

# LIMITING PROPERTY RIGHTS IN THE PUBLIC INTEREST

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Despite the demographic trend bringing people back into cities to live, large sections of our cities remain nearly empty, with hundreds or even thousands of abandoned, boarded-up buildings. As city agencies demolish these buildings, the number of empty lots expands -- lots for which there is no market demand (not even by speculators).

Not more than a few decades ago, these properties were occupied and used. Abandonment and dereliction occurred rapidly, however, as employers moved elsewhere to protect profit margins or went out of business altogether. The most-skilled young followed them, leaving poorer residents of an older generation behind to age in place. Again and again, these older residents were joined by even poorer people who leased deteriorating housing from absentee owners who cared little or nothing about their properties or the communities. For many reasons, including ignorance, destructive public policy and corruption, governments proved unable to respond to this crisis. The quality of life for millions of people suffered while our societal and institutional framework slowly adjusted. In many U.S. cities, a long process of negotiation and engagement brought public and private resources together to stimulate housing and business investments in targeted areas. Subsidies were and continue to be utilized to get the ball rolling, so to speak, and market forces are then unleashed with a long list of unforeseen consequences.

The remnants of historic neighborhoods avoid the wrecking ball and gradually recover to become the heart of a city's residential community -- occupied, now, by high income households -- who return to the city when children have grown -- or professional singles who value the cultural diversity of urban living.

This progress of gentrification has occurred in U.S. cities such as Philadelphia, Boston, Chicago, Baltimore, Charleston, and Savannah. In the nation's heartland, the revitalization of Chattanooga, Tennessee is frequently pointed to as a remarkable success story. Even so, nearly every city continues to suffer from blighted sections. Gentrification succeeds at the price of diminished economic diversity, the poorest citizens pushed into the areas with the worst housing, poorest services, highest crime and lowest quality of life. As we know, none of these cities has taken the step to shift taxes from property improvements and onto land values. As indicated above, the core parts of the cities are doing fine; poorer citizens are even more marginalized today than in the past; and, some sections of the cities continue to deteriorate while ringed by a very limited and selective prosperity.

Altering the source of public revenue is, ultimately, the solution to this problem. Then, market forces will gradually create a full employment economy. These critical measures are not even on the reform agendas of the main political parties,

unfortunately. Only a scattering of local officials have come to appreciate the harm caused by how public revenue is today raised. They face determined opposition by entrenched interests who benefit by existing socio-political arrangements.

Even with tax shifting (i.e., land value capture) measures in place, communities ought to exercise rights to protect their quality of life against those who leave property unattended for an inappropriate length of time. Under current laws, the process of condemnation of derelict properties takes forever. Only when the owner fails to pay property taxes for several years or after numerous complaints by other residents will government move to take the property at a tax sale. What happens then only makes the situation worse: the property goes into the city's inventory with no firm plan for rehabilitation or demolition. Years pass, and properties become a worsening blight on the neighborhood.

City government needs to work in tandem with neighborhood organizations able to take properties, quickly make repairs and return them to occupancy. This could be accomplished by deed restrictions stating that ownership of land and the improvement thereon is conditioned upon continued occupancy, that if the property becomes unoccupied for a period of three or five years, ownership would automatically be transferred jointly to the community and a nonprofit community development organization.

Special circumstances will always occur; for example, the owner of an aging building in need of extensive rehabilitation and modernization might need to remove all tenants for an extensive period while rehabilitation is underway. However, when abandonment has clearly occurred, the community's interest ought to take priority over any privacy or property interests of the deedholder. Communities will remain communities only when empowered to protect the overall quality of life.

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