

No.3  
August 2007

# MERCATUS ON POLICY

POWER TO  
THE NEIGHBORHOODS  
The devolution of authority  
in post-Katrina New Orleans

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**W**hether based on a top-down approach or some form of citizen participation, most urban-planning policies fail to live up to their good intentions. Never was this more apparent than in post-Katrina New Orleans, where a storm that leveled city blocks also laid bare the failures of previous attempts at urban planning. As New Orleans rebuilds, city officials have an opportunity to redirect their efforts away from the misguided policies of the past and toward the promise of private neighborhood associations (PNAs). Such organizations would aid the re-emergence of New Orleans as a “living city”—one that generates its economic growth from its own local economy.<sup>1</sup> A network of PNAs would create many different kinds of communities with a variety of rules, fees, and services among which people can pick and choose. New Orleanians could vote with their feet without leaving the city.

## GOVERNMENT-INITIATED CITIZEN PARTICIPATION

IN RECENT YEARS, cities across the nation have conducted city planning through practices known as “government-initiated citizen participation programs” (GICPs).<sup>2</sup> GICPs are meant to take into account the “general welfare” of the community by requiring policy makers to pay special attention to the demands of inhabitants who are directly affected by planning interventions. The fact that “citizen participation” has become a requirement of the planning process suggests a backlash against the heavy-handed policies of previous attempts at urban planning.

Before the rise of GICPs in the mid-twentieth century, urban planners in the United States proceeded with little or no input from those living and working in the locations directly

affected by a given project.<sup>3</sup> Such top-down planning had obvious shortcomings, most notably in the way it neglected the local knowledge of people on the ground.<sup>4</sup>

GICPs seek to correct this deficiency of top-down planning by incorporating local knowledge into planning decisions. The decision-making body collects opinions and preferences from interest groups and the public at large. Even though these opinions and preferences are often contradictory, the decision-making body must consolidate all views into “a single

“PNAs would create the conditions for greater economic activity and more freedom for entrepreneurs.”

policy platform, which will secure majority support.”<sup>5</sup> The large-scale post-hurricane planning process now underway in New Orleans follows this approach.

Unfortunately, the rationale behind GICPs ignores some fundamental problems.

**The “knowledge problem.”** Government planners do not have access to, nor can they comprehend, the breadth and depth of information available to local market participants. Moreover, unlike individuals in communities, planners are not faced with the same incentives to anticipate changes in local knowledge and learn from a failure to do so.

**Politicization.** The democratic desire to account for a wider set of preferences has simply added more “stakeholders” to an already established industry of lobbyists, consultants, and lawyers who make a living navigating the complex regulatory and political process.<sup>6</sup>

**PRIVATE NEIGHBORHOOD ASSOCIATIONS**

IN 2004, MORE than 17 percent of American residents belonged to a homeowners’ or condominium association.<sup>7</sup> This trend dates back to the 1960s and 70s, but has been increasing dramatically in recent years, especially in suburbs and exurbs.<sup>8</sup>

Garden-variety neighborhood associations can yield many benefits for residents and their communities. For such organizations to achieve their full potential, however, urban policy must permit them to evolve within a different set of parameters than those that currently exist in most states. City governments must allow neighborhood associations to incorporate as *private* neighborhood associations, which serve not just as non-profit community groups but also fill a real governance and economic role.

PNAs provide or contract for some or all of the services that a larger city usually supplies for its residents. These associations could work well in New Orleans. Transferring some of the city’s powers to neighborhoods where community ties already exist or are likely to emerge, this approach would respect the desire of New Orleanians to remain within the city (as opposed to moving to the suburbs). By bringing life back into the city’s communities, PNAs would create the conditions for greater economic activity and more freedom for entrepreneurs.

PNAs are appealing because neighborhood quality is a local collective good and residents have a stake in developing rules to govern neighborhood quality and neighborhood transition.<sup>9</sup>

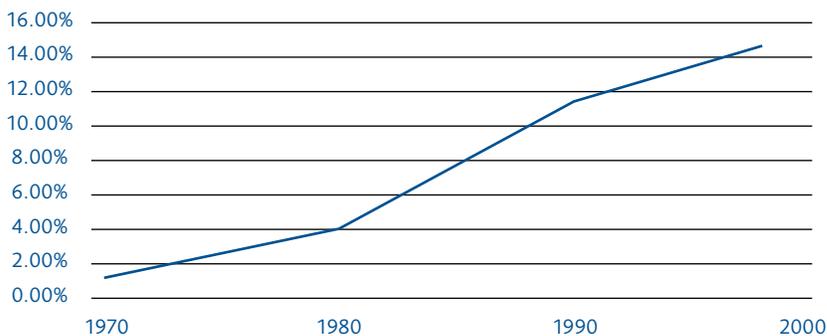
Table 1

GROWTH OF PRIVATE NEIGHBORHOODS				
TYPE OF ASSOCIATION	1970	1980	1990	1998
CONDOMINIUM	85,000	1,541,000	4,847,921	5,078,756
HOMEOWNERS ASSOCIATION	265,000	613,000	5,967,000	10,562,964
COOPERATIVE	351,000	482,000	824,000	748,840
TOTAL ASSOC. HOUSING UNITS	701,000	3,636,000	11,638,921	16,390,560
TOTAL NUMBER OF ASSOCIATIONS	10,000	36,000	130,000	204,882
TOTAL U.S. HOUSING UNITS	69,778,000	87,739,000	102,263,678	111,757,000

Source: *Community Associations Factbook*, edited by Frank H. Spinic, Alexandria, VA: Community Associations Institute, 1999

Figure 1

NEIGHBORHOOD ASSOCIATION UNITS AS A % OF TOTAL HOUSING



Source: *Community Associations Factbook*, edited by Frank H. Spinic, Alexandria, VA: Community Associations Institute, 1999

PNAs protect the property rights of homeowners and increase property values through the provision of specific services like garbage pick-up and community recreational centers. Their success is easily measured by relative property values in the communities they govern.

Conceptually, a PNA is like a business run via neighborhood-level governance. It must attract and retain residents and mixed-use enterprises by offering competitive services and charges. A PNA can use local knowledge and norms in a way that current planning approaches cannot. Because they are locally administered, such associations are more effective than citywide rules at regulating the pace and quality of local neighborhood change.

Rather than ceding decision-making power to a centralized municipal zoning board that may or may not hear the interests of materially affected inhabitants, the members of a PNA have the ultimate decision-making power. Thus, PNAs exemplify true community empowerment. They allow individuals and their communities to make decisions themselves, unlike the citizen-participation model, which simply allows citizens to look and feel like they are participating in the planning process.

There are several promising examples of nascent PNAs already present in New Orleans, including the Broadmoor Improvement Association and the Mid-City Neighborhood Organization. To support these organizations and create new ones, we suggest three steps that will aid in developing and maintaining successful neighborhood associations.<sup>10</sup>

1. The city of New Orleans should encourage the development of PNAs. As these develop, the city should act only as a mediator between outside developers and PNAs and only when a PNA asks for its help.

“If the city continues along the path indicated by its current post-Katrina planning, its future will almost certainly resemble its bleak recent past.”

2. After the voluntary development of PNAs, the city government should restrict itself to planning and establishing common rules for infrastructure, especially roads and highways. The authority and responsibility of the planning commission would fall upon the individual PNAs.

3. Finally, we recommend that PNAs have the legal option to initiate a process whereby they can secede from the City of New Orleans.

There is no guarantee that New Orleans will be a great city again. However, if the city continues along the path indicated by its current post-Katrina planning, its future will almost certainly resemble its bleak recent past. Our proposal offers a brighter future by taking governance out of the hands of city officials and giving decision-making power to those who live and work in the neighborhoods that are the foundation of the new New Orleans. We encourage a policy that more effectively harnesses local know-how and energy, enabling ordinary people in New Orleans to make the decisions that will help them do extraordinary things.

## ENDNOTES

1. This is how the noted urbanist, Jane Jacobs, defines a city. We borrow the term "living city" from Roberta Brandeis Gratz, *The Living City* (New York: Wiley 1994).
2. Terry L. Cooper, "Critical Introduction," in *Neighborhood Government: The Local Foundations of Political Life* (Lanham, MD: Lexington Books, 2005).
3. The most notorious example is that of Robert Moses, the "master builder" of New York City.
4. F.A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 35(4) (1945): 519-530.
5. Mark Pennington, "Citizen Participation, the 'Knowledge Problem,' and Urban Land Use Planning: An Austrian Perspective on Institutional Choice," *The Review of Austrian Economics* 17(2) (2004): 213-231.
6. Writing about "stakeholder capitalism," Deepak Lal notes, "Equally tendentious is the claim that, because of the social cooperation required to obtain mutual gains in a business corporation, everyone is a *stakeholder*, who must be consulted and if necessary assuaged [italics in the original.]" Deepak Lal, *Reviving the Invisible Hand: The Case for Classical Liberalism in the Twenty-first Century* (Princeton, NJ: Princeton University Press, 2006): 188.
7. Robert Nelson, "The Private Neighborhood." *Regulation* 27 (2)(2004): 40-46.
8. At the same time, many people have moved into small cities, many at the urban edge. These have been described as "homevoter" cities and are similar to PNAs because their governance is mainly devoted to the maintenance of residential property values. Voter-homeowners look for expenditure and tax decisions by local governments that enhance residential property values. See William A. Fischel, *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land Use Policies* (Cambridge, MA: Harvard University Press, 2001).
9. What we say about "residents" and "homeowners" in this section applies equally to commercial and other non-residential uses in the neighborhood.
10. Robert H. Nelson, *Private Neighborhoods and the Transformation of Local Government* (Washington, DC: Urban Institute, 2005.) Robert H. Nelson, "From BIDs to RIDs: Creating Residential Improvement Districts," DeVoe L. Moore Center Policy Briefs No. 19 (April 2006.)

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