EMINENT DOMAIN AFTER KELO v. CITY OF NEW LONDON: COMPENSATING FOR THE SUPREME COURT’S REFUSAL TO ENFORCE THE FIFTH AMENDMENT

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“[N]or shall private property be taken for public use, without just compensation.”—U.S. Constitution, Amendment V.

Governments, both state and federal, have the right to take private property for public use, provided that just compensation is paid.1 The Fifth Amendment to the U.S. Constitution sets the legal standard for these propositions—this power is known as the right of eminent domain.2 In the landmark decision, Kelo v. City of New London,3 the Supreme Court held that the taking of a citizen’s private property for economic development qualified as a public use within the meaning of the Fifth Amendment.4 Several scholars, legislatures, and individuals, have objected to Kelo’s extension of the power of

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1. Kelo v. City of New London, 125 S. Ct. 2655, 2658 n. 1. Governments are prohibited from taking private property without paying for it by the Fourteenth Amendment’s Due Process Clause. Id. (citing Chicago, B. & O.R. Co. v. City of Chicago, 166 U.S. 226 (1897)). However, this does not appear strictly correct, since the Fourteenth Amendment Due Process Clause does not refer either to takings or to compensation, and the manner by which the just compensation and public use requirement is imposed on the states must be derived from the definition of due process. See JOHN NOWAK AND RONALD ROTUNDA, CONSTITUTIONAL LAW §11.11, 426 (4th ed. 1991)).
2. Nothing in the Constitution explicitly confers this eminent domain power upon either the federal or state governments. But the Fifth Amendment, originally intended to apply solely to the federal government, provides that “private property [shall not] be taken for public use, without just compensation.” Therefore the Taking Clause is at least a “tacit recognition that the power to take private property exists.” United States v. Carmack, 329 U.S. 230, 241 (1946).
3. Kelo, 125 S. Ct. at 2677 (2005) (O’Connor, J., dissenting). Justice O’Connor noted that States play many important functions in our system of dual sovereignty, but compensating for the Supreme Court’s refusal to properly enforce the Federal Constitution is not among them.
4. Id. at 2686–88.
eminent domain because the ruling has extended the government’s power of eminent domain to areas once thought unimaginable.

Instead of critiquing the merits of the majority’s decision, this commentary will focus on practical applications in a post-

**Kelo** world. Its purpose is twofold: first, to serve as a guide to individuals and state legislators assessing what the **Kelo** decision says, and second, to assist all individuals attempting to meaningfully protect their Fifth Amendment rights post-

**Kelo**. Part I is a guide to the facts of the **Kelo** case. An understanding of the **Kelo** facts will allow practitioners to compare or distinguish future property rights and eminent domain cases. Following the facts section, Part II covers the legal framework of the **Kelo** decision by discussing and analyzing two prior eminent domain cases relied upon by the **Kelo** majority and providing an explanation for the Court’s ultimate expansion of eminent domain power. Finally, Part III offers suggestions for post-

**Kelo** actions for which individuals can lobby and legislators can follow to ensure protection of their constituents’ Fifth Amendment rights.

I. FACTUAL BACKGROUND OF **KELO V. NEW LONDON**

By the early 1990’s, the City of New London, Connecticut, already had experienced decades of economic decline. By 1998, the city witnessed an unemployment rate nearly double that of the rest of the state, and harbored a dwindling population of just under 24,000 residents, its lowest since 1920. These conditions prompted state and local officials to target New London, particularly its Fort Trumbull

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5. Similarly, I disagree with the Supreme Court’s decision in **Kelo**. The decision ignored one of the primary purposes of government, to uphold the clearly defined rights of the people, including the Fifth Amendment’s private property rights. I believe that the Court lost sight of this primary function by focusing too narrowly on the language from two earlier eminent domain cases. Regardless, the primary goal of this commentary is not to serve as a theoretical critique on why the Court was wrong. Many pieces have done that, and perhaps Justice O’Connor’s and Justice Thomas’ dissents offer the best explanations of the faulty logic employed by the **Kelo** majority.

6. See Grassroots Groundswell Grows Against Eminent Domain Abuse, http://www.ij.org/private_property/connecticut/7_12_05pr.html (last visited May 5, 2006); see also Eminent Domain Hits the Links, WALL ST. J. EDITORIAL PAGE, Mar. 28, 2006 (the Mayor of North Hills, New York, said he wants to use powers of eminent domain to turn an elite private golf course into an elite municipal course, stating, “[i]t would be a wonderful amenity for the people of the village”).

7. **Kelo**, 125 S. Ct. at 2658.

8. Id.
area, for economic revitalization. To help accomplish economic revitalization, the New London City Government reactivated the New London Development Corporation (NLDC), a private nonprofit entity. In January of 1998, the Connecticut legislature authorized $15 million in bonds to help fund both NLDC's planning and the creation of Fort Trumbull State Park.

In February 1998, Pfizer Inc., the pharmaceuticals manufacturer, announced that it would build a global research facility near the Fort Trumbull State Park and the Fort Trumbull residential neighborhood. Two months later, the New London City Council gave initial approval for the NLDC to prepare the development plan, which later became the subject matter of the Kelo lawsuit. The development plan provided for the development of ninety acres of the Fort Trumbull neighborhood, which would complement the facility Pfizer was planning to build, create jobs, and increase tax and other revenues.

The following developments were planned: eighty to one-hundred new residences; a resort hotel and conference center; a new state park; and retail, research, and office space. The plan divided the area into seven parcels, but did not specify the exact plans for development in any but the first parcel (the resort and hotel conference center). In 2000, the City approved the development plan and authorized the corporation to begin acquiring land in the Fort Trumbull neighborhood.

The Fort Trumbull neighborhood was composed of 115 residential and commercial lots, which the NLDC offered to buy. When the owners of fifteen of the properties did not wish to sell, the City of New London moved to acquire the properties by eminent domain. The homeowners in question owned properties in a total of just two of the plan's seven parcels, Parcel 3 and Parcel 4A. Further, the

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9. Id. at 2658–59.
10. Id. at 2659.
11. Id. at 2671 (O'Connor, J., dissenting).
12. Id. (noting that the NLDC was not elected by popular vote, and its directors and employees were privately appointed).
13. Id.
14. Id. at 2659 (majority opinion).
15. Id. at 2672 (O'Connor, J., dissenting).
16. Id.
17. Id. at 2671–72.
18. Id.
development plan only called for nominal use of these parcels—for instance, Parcel 3 was slated for construction of research and office space as the market progressed for such space, and Parcel 4A was slated for park support.19

In response to the City’s efforts, nine of the homeowners sued the City of New London and the NLDC to save their homes.20 The owners maintained that the United States Constitution prohibited the NLDC from condemning their properties for the sake of economic development, arguing that such development by private developers was not a public use under the Fifth Amendment.21 At oral argument, lawyers for the city noted the city’s proposed use for Parcels 3 and 4A was vague, and may be used merely as parking facilities.22 Despite an ill defined and unclear conceptualized public use, the city’s argument in favor of public use succeeded.23

II. THE LEGAL FRAMEWORK FOR THE KELO CASE

The legal outcome of the Kelo case turned on the question of whether New London’s economic development plan qualified as a public use or served a public purpose.24 In Kelo, the Court began by clarifying two established and opposite public use propositions.25 First, it was established that a state or local government could not take the private property of A for the sole purpose of transferring it to another private party B, even if A was paid just compensation for the property.26 On the other hand, it was equally clear that a state could transfer property from one private party to another if future use by the public was the purpose of the taking.27 The condemnation of land for a railroad with common-carrier duties is an example of a public-use taking. Another example is the condemnation of property used

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19. Id.
20. Id.
21. Id. at 2672.
22. Id.
23. Id.
24. Id. at 2663 (majority opinion). The question of whether public purpose is equivalent to public use is debatable, but in Kelo, a majority of the Court treated the two terms as synonymous. At least Justice Thomas disagreed. Id. at 2680 (Thomas, J., dissenting).
25. Id. at 2661 (majority opinion).
26. Id.
27. Id.
for utility lines or irrigation ditches, all of which are shared by the public.28

A. The Berman and Midkiff Cases

Kelo was the first major case the Supreme Court heard involving the taking of real property by eminent domain since 1984, and only the second since 1954. Therefore, only two cases from the past fifty years helped guide the Court in confronting a case that fell somewhere between the two bedrock principles mentioned above.29 In order to understand Kelo, it is important to understand these two decisions.

In 1954, the Supreme Court upheld a redevelopment plan as being a public use in Berman v. Parker.30 Berman involved a blighted area of Washington, D.C. in which over half of the housing for the area’s 5,000 inhabitants was beyond repair, and was a threat to public health and safety.31 The government’s response was to pass the 1945 District of Columbia Redevelopment Act. Under section 2 of that Act, Congress declared it the policy of the United States to eliminate all substandard housing in Washington, D.C. because such areas were injurious to the public health, safety, morals, and welfare.32 Under Congress’s plan, the area would be condemned and property taken through the use of eminent domain so that part of it could be utilized for the construction of streets, schools, and other public facilities.33 An owner of a department store located in the blighted area challenged the condemnation as an invalid public use on two grounds: first, his property was commercial and not residential or slum housing, and second, his property was being condemned for sale to a private agency for redevelopment.34

28. Id. at 2661–64.
29. See Hawaii Hous. Auth. v. Midkiff, 467 U.S. 229 (1984) (holding that the Hawaiian legislature validly exercised its power of eminent domain by taking private property and granting it to non-landowners, and that such a taking did not violate the public use doctrine); Berman v. Parker, 348 U.S. 26 (1954) (holding that a congressional act condemning blighted areas in Washington, D.C. and taking them for redevelopment purposes was a valid public use).
31. Id. The neighborhood in question had deteriorated from urban blight to the point that sixty-five percent of the dwellings were beyond repair.
32. NOWAK, supra note 1, at §11.13.
34. Id.
Ultimately the *Berman* case concerned the constitutionality of the Act, and the use of eminent domain by Congress. A unanimous Court upheld the Act. It held that once the legislature had determined that the use of eminent domain was for a public use, the role of the courts in reviewing the legislature’s judgment was extremely narrow.

Thirty years later, in 1984, the Court upheld another eminent domain case involving the taking of private property in *Hawaii Housing Authority v. Midkiff*. Again, deference to the legislature was involved in the Court’s reasoning. The *Midkiff* case involved a scheme arranged by the Hawaii legislature whereby Hawaii used its eminent domain power to acquire lots owned by large landowners, and then transferred the lots to the tenants living on them or to other non-landowners. The facts of the *Midkiff* case were unusual because of the tremendous inequality in land ownership in Hawaii. For instance, on the island of Oahu, twenty-two landowners owned 75.5% of the privately-owned land, forcing thousands of homeowners to lease rather than to buy the land under their homes.

These circumstances helped promote social inequality and generated social unrest. By redistributing the property, the problems attributed to the land oligopoly and deficiencies in the real estate market could be corrected and a majority of the public would tangibly and directly benefit from the legislation. Importantly, because the scheme was a rational attempt to remedy a social evil, or correct a public harm, the Court held that it qualified as a public use. In explaining its decision, the *Midkiff* Court mentioned the need to give legislatures broad latitude to determine what public needs justify the use of the takings power.

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38. *Id.* at 233–34.
39. *Id.* at 233.
40. *Id.*
41. *See id* at 241 (noting the Hawaiian legislature’s observation that the state’s land oligopoly created artificial deterrents to the normal functioning of the market, and thus, inequality of ownership).
42. *Nowak*, supra note 1, at §11.13.
44. *Id.* at 244–45; *see also* *Kelo v. City of New London*, 125 S. Ct. 2655, 2664 (upholding *Midkiff*).
B. The Kelo Decision

Relying heavily on *Berman v. Parker* and *Hawaii Housing Authority v. Midkiff*, the Connecticut Supreme Court concluded that the economic development involved in *Kelo v. City of New London* constituted a public use under both the Connecticut State Constitution and the U.S. Constitution. The United States Supreme Court affirmed in a 5-4 decision led by Justice Stevens. Early in the opinion, Justice Stevens turned to *Berman* and *Midkiff* and made it clear that the Supreme Court granted great deference to legislatures in determining which public needs justified the use of eminent domain. One unifying theme among these three cases is the general application of deference to state governments, and the evolution of this deference.

Although *Berman* and *Midkiff* deferred to the states to determine what constitutes public use, *Kelo* represents the first time the Court used deference to avoid the constitutional question completely. Instead, the Court turned deference to legislative judgment into a threshold question. Thus, the majority gave a disappointing cursory review to whether the economic development in *Kelo* qualified as a public use under the Fifth Amendment. The majority took the position that no principled way existed of distinguishing the *Kelo* economic development from the public purposes recognized in *Berman* and *Midkiff*. Such a position only left the possibility to grant the legislature deference and rely on its judgment prior judgment regarding the taking.

Although the *Kelo* Court articulated a deferential position to state governments, the majority also noted three factors that limited its scope of review over the City of New London’s taking. These factors could be important, as they may not be present in all takings cases.

46. *Kelo* 125 S. Ct. at 2669.
47. *Id.* at 2664. It is puzzling that Justice Stevens felt the Fifth Amendment was an area for strong federalist protection to apply. If the Fifth Amendment to the Constitution is to apply equally to State governments, it would seem the Federal government would have to be willing to uphold it against State governments.
48. Justice Kennedy was the fifth and deciding vote. He concurred in the judgment, but reserved the right to strike down takings that benefit a particular party with only incidental or pretextual public benefits. Of the four dissenting justices, two wrote separate opinions.
49. *Id.* at 2665; Talley, *supra* note 45, at 761.
First, New London had invoked a state statute that specifically authorized the use of eminent domain to promote economic development. Second, the statute was comprehensive in character. Third, the statute had been thoroughly deliberated preceding its adoption. The absence of these factors may be one way to distinguish future cases from *Kelo*.

The dissent, written by Justice O’Connor and joined by Justices Rehnquist, Scalia, and Thomas, distinguished *Kelo* from *Berman* and *Midkiff*, pointing out that both cases involved takings that were effected to remedy extraordinary situations that had inflicted affirmative harm to the public. There was no infliction of affirmative harm occurring in New London, however, and by authorizing the condemnation of well maintained property for the sole purpose of generating economic development the dissent stated that, “the Court has so greatly expanded the definition of public use that it now includes virtually all exercises of eminent domain.” Further, the dissent pointed out that nearly all takings benefit the public in some way. Because large private companies could use private property in a more lucrative way, the majority’s reasoning would create a standard under which no private property would be truly safe.

Justice Thomas also wrote a separate dissenting opinion. He agreed with Justice O’Connor’s opinion in that by approving economic development as a public use, the Court was effectively removing any constitutional impediment to the use of eminent domain. Justice Thomas went further, however, and encouraged revisiting the Public Use Clause cases and returning to the original meaning of the Public Use Clause: that the government may take property only if it actually uses or gives the public a legal right to use the property.

The other fundamental position and critical distinction Justice Thomas highlighted was the Court’s confusion and error in equating

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51. *Id.*
52. *Id.*
53. *Id.*
54. *Id.* at 2674–75 (O’Connor, J., dissenting); Talley, *supra* note 45, at 763.
55. *Kelo*, 125 S. Ct. at 2674–75 (O’Connor, J., dissenting).
56. *Id.*
57. *Id.*
58. *Id.*
59. *Id.* at 2686 (Thomas, J., dissenting).
the power of eminent domain with the police power of the States. Justice Thomas traced this confusion to the following statement the Supreme Court made in the *Midkiff* decision: “the public use requirement is conterminous with the scope of a sovereign’s police powers.” Justice Thomas pointed out that these two powers are not the same. For example, traditional uses of the police or regulatory power of States, such as the power to abate a nuisance, does not require compensation, as does the use of eminent domain.

Whether a State can take private property using the power of eminent domain, Justice Thomas argued, is distinct from the question of whether it can regulate property pursuant to the police power. Even *Berman* would have been decided on different grounds had these distinct lines been drawn. Under Thomas’s view, if the slums in *Berman* were truly blighted, then the state nuisance laws, not the power of eminent domain, should have provided the appropriate remedy.

Despite the dissents, the *Kelo* decision presently affirms the use of eminent domain for economic development. Thus, we arrive at the best way to proceed post-*Kelo*.

III. WHAT ACTION TO TAKE POST *KELO*

After the *Kelo v. City of New London* decision, it has become clear that the protection of the Fifth Amendment is now in the hands of state governments. The Supreme Court itself has clearly stated that federal courts will defer to state legislatures in their determination of what constitutes a public use in the area of eminent domain. This is the common thread linking fifty years of Court jurisprudence, stretching from the *Berman* decision to the *Kelo* decision.

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60. *Id.* at 2685. This was also a concern Justice O’Connor shared at some level. See Talley, *supra* note 45, at 763.
63. *Id.* (citing Lucas v. South Carolina Coastal Council, 505 U.S. 1003, 1014 (1992)).
64. *Id.*
65. *Id.*
66. *Kelo*, 125 S. Ct. at 2668 (majority opinion) (“We emphasize that nothing in our opinion precludes any State from placing further restrictions on its exercise of the takings power.”).
decision. The seminal event was reached in *Kelo*, when the majority instructed states to strengthen their own property rights if they were dissatisfied with the decision. Now, a proper legislative response should consider three things: (1) clearly defining the difference between a state’s regulatory or police power, and its eminent domain power; (2) clearly defining what qualifies as a public use under eminent domain; and (3) creating a property rights ombudsman office.

**A. Clearly Define the Difference Between State Regulatory Power and State Eminent Domain Power**

One of the most important steps a legislature can take to compensate for the *Kelo v. City of New London* decision is to draft legislation that makes clear the distinction between its state’s regulatory or police power, and its eminent domain power. The purpose of the police power is to secure rights by prohibiting harms, while the purpose of the eminent domain power is to provide public goods by taking private property, but only after paying the owner just compensation. Therefore, it may be said that the state takes property by eminent domain when it is useful to the public, and the state takes property under the police power when it is harmful. Thus, a legislature may clarify that its state’s police power will be used to solve nuisance-type problems and prohibit harms, and reserve eminent domain power to situations that provide a public use or public good.

Circumstances that fit into neither a state’s police power nor eminent domain power should be reserved for the individual. This is an important and balanced provision, as it keeps individual property

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68. *Id.*
70. An ombudsman is an official of government who assists citizens in resolving disputes with the government.
72. *Id.*
74. See *Kelo*, 125 S. Ct. at 2685 (Thomas, J., dissenting) (noting that such a distinction would mean that the Berman decision would have been decided on different grounds).
75. *Id.* at 2680.
owner’s rights intact, while still allowing municipalities to fight problems that create public harms.\textsuperscript{76} Cities, states, and legislators have many options when confronting eminent domain issues, and they represent a large continuum of responses, many of which need not trample individual property rights to be successful.

In this regard, it is important for legislators and advocates to not engage in a debate that sets up a false dichotomy between economic development and strong property rights. For evidence of this proposition, it is worth examining the City of Anaheim, California.\textsuperscript{77} Anaheim’s old downtown had been obliterated in the 1970s by eminent domain for urban renewal, which was unsuccessful and costly to the taxpayers.\textsuperscript{78} When recently faced with economic and city redevelopment, instead of trying eminent domain again, the city pursued deregulation.\textsuperscript{79} By forming an overlay zone that removed zoning restrictions and allowed almost any imaginable use of the downtown property, the city created a land value premium in the dilapidated area. Because owners could suddenly sell to a wider range of buyers, the area boomed, resulting in the investment of billions of dollars. In short, Anaheim succeeded in protecting property rights by deregulating land uses and promoting competition.\textsuperscript{80}

\textbf{B. Clearly Define What Qualifies as a Public Use or Purpose}

Second, a proper legislative response should clearly define what qualifies as a public use. There are only two constitutional requirements for the exercise of eminent domain power: that the use be public, and that the owner receive just compensation.\textsuperscript{81} The most straightforward manner in which to compensate for the \textit{Kelo v. City of New London} decision is to draft legislation that clearly explains that economic development does not constitute a public use in a state.

\textsuperscript{76} It is important to note, however, that the use of regulatory power usually does not require the state to compensate individuals to remove a nuisance; consider if you want to compensate such individuals in your state.


\textsuperscript{78} Id.

\textsuperscript{79} Id.

\textsuperscript{80} Id.

\textsuperscript{81} Talley, \textit{supra} note 45, at 759.
C. Consider Establishing Ombudsman Offices

Finally, a proper legislative response to *Kelo v. City of New London* would be to establish a property-rights ombudsman office within your state. A property-rights ombudsman office could be available to individuals when they are confronting a condemnation by the government and trying to assess whether the government’s proposed use fits the definition of a public use, or whether the government’s valuation of its property is fair and accurate. An ombudsman could also encourage state and local government agencies to regulate and acquire land in a manner that is consistent with applicable statutes and laws.

An ombudsman office is important because the burden of eminent domain falls disproportionately on the poor, and the poor are the least likely to be able to afford legal assistance. This is especially true when individuals want to contest whether a proposed eminent domain action fits the definition of a public use, because there is no guaranteed monetary value to attract legal assistance on a contingent fee basis. A state can help solve this problem by making a property-rights ombudsman available to all individuals, which some states already do.

IV. CONCLUSION

Post *Kelo v. City of New London*, it is necessary for individuals and state legislators to realize that the protection of Fifth Amendment rights is now in their hands. I have detailed three steps states can take to help ensure the protection of these rights. Undoubtedly, there are other steps states can take. Even though the Supreme Court upheld the Connecticut Supreme Court’s decision in *Kelo*, there is no reason

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82. Although the *Kelo* decision focused on the public use clause, the just compensation clause could also be considered when drafting a legislative response to *Kelo*. See Talley, * supra* note 45, at 760-68. Evidence suggests typical fair market values under-compensate homeowners displaced by eminent domain; the Supreme Court has even admitted this problem exists. United States v. 564.54 Acres of Land, 414 U.S. 506 (1979); Talley, * supra* note 50, at 766 (citing James G. Durham, *Efficient Just Compensation as a Limit on Eminent Domain*, 69 MINN. L. REV. 1277, 1305 (1985). For an illustration of this phenomenon, look no further than the valuation figures currently estimated for the Deepdale golf course in New York mentioned at the beginning of this commentary; the county assessor’s valuation figure was around $13 million, the club insisted it was worth more than $100 million.

83. *Kelo*, 125 S. Ct. at 2677. (O’Connor, J. dissenting); *Id.* at 2687. (Thomas, J. dissenting).

84. For instance, Utah already has a Property Rights Ombudsman office.
why legislatures cannot take steps to protect the Fifth Amendment private property rights of their citizens in a meaningful way.