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March 9, 2016

Representative Mark Hutton
House Committee, Commerce, Labor and Economic Development
Attn: Linda Herrick, Committee Assistant
Statehouse, Room 521-E
Topeka, Kansas

Subject: My OPPOSITION to Senate Bill No. 338 scheduled for public hearing in the House Committee on Commerce, Labor and Economic Development on March 9, 2016 at 1:30 p.m. in Room 346-S.

Dear Representative Hutton and members of the Commerce Committee,

My professional career was that of a self-employed real estate broker and developer. It was through 30 plus years of hands-on experience that I gained an appreciation of the importance of private property rights as enumerated in Amendment V of the U.S. Constitution, "No person shall be...deprived of (his or her) property, without due process of law; nor shall private property be taken for public use without just compensation". I consider private property rights the bedrock for all of our liberties.

Here are problems I have with the proposed Senate Bill No. 338:

1. Senate Bill #338 appears to provide local governmental units with additional tools that they don't need to "take" properties in a manner that circumvents the eminent domain statutes that private property rights advocates fought so hard to achieve in 2006.
2. The total lack of compensation to the property owner for the deprivation or taking of his or her property is missing in the bill.
3. Allowing a city or their third party take possession of vacant property they do not own and have not obtained legal title to is wrong.

4. Cities in Kansas should be required by law to be held to the highest standards in finding owners of vacant properties. No mention is made in the bill of requiring cities to obtain a private title companies insured commitment as a guarantee of a clear title.
5. And, before you grant any additional “taking” authority to cities in Kansas, please take a look of how the City of Wichita is currently and has been solving houses code violations over the last several years through current state law. SEE EXHIBIT A
6. Please take a look at a comparison between a free-market private sector-solution as contrasted to a government mandated program to achieving affordable housing and the impact highly subsidized government housing solutions are having on adjacent home owners. SEE EXHIBIT B
7. See EXHIBIT C for the normal flow of home ownership in a market driven society.

In summary, cities in Kansas clearly have all the powers they need to deal with property issues through current law. By enhancing the power of cities and their appointed non-for-profit community redevelopment organizations to “take” privately owned properties without compensation in an involuntary manner violates the individual private property rights that are essential for the rule of law and liberty to prevail.

PLEASE OPPOSE THE PASSAGE OF SENATE BILL NO. 338!

Sincerely,


John Todd

Enclosures: Exhibits A, B, and C

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 B



This house was purchased by an enterprising young couple who recognized the opportunity for rehabilitation and seized it. Through 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 \$25-30 thousand

range. I know of a private developer who buys similar houses 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. He is the only option available to these property owners who are being pressed by the city's bulldozer if they hope to recover anything for their privately owned property.



A couple of non-profit corporations in Wichita build the new government housing at a recent rate of 8-10 houses per year on the vacated lots in this community. I am told that the houses cost \$120,000 to build, but city and Federal rules mandate that they be sold to buyers meeting government requirements for \$92,500 each for a shortfall loss of \$27,500 that is made up by Federal taxpayers. Another Federal program working in tandem with this program allows qualified buyers 20% of the purchase price as

their down payment on the \$92,500 purchase/sales price with the Federal taxpayers picking up this additional \$18,500 shortfall. With an additional buyer incentive of \$4,500 for closing costs, the total cost to the Federal government is in excess of \$50 thousand for each house built and sold through this program. Qualified buyers for these houses must have \$1,000 of their own cash and wind up with a \$74,000 loan on the property. In other words, they have purchased a \$120,000 house for \$74,000 and they have a total of \$1,000 of their own money invested in the home!



I show this neighborhood house that exhibits pride of ownership like many other homes in this neighborhood community. The owner more than likely made a down payment and paid closing costs out of his own pocket and has perhaps has made principal and interest house payments for a 30 year period and now owns his own home free and clear of a mortgage only to discover that his \$75,000 free and clear house that he or she purchased the hard way now has to compete with new \$120,000 houses in the neighborhood

that are actually selling for \$74,000 with total buyer commitment of only \$1,000! WHAT IMPACT DOES THIS UNFAIR COMPETITION HAVE ON THE VALUE OF THIS GOOD CITIZEN'S HOUSE WHO PLAYED BY THE RULES AND DID THINGS THE RIGHT WAY? Doing this to a property owner who has played by the rules and has achieved the American dream of home ownership is patently unfair and wrong!

EXHIBIT C (Explains the natural course of market driven home ownership.)



This is low cost \$30,000 affordable starter home, when rehabilitation is complete, will serve a young family as their first time INCUBATOR home that provides them with equity build-up towards their family's purchase of say a \$75,000 house.



This \$75,000 house is the perfect "move-up" home for our couple who started with the \$30,000 incubator house.



This \$120,000 private sector built home is perhaps the next "move-up" for our \$75,000 home-owner. This home was constructed by a private sector "for-profit" builder without government subsidy. This home truly reflects the market driven value that buyers need for economic certainty. THE SEQUENCE DEMONSTRATED IN THIS EXHIBIT SHOWS HOW THOUSANDS OF AMERICANS ACHIEVE THE DREAM OF HOME OWNERSHIP.