2010, LRA minutes, agenda item 17.
 - 122 Direct quote from Oct. 27, 2010, meeting recording, provided by LRA.
 - 123 Email from Michael Walker to Clare Schallert, Feb. 24, 2010. Part of packet of information received from LRA regarding bids to purchase 3227

Itaska St.

- 124 Because the LRA lacks comprehensive electronic records, we cannot state that the agency has never before held more than 9,000 properties — but, given both newspaper estimates and the agency's pattern of steadily accumulating property, this is extremely likely.
- 125 According to city assessor data.
- 126 This likely overstates the number of estimated LRA sales, because the city assessor data is parcel-specific and many properties comprise multiple parcels. The data collected from LRA minutes is organized by address, and likely does not account for multiple parcels comprised by a single address.
- 127 In-person interview with Otis Williams, Jan. 26, 2011.
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- 136 Missouri Revised Statutes 92.875.1–2.
- 137 In-person interview with Vincent Schoemehl on Jan. 19, 2011.
- 138 There are several large-scale, subsidized and stagnant development projects, most notably the Ballpark Village project and the NorthSide Regeneration project, but neither project has progressed at its promised schedule.
- 139 U.S. Census 2010 population estimates for Saint Louis city.
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- 141 Feinman, Jay M., "Judicial Review of Land Bank Dispositions," *University of Chicago Law Review*, vol. 41, 1973–4, p. 379.
- 142 Ibid.
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