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January 26, 2017

Senator Elaine Bowers, Chair
Senate Ethics, Elections and Local Government
Attn: Randi Walters, Committee Assistant (785) 296-7389
Statehouse: Room 223-E
Topeka, Kansas 66612

Subject: MY OPPOSITION to Senate Bill No. 31 scheduled for a public hearing in the Senate Ethics, Elections, and Local Government Committee on January 26, 2017 at 9:30 a.m. in Room 159-S

Dear Senator Bowers and members of the Senate Ethics, Elections, and Local Government Committee,

I OPPOSE the passage of Senate Bill No. 31 of 2017 since it is basically a slightly modified and expanded version of the Senate Bill No. 338 of 2016 that Governor Sam Brownback correctly vetoed. I see no new provisions in the 2017 bill that gives citizens any additional private property protection; rather, it strengthens local authorities "unmitigated power in determining which properties should be seized, allowing localities to write their own rules. It also cedes to municipalities the power to select which private organizations receive control of the property". This quote is from an e-mail the Governor's office issued in announcing his Veto of the 2016 bill (see copy attached). A "Message from the Governor" dated April 11, 2016 provides his excellent reasoning for the Veto, explaining, "The right to private property serves as a central pillar of the American constitutional tradition (see copy attached).

Shortly after starting my career in the real estate business in 1976 I acquired my first rehab house. It was located in the Old Orchard area of Wichita that everyone considered one of the most economically challenged and difficult neighborhoods to work with in town. I paid the seller nearly \$20 thousand her dilapidated house that included three vacant single family building lots. It cost me in the range of

\$10 thousand to rehabilitate the house that included repairing a caved in concrete block basement wall. I sold the rehabilitated house and the lot it was on for the \$30 thousand I had invested in the transaction and wound up with the vacant lots free and clear. I sold the three lots to a builder for \$9 thousand cash and he subsequently built three new affordable entry level homes on them.

Now let's take a look at this private sector transaction:

1. The seller of the house received cash for her property through a mutually agreed upon transaction without coercion (no eminent domain) involved.
2. I rehabilitated the house and sold it to a young couple for their first home.
3. The builder who purchased the 3 vacant lots built three new houses that he sold to owner occupant homeowners.
4. The builder provided construction jobs and purchased building materials from local vendors.
5. The Orchard neighborhood saw immediate improvement and felt the benefits of economic uplift.
6. The City, County, and School District tax base was expanded providing with one rehabilitated and three new houses thus providing additional tax revenue to fund fire, police, public safety, and money to educate our children.
7. I paid Federal and state taxes on the profit I made in the transaction and I suspect the builder did too.
8. There was no need for government subsidies of any nature for this private sector transaction to work.

Now in contrast, let's take a look at how our local government has been handling similar neighborhood opportunities.

Please take a look at the attached Building Blocks Infill Project Area map to discover what has been happening in a predominantly African American neighborhood community in Wichita.

1. The vacant green rectangles are dozens of vacant lots where houses once stood that were bulldozed by the city.
2. The owners of these houses were paid \$0 for the houses that were taken by the city's bulldozer.

3. In my judgment, many if not a majority of these bulldozed houses had economic value and offered the potential for rehabilitation and the creation of low-cost entry level housing. (See exhibit A)
4. The city charged the property owner \$8 - \$10 thousand for bulldozing charges leaving the owner with a vacant lot that was left to produce high weeds and collect trash.
5. Most of the owners let their vacant lots go back for taxes and many were sold for \$100 or less and they received \$0 for their properties.
6. Thus the existing and potential tax base was lost as well as the wonderful opportunity for clean low-cost affordable entry level home ownership that is part of the American dream.
7. Some of the most vulnerable and economically challenged property owners of our city rightly feel helpless in the face of this devastation.

Now local governmental officials are asking you for additional powers through Senate Bill No. 31 to “deal” with this problem.

1. They want the power to seize unoccupied houses without compensating the owners anything for their property.
2. They want to empower non-profit (non-taxpaying) organizations of their choice to seize unoccupied houses without compensating the owners for their property.
3. The non-profits involved in the redevelopment of this neighborhood community with the exception of Habitat for Humanity rely heavily on tax subsidies for wealthy taxpayers and generous Federal subsidies in the range of \$50 thousand for each house built and sold.
4. I hear talk of Tax Increment Financing (TIF) to finance redevelopment in this community. The TIF program is simply a diversion of tax revenue that needs to go to city, county, and school district treasuries and not flow back to developers.

I see nothing in Senate Bill No. 31 that does anything to promote private sector redevelopment.

Is there a private sector solution? I say YES and I see it happening.

Private sector investors, contractors and homeowners are stepping up and seizing opportunity (See Exhibit B). This economic uplift is healthy for the neighborhood community, expands the tax base, and offers an opportunity for investor/contractor profit in some cases or low-cost affordable home homeownership in others.

The rehabilitation of existing houses and redevelopment on vacant "infill" is best achieved by the private sector and not by government planners or their favored non-profit entitles.

The taking of property by local government without compensation is wrong. I believe that was what Governor Brownback was saying in his veto message, "Government should defend and protect the property rights of all citizens, ensuring that the less advantaged are not denied the liberty to which ever other citizen is entitled."

I urge you to OPPOSE passage of Senate Bill No. 31!

Sincerely,



John R. Todd
A Kansas Citizen

Enclosures and Exhibits: several

Deputy Communications Director

Office of Governor Sam Brownback



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**MESSAGE FROM THE GOVERNOR
REGARDING Senate Bill 338**

The right to private property serves as a central pillar of the American constitutional tradition. It has long been considered essential to our basic understanding of civil and political rights. Property rights serve as a foundation to our most basic personal liberties. One of government's primary purposes is to protect the property rights of individuals.

The purpose of Senate Bill 338, to help create safer communities, is laudable. However, in this noble attempt, the statute as written takes a step too far. The broad definition of blighted or abandoned property would grant a nearly unrestrained power to municipalities to craft zoning laws and codes that could unjustly deprive citizens of their property rights. The process of granting private organizations the ability to petition the courts for temporary and then permanent ownership of the property of another is rife with potential problems.

Throughout the country, we have seen serious abuse where government has broadened the scope of eminent domain, especially when private development is involved. The use of eminent domain for private economic development should be limited in use, not expanded. Senate Bill 338 opens the door for serious abuse in Kansas. Governmental authority to take property from one private citizen and give it to another private citizen should be limited, but this bill would have the effect of expanding such authority without adequate safeguards.

Kansans from across the political spectrum contacted me to discuss their concerns that this bill will disparately impact low income and minority neighborhoods. The potential for abuse of this new statutory process cannot be ignored. Government should protect property rights and ensure that the less advantaged are not denied the liberty to which every citizen is entitled.

There is a need to address the ability of municipalities and local communities to effectively maintain neighborhoods for public safety. However, Senate Bill 338 does much more. Though I am vetoing this bill, I would welcome legislation that empowers local communities to respond to blight and abandoned property that does not open the door to abuse of the fundamental rights of free people.

Dated: April 11, 2016

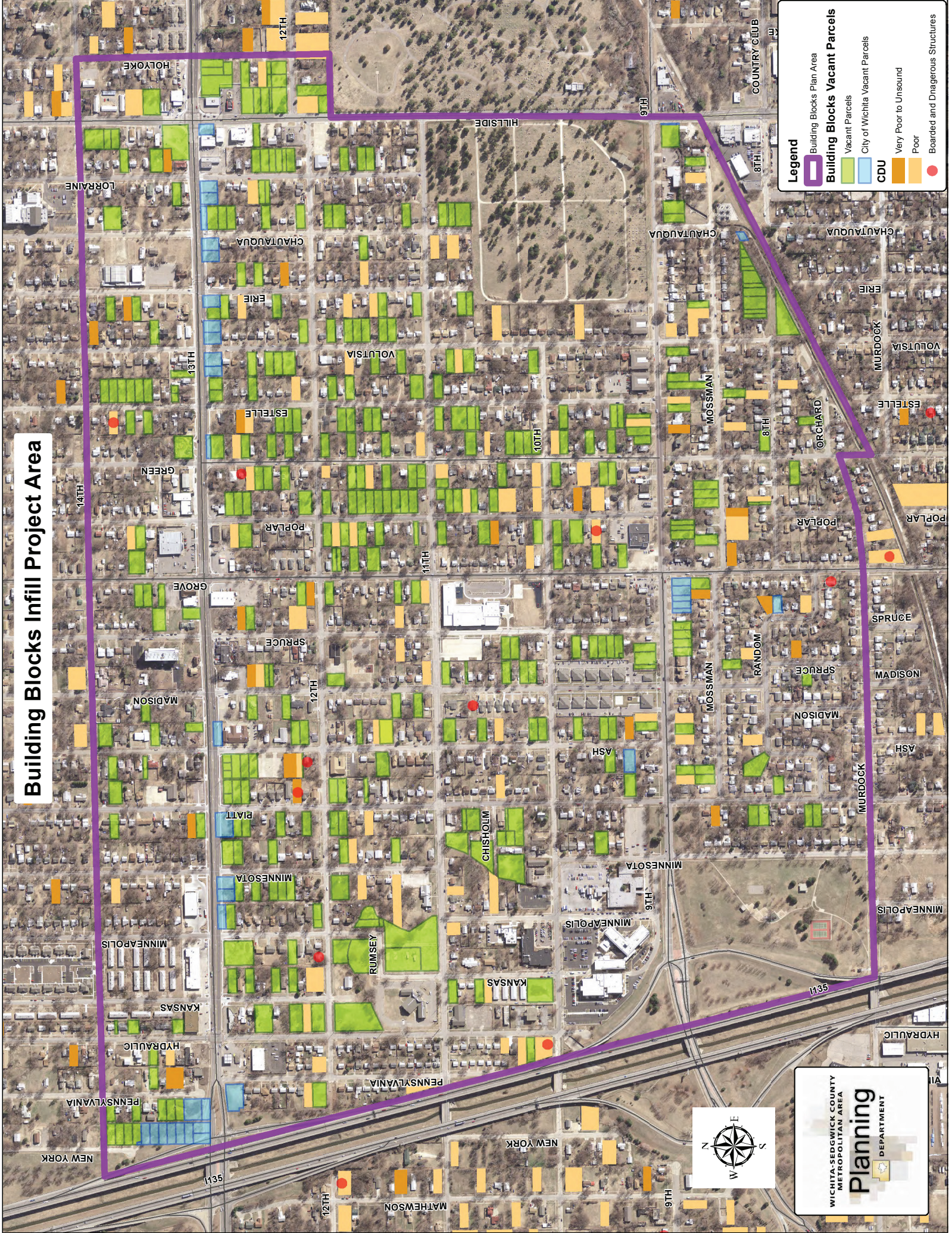


Sam Brownback
Governor of Kansas

Building Blocks Infill Project Area

Legend

- Building Blocks Plan Area
- Building Blocks Vacant Parcels
- Vacant Parcels
- City of Wichita Vacant Parcels
- CDU
- Very Poor to Unsound
- Poor
- Boarded and Dangerous Structures



WICHITA-SEDGWICK COUNTY
METROPOLITAN AREA
Planning
DEPARTMENT

EXHIBIT A



Over the last few years literally hundreds of vacant houses like the pictured house have been bulldozed for housing code violations by the City of Wichita and the property owner(s) were paid nothing for their destroyed houses. My personal unofficial guestimate is that 4 out of 5 of the houses destroyed in the city of Wichita were located in a predominately African-American community. Houses of similar design and floor plans and age were built in other neighborhood communities across Wichita and have not been torn down. Does this represent selective

enforcement of the law? Is this the only neighborhood in Wichita with these types of housing violations? In my opinion, many of the houses had economic value that could and should have been saved from bulldozing and rehabilitated into low cost AFFORDABLE HOUSING.



When the City of Wichita bulldozed these houses, I have been advised by city officials that the cost of demolition is in the \$8-10 thousand range per house. This demolition cost gets charged back against the vacant lot and the property owners are paid nothing for their property.



Over recent years, literally hundreds of houses have been bulldozed through Wichita city government mandated action leaving hundreds of vacant lots like the lot pictured that collect trash, grow high weeds, draw rodents, and themselves create a “blighting” influence on the neighborhoods in which they are located. I have a map showing the vacant lots in what was a predominately African-American neighborhood. With a \$8-10 thousand bulldozing fee attached to each lot it is easy to understand why most of these vacant lots are sold at a Sedgwick County tax sale. I have witnessed these lots selling for less than \$100 each and can’t recall any selling for more than \$500.00.

EXHIBIT B1



This house was purchased by an enterprising young couple who recognized the opportunity for rehabilitation and seized it. Though a Spanish interpreter they related that they paid \$1,900 total for this run-down house and were rehabilitating it as a home for their young family. By doing the work themselves they indicated that they were able to hold rehabilitation costs to around \$16,000 for a total rehabilitated cost of \$17,900. I am of the opinion that this rehabilitated home would retail as low-cost AFFORDABLE HOUSING in the \$30 thousand

plus range. I know of a private investor who buys similar homes from property owners whose houses are subject to the City's bulldozer. He pays these property owners \$1-2 thousand for their houses and then rehabilitates them for rent and/or sale.

Before



After



This centrally located house was recommended for demolition to the City Council by the Board of Building Code Standards and Appeals, but fortunately I spread the word of this house's demise to a real estate agent who works this area and next thing we know an investor had purchased the house for rehabilitation. Word on the street is that the house was purchased in the \$4 thousand range. After rehabilitation the house was listed for sale for \$129,900. What an economic tragedy if this house had been bulldozed! It is still on the tax rolls providing uplift for the neighborhood as well as a nice home for someone.

EXHIBIT B2

Before



After



This house located in near northeast Wichita was recommended for demolition to the City Council by the Board of Building Code Standards and Appeals, but fortunately an investor found the property and purchased it in a voluntary transaction for \$9 thousand. WOW what a save for the tax base and neighborhood!



This house located in near northeast Wichita was recommended for demolition to the City Council by the Board of Building Code Standards and Appeals, but fortunately a couple found the property and purchased it in a voluntary transaction for just over \$10 thousand. After they rehabilitate the house they plan to make it their home. Compensation to the seller and a saved owner occupied house for the neighborhood is a real win.

EXHIBIT C

(To Be Bulldozed)



(House Rehabilitated and Saved)



The City Council has slated this bungalow for bulldozing. I am of the opinion that it has economic value and with the right owner it could have been rehabilitated to look like the saved picture.



The City Council has slated for this house to be bulldozed unless the owner can pull something together fast. I understand the owner is unable to come up with the funds and probably lacks the expertise to rehabilitate the house. In my opinion the house has economic value and should not be bulldozed.