

CONDEMNATION IN CALIFORNIA: WHICH REDEVELOPMENT AGENCIES USE
EMINENT DOMAIN?

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CONDEMNATION IN CALIFORNIA: WHICH REDEVELOPMENT AGENCIES USE
EMINENT DOMAIN?

A Thesis

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Abstract
of
CONDEMNATION IN CALIFORNIA: WHICH REDEVELOPMENT AGENCIES USE
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Eminent domain is one of the most controversial features of redevelopment. Public perception of eminent domain centers on the belief that government officials will take private property whenever they want. However, in California, the law limits a redevelopment agency's eminent domain power. Furthermore, there is little empirical, academic research on the factors that cause a city to use eminent domain. Accordingly, we need to know more about factors that influence cities' use of eminent domain. This thesis examined causal factors that might affect the use of eminent domain in California cities. I used regression analysis techniques to test whether certain demographic variables (age of city, age of redevelopment agency, population of city, racial demographics, party identification, and tax increment financing) affected the use of eminent domain in California cities. I used data from the California Redevelopment Association, California state agencies, and the 2000 Census.

I found that three explanatory factors have an effect on a city's use of eminent domain. Specifically, the age of the redevelopment agency has a positive effect on the use of eminent domain. The percent non-white and population in a city has a negative effect

on the use of eminent domain. These findings were in part unexpected, underscoring the need for further study.

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Chapter 1

INTRODUCTION

Eminent domain is one of the most controversial features of redevelopment. Public perception of eminent domain centers on the belief that government officials will take private property whenever they want. In the now infamous 2005 *Kelo* decision, the United States Supreme Court, “allowed local governments to condemn private property under eminent domain not only for public uses such as roads and schools, but also to accommodate private developers” (Sanders, 2007). The *Kelo* decision only added to the public’s fear of losing property. Former Justice Sandra Day O’Connor a dissenter of *Kelo*, stated, “The specter of condemnation hangs over all property. Nothing is to prevent the state from replacing any Motel 6 with a Ritz-Carlton, any home with a shopping mall, or any farm with a factory” (Saunders, 2007).

Public outrage over the *Kelo* decision was expressed in editorials at the idea that a person’s property could be condemned and then handed over to developers to make a profit.¹ There was public sentiment that eminent domain would be used by local government rampantly and everyone feared that they would be vulnerable to losing their property. However, according to a report published by the California Senate Local Government Committee (as cited in California Senate Office of Research, 2008, p. 3), “Redevelopment officials see eminent domain as a powerful tool that accelerates property

¹ See, e.g., Homeowners Lose on Property Rights, *USA Today*, July 1, 2005 at 13A; Debra J. Saunders, Your Home Can Be Pfizer’s Castle, *San Francisco Chronicle*, June 30, 2005, B9.

acquisition, even though formal condemnations are rare.” According to the California Redevelopment Association (CRA), most redevelopment agencies limit their use of eminent domain voluntarily to certain project areas or to certain types of properties, (e.g. only commercial properties) – 40% of cities have the authority to use eminent domain and 30% have self-imposed limits (as cited in Senate Office of Research, 2008, p. 3). However, there is agreement among critics that property owners can be convinced to sell their property to a redevelopment agency with just the threat of eminent domain (CA Senate Office of Research, 2008, p. 3).

States have the ability to put restrictions on the use of eminent domain. In California, the law “limits redevelopment agencies’ eminent domain power to the designated project area within a redevelopment plan, which by definition must be blighted, and does not allow redevelopment agencies to exercise eminent domain until a redevelopment plan has been officially adopted” (California Senate Office of Research, 2008, p. 3). Needless to say, there is public misconception on how redevelopment agencies use eminent domain.

SB 53 (Kehoe, Chapter 591, Statutes of 2006) helps make the use of eminent domain transparent for the public by requiring, “every agency that adopted a final redevelopment plan before January 1, 2007, to adopt an ordinance describing its eminent domain policy by July 1, 2007. The plan can prohibit the redevelopment agency from acquiring specific types of property (for example, residential) by eminent domain” (California Senate Office of Research, 2008, p. 4).

Despite the public controversy over eminent domain, there is little academic research on the factors that cause a city to use this public policy tool. Determining the causal factors of eminent domain use is important because it can assist elected officials in making decisions about eminent domain as well as change public perception of redevelopment and eminent domain in California. A change in public perception of redevelopment may also ease some of the distrust the public feels for local government and local officials. As such, an investigation into the factors that explain why a city uses eminent domain is a necessary undertaking.

This thesis focuses on the use of eminent domain by using data gathered from SB 53 and the explanatory factors that may lead a city to use eminent domain. It is important to note that while eminent domain can be utilized by both cities and counties, this thesis will be focusing on the use of eminent domain in cities. The hypothesis I am looking at is whether certain demographic and political features in a California city (age of city, age of redevelopment agency, population of city, racial demographics, party identification, and tax increment financing) affect eminent domain use. The purpose of my thesis is to identify factors that are significant to eminent domain use and to understand the policy implications, if any, for policymakers and future researchers.

In Chapter 2, I discuss the literature that was reviewed relating to the use of eminent domain. In Chapter 3, I present the methodology for determining the factors that are significant to eminent domain use. My findings from the logistic regression analysis

are presented in Chapter 4. Finally, I discuss the regression results and present recommendations for policymakers and future researchers in Chapter 5.

Chapter 2

LITERATURE REVIEW

While the controversial nature of eminent domain has inspired much popular commentary, there is little academic literature on the reasons behind the use of eminent domain. The majority of eminent domain literature focuses on the *Kelo* decision and other key eminent domain court decisions. My research failed to find any empirical research on the causal factors that influence the use of eminent domain by cities. The Castle Coalition and the Institute for Justice, both property-rights think tank, have reports on the use of eminent domain broken down by state; however these studies are based on court cases and legislation. The reports do not evaluate why some cities use eminent domain and others do not. As such, I examined other areas of study to draw parallels to eminent domain. Much of the literature I found was on planning at the regional and local level, community development in U.S. cities, civic involvement, race and planning, and urban planning. While the literature does not deal directly with eminent domain or the use of eminent domain it does provide a basis for study. There may be a link between the use of eminent domain and civic engagement, the demographics of a city, and the political culture of a city. This literature review will provide a framework for understanding these possible causal factors behind the use of eminent domain.

Kelo v. City of New London, 545 U.S. 469

In *Kelo vs. City of New London* (2005), the United States Supreme Court ruled in a 5-4 decision that under the Fifth Amendment of the U.S. Constitution, governments can

take property through eminent domain to promote economic development; however, according to Sperow (2007), nothing prevents the legislative branch from putting limits on eminent domain (p. 5). The *Kelo* majority opinion even states, “nothing in our opinion precludes any State from placing further restriction on its exercise of the takings power” (Kelo, 2005) (majority opinion).

As previously mentioned, there is virtually no analysis of why cities use eminent domain. Sperow is an exception; however the question she examines is different from the question analyzed in this thesis. Sperow looks at whether the imposition of legal change has had an impact on the use of eminent domain. The year after the *Kelo* decision, Sperow (2007) found that 47 states introduced over 325 measures that dealt with eminent domain (as cited in Mehren, 2006). In California there were 11 bills introduced in the 2005-2006 Legislative Session on eminent domain (California Redevelopment Association, 2006). According to the Castle Coalition (2007), 42 states passed laws restricting the use of eminent domain two years after the *Kelo* decision. While many states have passed laws to limit the use of eminent domain, it is not clear whether the laws have actually done much to keep states from using eminent domain.

Sperow (2007) shows, in a study conducted by the Institute for Justice, that 5,783 properties were taken or condemned by cities through eminent domain after the *Kelo* decision, or two and half times more than the eminent domain proceedings between 1998 and 2002. This increase could be attributed to the publicity surrounding the *Kelo* decision and possibly discouraged citizens from fighting eminent domain

proceedings (Sperow, 2007). If state regulation of eminent domain usage is not limiting eminent domain proceedings, what can?

Sperow (2007) argues that citizens should be focusing on electing officials who will use eminent domain responsibly instead of pushing for legislative reforms. Citizens need to be engaged and actively participate in the political process and hold their elected officials accountable by attending local meetings, writing to elected officials, and by exercising their right to vote out officials who abuse eminent domain. In its amicus brief in support of the City of New London, the American Planning Association argued that “the dangers of eminent domain should be address[ed] by ...encouraging...public participation in decisions to invoke the power of eminent domain...” (American Planning Association, 2008). Thus, one could argue that civic engagement could affect the use of eminent domain.

Lack of Civic Engagement and the Use of Eminent Domain

National studies over the past two decades have shown a decline in civic engagement such as volunteering, contacting local officials, and voting (Ramakrishnan & Baldassare, 2004). According to the Ramakrishnan & Baldassare, this decline in civic engagement means that elected officials will have fewer opportunities to understand the issues that are of concern to their constituents. The decline in civic engagement could have potential implications for the use of eminent domain. Cities may be more apt to use eminent domain if there will not be any public outcry or protests from the public.

Consequently, the public may not know about eminent domain proceedings if they do not attend local meetings or participate in the process.

My review of the literature suggested that population size and racial demographics may have an impact on civic engagement. Accordingly, I will use these factors as independent variables in the logistic regression analysis to determine their effect on the use of eminent domain. The two variables are discussed in detail below.

Population Size

The population size of a city may affect whether or not citizens will fight eminent domain proceedings on their property. In a study conducted by Oliver (2000), "...the average rate of participation in all types of civic activity tends to decline in larger places...40% of residents of metropolitan places of less than 5,000 report contacting local officials, compared to 30% in places between 5,000 and 50,000 and 25% in places of more than one million" (p. 364). As such, population size has important implications when viewed in relation to the use of eminent domain. Cities with a population of one million or more may use eminent domain more frequently than cities that have a population of less than one million because the residents may be less likely to contact local officials to protest the use of eminent domain.

Racial Demographics

Similar to population size, the racial demographics of a city may affect whether cities use eminent domain. Race is especially important in California, as California's immigrant population has increased from 1.8 million to 9.6 million from 1970 to 2005

(PPIC, 2007). In California, the majority of voters are white, although according to the 2000 census, California has a majority-minority population; this means that the minority white population has the ability to make decisions for a very diverse population of 35 million people (Ramakrishnan & Baldassare, 2004).

In addition, native-born whites are over represented in various political activities such as voting and contacting elected officials (PPIC, 2007). There are also “disproportionately low rates of voting and civic engagement by low-income minorities” (Ramakrishnan & Baldassare, 2004). This disparity may have an impact on the use of eminent domain in cities that have a higher population of minorities. Based on the data by the PPIC, cities with a high concentration of minorities may have more uses of eminent domain because minorities are less likely to vote and be civically engaged.

It is important to note that people of a similar race are more likely to live near one another. Nechyba and Walsh (as cited in Bayer, McMillan, & Rueben, 2004), cite that households have a tendency to live near households of similar race/ethnicity. Lopez (2001) found that Alameda County has the smallest percentage of whites (40.94). Alameda and Solano Counties have the largest percent of African Americans (14.62% and 14.6%, respectively), the largest percentage of Latinos live in Santa Clara County (11.92), and largest percentage of Asians live in San Francisco County (30.66). I hypothesize that neighborhoods with a larger percentage of minorities will experience high rates of eminent domain use. One important caveat to my hypothesis is that pockets of minorities in and of itself is not what causes eminent domain use, rather it is the

combination of lower rates of voting and civic engagement among these groups that would lead to eminent domain being used more frequently. As previously mentioned, the majority of voters in California are white.

Demographics and the Use of Eminent Domain

Aside from the effects of civic engagement, demographics may also have an effect on the use of eminent domain. There is some reason to believe that the population size of a city may have an independent effect on eminent domain that is separate from civic engagement. An increase in the population of a city may result in changes in infrastructure needs, e.g. an increase in population may mean a need for additional affordable housing and/or commercial space. I start with the assumption that older, more established cities and redevelopment agencies will use eminent domain more because older cities tend to be more run-down and outdated than newer cities. In the framework of eminent domain use older cities and redevelopment agencies may use eminent domain more because the infrastructure and buildings are older and need to be updated.

Age of Redevelopment Agency and Tax Increment Financing

The age of a redevelopment agency and tax increment financing may also influence the use of eminent domain. According to the Senate Local Government Committee (2008), redevelopment agencies obtain their funding from property tax increment funding or revenues made from increases in property values inside a redevelopment project area (Health & Safety Code §33670). As the project area's value grows in future years, the property tax revenues or the property tax increment go to the

redevelopment agencies (Senate Local Government Committee, 2008). It would stand to reason that older redevelopment agencies have more tax increment financing than newer agencies because the tax base is cumulative. While the implication for the use of eminent domain is unknown, the age of redevelopment agencies and the amount of tax increment financing will be included in the analysis as it will allow us to understand if it is a causal factor in the use of eminent domain.

Political Culture and Land Use

Political make-up is another potentially important influence on the use of eminent domain. The influence in part may relate to civic engagement. In California, Democrats outnumber Republicans by a wide margin both in voters and in elected officials.

Ramakrishnan and Baldassare (2004) found that Republicans are slightly more likely than Democrats to write to elected officials and Democrats are a bit more likely to attend local meetings in California. These partisan differences could in turn influence use of eminent domain at the local level.

Yet political culture may also have a direct influence on the use of eminent domain. Political culture differs sharply across communities, and citizens in some places may be much more inclined toward supporting activist governmental actions than citizens in other localities. This difference is evident in cities that have traditionally supported activist government, such as the City of Berkeley, versus cities that have a more *laissez faire* political culture, such as the City of Bakersfield.

It is also important to mention that traditionally the Republican Party is associated with conservatism and is less supportive of government intervention and this may affect views of land use policy. For example, Wassmer and Lascher (2006) found that conservatives were not very likely to support state-mandated regional land-use planning (p. 637). Republicans are also stronger champions of private property rights and may be more inclined to oppose eminent domain because the government is not only interfering in the lives of residents by taking their private property, but also infringing on the rights of residents. Alternatively, Democrats are associated with liberalism and are more open to government intervention, especially if it benefits everyone. Democrats may be more supportive of eminent domain because it creates a public good that benefits everyone. This dichotomy may have significant impacts on the use of eminent domain in cities.

Conclusion

As previously mentioned, I was unable to find any empirical research on causal factors that influence the use of eminent domain by cities. However, certain variables were found in the literature that may explain why some cities use eminent domain: population size, racial demographics, civic engagement, and political party affiliation. As previously mentioned, a lack of civic engagement may explain why some cities use eminent domain, and the explanatory variables discussed above will allow me to determine the causal factors of eminent domain use through regression analysis.

Chapter 3

METHODOLOGY

The purpose of this study is to understand the outcome of the SB 53 (Kehoe, 2006, Chapter 591) ordinances by identifying the variables that influence a city to use eminent domain. As previously mentioned, SB 53 (Kehoe, 2006, Chapter 591) “requires every agency that adopted a final redevelopment plan before January 1, 2007, to adopt an ordinance describing its eminent domain policy by July 1, 2007” (California Senate Office of Research, 2008, p. 4). The previous chapter argued that certain variables may have an effect on a city’s choice of using eminent domain. The causal factors found include civic engagement, specifically, population size and racial demographics. In the literature it was found that, participation in civic activities declined in larger places (Oliver, 2000) and that minorities have a low rate of civic engagement (Ramakrishnan & Baldassare, 2004). As such, I will be measuring racial demographics by percent non-white. Prior literature also suggested that political culture of a city might affect the use of eminent domain; therefore, I am including a party identification variable and will be measuring it by percent Democrat. It is important to note that I am using percent non-white and percent Democrat as my measures because it is an aggregate measure of a portion of Democrats and non-whites in a city. Other independent variables that I will include in the analysis are the age of the city, the age of the redevelopment agency, population of a city, and tax increment financing.

The approach of the study involves analyzing the ordinance data by project area to uncover the factors of eminent domain use in California cities. As noted earlier, there are no studies that look at the factors that influence cities to use or not use eminent domain. As such, my study will provide an explanation for why some cities use eminent domain and others cities do not.

Measuring the Variables

The California Redevelopment Association (CRA) collected ordinance data from the redevelopment agencies in California as a result of SB 53 (Kehoe, 2006, Chapter 591). The CRA asked each redevelopment agency to voluntarily give copies of its ordinances. Lillian Henegar, CRA Director of Policy and Outreach analyzed the ordinances. Appendix A is a sample of the form the CRA created after receiving copies of the ordinances from the redevelopment agencies. The information from the form was entered into a database. As of January 15, 2008, when I received the ordinance database from the CRA there were approximately 100 redevelopment agencies that did not send in copies of their ordinances. Each record is broken down by project area. The ordinances cover 607 of the 759 total project areas in existence. As previously mentioned, the CRA data will be the dependent variable in the analysis.

Data for the cities' age came from the League of California Cities – I obtained the data by subtracting the incorporation dates of the cities from the current year, 2008. The age of the redevelopment agencies and the tax increment financing came from the California State Controller's Office in the 22nd edition of the *Community Redevelopment*

Agencies Annual Report – the data are from the fiscal year ended June 30, 2006. I obtained the age of the redevelopment agency by subtracting the year the agency was established from the current year, 2008. The population of the cities came from the California Department of Finance and the figures are for 2006. To account for the variances in the population figures I divided it by 100,000. Finally, the racial demographics of the cities came from the 2000 Census. The political party break down came from the California Secretary of State’s Office. The political party data are for registered Democrats and Republicans in 2007. As previously mentioned, I will be using percent Democrat in my analysis. Because my analysis is a cross-sectional point in time analysis of the cities in California, I am not concerned with the fact that the data is from different years. The data sources for the independent variables come from widely used sources, as it is data collected from federal and state agencies.

Table 3.1 lists the dependent variable and the explanatory variables with a description and the source of each variable.

Table 3.1

List of Variables with Sources

Variable	Description	Source
Ordinance Data (Dependent Variable)	Each record is broken down by project area. 1= Yes, 0=No	California Redevelopment Association
Age of city	Year of incorporation, as of 2008. Continuous variable	League of California Cities

Table 3.1 continued

Age of redevelopment agency	Year agency was established, as of 2008. Continuous variable.	California State Controller's Office, 22 nd edition of the <i>Community Redevelopment Agencies Annual Report</i> —the data is from the fiscal year ended June 30, 2006
Population of city	Population figures for 2006 divided by 100,000. Continuous variable.	California Department of Finance
Racial Demographics	Measuring by percent non-white. Continuous variable.	2000 Census Data
Political party breakdown of city	Measuring by percent Democrat for 2007. Continuous variable.	California Secretary of State
Tax increment financing of redevelopment projects	Tax increment financing by project. Continuous variable.	California State Controller's Office, 22 nd edition of the <i>Community Redevelopment Agencies Annual Report</i> —the data is from the fiscal year ended June 30, 2006

Logistic Regression Analysis

I am using logistic regression analysis because the dependent variable is binary. As a result, combining the dependent variable with existing aggregate data to conduct a regression is the most logical research method. Not only will the logistic regression analysis allow for the control of other variables it is also less vulnerable to random errors. The regression analysis will allow me to obtain a statistical description from the large

sample size (Babbie, 2007, p. 313). The factors I will be analyzing are also relatively easy to measure by using a regression analysis.

While it is possible to conduct the analysis using a case study, it would only allow for the research of a few cities while regression allows for the study of numerous cities and large sample sizes. Case studies are more susceptible to random errors, as case studies tend to have fewer observations and missing data. According to Babbie (2007), “one criticism of the case study method is the limited generalizability of what may be observed in a single instance of some phenomenon” (p. 300).

While this research does not use the case study approach in this analysis there are some advantages with its use. Because a case study would allow for the analysis of a few cities, the researcher would have the opportunity to go into more detail in regards to determining the causal factors behind the use of eminent domain. The researcher also has the ability to follow up the case study by interviewing local officials because of the small sample size. Nonetheless, I have chosen to use regression analysis in this thesis – the large sample size will provide a statistical description that will provide a base line for conducting future research on the use of eminent domain.

The logistic regression analysis will allow for the determination of the explanatory factors of eminent domain use in California cities. I will conduct the analysis with SPSS, a statistical analysis computer program. Specifically, the dependent variable will be use or non-use of eminent domain based on the survey conducted in accordance with SB 53. The independent variables will be: 1) age of city, 2) age of redevelopment

agency, 3) population of city, 4) racial demographics, 5) political party, and 6) tax increment financing. The regression model is as follows:

Use of Eminent Domain = $f(\text{age of city, age of redevelopment agency, population of city, percent non-white, percent democrat, tax increment financing})$

Predictions for Eminent Domain Variables. In predicting the effect of the relationship between eminent domain and the independent variables listed above, I relied on the literature in the previous chapter and common sense. I was unable to get a sense of the nature of the relationships in some cases. It is not known if age of a redevelopment agency, tax increment financing, and political party affiliation will have an effect on the use of eminent domain use.

As mentioned earlier, I am working under the assumption that older cities will have older, more outdated buildings and infrastructure. As a result, older cities may need more affordable housing or commercial space and older cities may use eminent domain to obtain it. I predict that there will be a positive relationship between older cities and eminent domain use.

The age of a redevelopment agency and tax increment financing are appropriate variables because redevelopment agencies obtain their funding from property tax increment financing. However, I am uncertain of the effects on the use of eminent domain. Age may no longer have an effect on how many project areas a redevelopment agency has. For example, the City of San Jose has only one project area because it merged all of its separate project areas into a single project area. The merged project

areas may have more tax increment financing because the project areas are combined, but it is not known if more tax increment financing results in an increase in the use of eminent domain. The age of redevelopment agencies and the amount of tax increment financing will allow for a better understanding of the causal factors of eminent domain use.

I am including the population of cities in the analysis because the previous chapter showed that there is a significant effect on civic engagement. According to Oliver (2000), civic activities decline in larger cities – only 25% of residents contacted local officials in areas of more than one million. I predict that population size will have a positive effect on eminent domain usage. Cities may use eminent domain more frequently if the residents are not contacting local officials to protest its use.

Similar to the population of a city, racial demographics was also shown in the previous chapter to have a significant effect on civic engagement and thus eminent domain. According to the literature, minorities are less likely to contact local officials. As such, cities with a high concentration of minorities may have more uses of eminent domain because minorities are less likely to vote and be civically engaged. I predict that a proportionally larger minority population will have a positive effect on the use of eminent domain.

As previously mentioned, it is unknown if party affiliation will have an effect on the use of eminent domain. The political culture of a specific community may affect

whether residents participate in local government and thus protest eminent domain proceedings.

Specific Variable Data. Table 3.2 provides additional information on the variables that I am using in the logistic regression analysis. It lists the mean, the standard deviation, and the minimum and maximum value of each of the variables. The mean measures the average value of the variable. The standard deviation is a measure of variation in each of the variables. Finally, the minimum and maximum gives the range of values for each of the variables.

Table 3.2

Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Eminent Domain Usage	.66	.474	0	1
Age of City	100.80	43.227	5	158
Age of Redevelopment Agency	38.47	12.906	4	60
Population of City	4.76	9.73	.01	39.76
Percent Non-White	.413	.190	.027	.938
Percent Democrat	.610	.145	.272	.925
Tax-Increment Financing	12722744	30830869.15	0	225227944

I will report the results of the regression analysis in Chapter 4.

Chapter 4

RESULTS

The results of the logistic regression analysis are presented in this chapter. The regression results will be able to tell us whether a statistically significant relationship exists between the explanatory variables and the dependent variable and whether the relationship is positive or negative. I will report the regression results for two different regressions and the problem of multicollinearity in the uncorrected model, and explain how to correct for the problem. An uncorrected regression model will be presented as a basis for comparison and will not be interpreted.

How the Regression Results are Presented

The results of the regressions are presented in tables. The tables will list the variables in both of the regression models, their coefficients, the standard error, the significance level, the odds ratio [Exp(B)], and the percent change in odds. The standard errors are also reported. The significance levels for coefficients that are significant are denoted by a specific number of asterisks and are defined below each table. The Chi-square, Cox-Snell R-square, Nagelkerke R-square, and the number of observations are reported as well.

Regression Results: Uncorrected Model

The results of the regression for the uncorrected use of eminent domain model are presented in Table 4.1. As previously mentioned, the regression result is reported for purposes of comparison. It is assumed that the model will have the problem of

multicollinearity and will be corrected. The result of the regression of the uncorrected model was obtained by logistic regression because the dependent variable is binary.

Table 4.1

Regression Result for Eminent Domain Use, Logistic Regression Analysis

Variable	Coefficient	Standard Error	Significance	Exp (B)	Percentage change in odds
Constant	.065	.522	.901	1.067	6.7
Age of city	-.003	.004	.436	.997	-.3
Age of redevelopment agency	.023	.013	.076*	1.024	2.4
Population of city	-.029	.012	.019*	.971	-2.9
Percent non-white	-.944	.608	.121	.389	-61
Percent Democrat	.549	.867	.527	1.732	73
Tax increment financing	0	0	.789	1	0
Chi square	9.033				
Cox-Snell R-square	0.021				
Nagelkerke R-square	0.029				
Observations	418				

* = $p < .05$

Correction to the Regression Model

Multicollinearity can exist in a regression model when explanatory variables that are expected to be significant are not. A correlation coefficient is used to verify if multicollinearity is a problem. Table 4.2 shows the correlation coefficients. If two variables are highly correlated with a coefficient of 0.80 or higher, SPSS may not be able to separate the effects of two highly correlated explanatory variables. Removing one of the highly correlated variables from the model can solve the problem of multicollinearity, only if there is another explanatory variable that is in the same category of causal factors.

Table 4.2

Correlation Matrix

	Age of city	Age of redevelopment agency	Eminent domain use	Population of city	Percent Democrat	Percent non-white	Tax increment financing
Age of city	1	.731	-.017	.483	.264	.085	.181
Age of redevelopment agency	.731	1	.039	.456	.348	.149	.182
Eminent domain use	-.017	.039	1	-.137	.019	-.033	.007
Population of city	.483	.456	-.137	1.000	.240	.131	.057
Percent Democrat	.264	.348	.019	0.24	1	.427	.005
Percent non-white	.085	.149	-.033	.131	.427	1	.046
Tax increment financing	.181	.182	.007	.057	.005	.046	1

There are two explanatory variables that can be considered correlated: age of city and age of redevelopment agency. The correlation coefficient for age of city and age of redevelopment agency is .731. Although the correlation coefficient is not .80 or higher it is close to .80, and will be considered as having a correlation. Because age of city and age of redevelopment agency are in the same category of causal factors one of the variables will be eliminated. I chose to eliminate age of city. The regression results correcting for multicollinearity are presented in Table 4.3.

Results of Regression for Corrected Eminent Domain Use Model

The results of the corrected regression model are reported in Table 4.3. In regression the R-square value measures the overall strength “that gauges the amount of variation in the dependent variable that is explained by the independent variable(s)” (Pollock, 2005, p. 175). In logistic regression there is no equivalent to the R-square value used in linear regression. In linear regression SPSS will report two “pseudo R-square” values: the Cox and Snell R-square and the Nagelkerke R-square (Pollock, 2005, p. 175). The two measures do not vary in difference and will give the researcher an idea of the strength of the relationship.

The R-square values for the corrected use of eminent domain model are slightly lower than the uncorrected model. It is important to note that the R-square values for both models are low. The uncorrected model has a Cox and Snell R-square value of 21% and a Nagelkerke R-square of 29%, while the corrected model has Cox and Snell R-square of 20% and a Nagelkerke R-square of 27%. The reason for the low R-square values is that

there are not a lot of explanatory variables in the model. Adding more explanatory variables would increase the R-square values.

The hit ratio for the corrected regression model is 95% correct for predicting when a city will use eminent domain. The hit ratio for predicting when a city will not use eminent domain is 13% correct.

There are three variables that are significant: age of redevelopment agency, percent non-white, and population. The age of the redevelopment agency and population is significant at the .9 level. While percent non-white is only significant at the 85.6% level, it is close to the .9 significance level and will be considered as significant.

Age of redevelopment agency is significant in both regression models. In my prediction, I was unsure of the effect age of redevelopment agency would have on the use of eminent domain. The results of the regression show that for every one-year increase in the age of a redevelopment agency the likelihood of eminent domain use goes up by 1.7%.

As previously mentioned, the age of a city and the age of a redevelopment agency were found to be correlated. As such, I predicted that older cities would use eminent domain more frequently because older cities would be more outdated and rundown. The same could be true for older redevelopment agencies – older redevelopment agencies may have more project areas that are rundown.

As mentioned above, percent non-white is close to the .9 significance level in both the corrected and uncorrected regression model. My prediction about the direction

of the relationship is incorrect – non-whites have a negative effect on the use of eminent domain. For every one-unit increase in percentage of non-whites, the likelihood of eminent domain use decreases by 58.6%. While I predicted cities with a high concentration of minorities would have more use of eminent domain because minorities were found in the literature to be less civically engaged, the opposite may be true. Perhaps, minorities are civically engaged on certain issues.

For example, in the City of San Jose there was much contention over the condemnation of the Tropicana Shopping Center, a Latino strip mall. A 2.5-year battle between City of San Jose officials and owners of the mall, ended after the city abandoned its plans. Those that fought the redevelopment agency believe they won because the Latino merchants and Asian-American landowners united and pooled their resources to fight the city.

Population is significant both in the uncorrected and corrected model. However, my prediction about the direction of the relationship between population and eminent domain use was not correct – population has a negative effect on eminent domain use not a positive effect. For every increase in population for 100,000 the likelihood of eminent domain use decreases 3%. Eminent domain may be difficult to use in areas that are highly populated because of the possibility that residents and/or property owners may ban together to challenge the redevelopment agency – there is power from large groups. Using eminent domain in a highly populated area may also mean more publicity for the redevelopment agency because more people may know about it. As a result

redevelopment agencies may not use eminent domain in highly populated areas because of the cost and controversy that may occur.

Table 4.3

Regression Results for Corrected Eminent Domain Use Model (Correcting for Multicollinearity)

Variable	Coefficient	Standard Error	Significance	Exp (B)	Percentage change in Odds
Constant	0.83	0.52	0.873	1.086	8.6
Age of redevelopment agency	0.017	0.01	0.096*	1.017	1.7
Population of city	-0.03	0.012	.014*	0.97	-3
Percent non-white	-0.883	0.602	0.143	0.414	-58.6
Percent Democrat	0.45	0.855	0.599	1.568	56.8
Tax increment financing	0	0	0.85	1	0
Chi square	8.425				
Cox-Snell R-square	0.02				
Nagelkerke R-square	0.027				
Observations	418				

* = $p < .9$

I will discuss my recommendations for policy makers and future researchers in the final chapter.

Chapter 5

CONCLUSION

This thesis focused on whether certain demographics and political factors in a California city (age of city, age of redevelopment agency, population of city, racial demographics, party identification, and tax increment financing) affect eminent domain use. The factors identified for study were based on the literature I review in Chapter 2. The methodology for the empirical analysis was presented in Chapter 3. The results of the logistic regression analysis are presented in Chapter 4. The present chapter reviews the main results and addresses implications for further research.

Summary of Regression Analysis Results

The results of the regression analysis are surprising as two of the three statistically significant factors had opposite effects from what I expected. Specifically, percent non-white and population in a city has a negative effect on the use of eminent domain. For every one-unit increase in non-whites, the likelihood of eminent domain use decreases by 58.6%. For every increase in population for 100,000 the likelihood of eminent domain use decreases 3%. The age of the redevelopment agency has a positive effect on the use of eminent domain, specifically, for every one-year increase in the age of a redevelopment agency the likelihood of eminent domain use goes up by 1.7%.

Given the unexpected findings, more eminent domain research is needed. The regression results show that we still do not understand eminent domain very well and have a lot to learn from future research. As mentioned in Chapter 4, the negative effect

percent non-whites has on the use of eminent domain shows that minorities may be civically engaged on certain issues, specifically eminent domain. Further research is needed to test this hypothesis. It would be interesting to see if adding specific racial demographics into the regression model results in the same negative effect and if it would still result in the same negative effect for the population of a city as well. Another area to investigate is looking at the percent of registered voters by race – this factor would allow the researcher to control for the fact that some cities may have more minorities that are “civically engaged” than others. For example, as mentioned in Chapter 4, the City of San José abandoned its eminent domain plans after a two and a half year battle. Those who fought the redevelopment agency believe they won because the Latino merchants and Asian-American landowners worked together and pooled their resources to fight the city. The City of San José has a large population of Latinos and Asians, and as result San José could have more registered Latino and Asian voters than other cities. In order to further evaluate the relationship of race and eminent domain use it is necessary to add specific races and registered voters by race into the regression model.

In future studies, researchers should consider possible interaction effects as they may have important implications for how various factors influence eminent domain use. The effect of an independent variable, “may be different under different conditions” (Allison, 1999, p. 166). For example the effect of race on the use of eminent domain could depend on the value of another independent variable. In a regression model, an

interaction term is tested by creating a new multiplicative term and including it in the model, e.g., age of city * population.

Chapter 4 noted that the negative effect of population and eminent domain use may be because eminent domain is difficult to use in areas that are highly populated. There maybe a higher possibility that residents and/or property owners may ban together to challenge the redevelopment agency. To further test this hypothesis, it may be necessary to conduct a case study/interview between similar sized cities where eminent domain was used and interview the parties who were involved to see if population helped or hindered the fight against the use of eminent domain by the city. Specifically, the researcher can look at eminent domain proceedings that went to court and compare the verdict with the population of a city. It would be beneficial to follow up with interviews of the parties involved to determine if they felt population size was a factor. If my hypothesis is correct, then the case study and interviews would show that highly populated cities use less eminent domain because there is a higher possibility that people will ban together to oppose its use. As previously mentioned, using eminent domain in highly populated areas may mean more publicity for the redevelopment agency and cities may not use eminent domain in highly populated areas because of the cost and controversy that may ensue.

In looking at the age of the redevelopment agency, it is important to mention that in 1993 the California Redevelopment Association sponsored a bill “that created the first statutory time limits for older redevelopment project areas....” The oldest redevelopment

project areas will need to stop working on January 1, 2009 (Senate Local Government Committee, 2008). However, local officials have been able to persuade legislators to give them extensions to the deadline. For example, “SB 2113 (Burton, 2000) extended the statutory deadlines for redevelopment activities in San Francisco to finance more affordable housing...” (Senate Local Government Committee, 2008). It is important to mention that not all requests made by local officials’ to extend their redevelopment projects’ statutory time limits have passed. For future researchers, it would be interesting to see what effect, if any, the statutory time limits have on the age of redevelopment agency variable. Specifically, does controlling for the age of redevelopment agency, and adding a new statutory time limit variable, still result in a positive effect in the use of eminent domain?

The regression results provide evidence that the use of eminent domain in cities is affected by certain demographics of a city, specifically: age of redevelopment agency, percent non-white of residents, and population in the city. This thesis only looked at a limited number of variables that may affect the use of eminent domain in cities. Adding additional explanatory factors to the regression model would make it stronger and would allow for further understanding of explanatory factors of eminent domain use. For example, there were no variables that looked at economic factors. Specifically, it would have been beneficial to look at the income and education level of residents, the number of manufacturing firms, and the number of small businesses in the cities. Adding economic explanatory variables to the regression model would give us an understanding of whether

cities use eminent domain for economic reasons. Unfortunately, because of time limitations I was unable to add economic explanatory factors to the model.

Conclusion

The two negative explanatory factors mentioned above can assist local officials when talking about redevelopment. As mentioned in Chapter 1, there is a misconception by the public that local officials will use eminent domain rampantly and the regression results show that that is not the case.

While the purpose of this thesis was to determine the factors that cause eminent domain use and to add to eminent domain research, the broader purpose of the thesis was to show policymakers and local officials the importance in making local government processes transparent to the public. There is information dissymmetry with regard to redevelopment and eminent domain and it comes from newspaper articles, property rights advocacy groups, and local officials. Eminent domain has its place in local government as “tens of thousands of affordable housing units, hundreds of thousands of square feet of commercial and industrial space and hundreds of public building exist today because of decades of hard work by redevelopment officials” (Senate Local Government Committee, 2008).

APPENDIX

Sample of form created by CRA after receiving ordinances from redevelopment agencies

SB 53 ORDINANCES

Agency Name: La Quinta

Information Received by: Ordinance Other (specify) _____

Project Areas:

Name #1 Project Area No. 1

Does the project area have eminent domain? YES NO

Has eminent domain expired? YES NO

Restrictions/Comments:

Name #2 Project Area No. 2

Does the project area have eminent domain? YES NO

Has eminent domain expired? YES NO

Restrictions/Comments:

Name #3 _____

Does the project area have eminent domain? YES NO

Has eminent domain expired? YES NO

Restrictions/Comments:

Name #4 _____

Does the project area have eminent domain? YES NO

Has eminent domain expired? YES NO

Restrictions/Comments:

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