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**PRIVATE COMMUNITIES GO PUBLIC:
ISSUES OF GOVERNANCE AND PUBLIC FINANCE**

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Abstract

This study uses a variety of data sources to examine the political implications of the movement of three communities in Arkansas from private towards public governance. Focus group interviews, interviews with primary actors, legal research and the scholarly literature are each utilized to understand the political context, process of change and the motivation of residents in these communities. Private communities have been seen as important examples of the merits of privatization. In this light, it is critical that scholars examine the implications of any movement from private towards public governance. A study of the issues which frustrate residents in these private enclaves may provide insight concerning the limitations of privatization.

Introduction

Much scholarly attention has been paid to the privatization of government services. A particularly lively discussion concerns the increase in the number of private communities and Residential Community Associations (RCAs). In many ways these associations act like municipal governments, yet they are private entities. Nelson (1989) argues that RCAs should become the prevailing mode of government for neighborhoods. He envisions two basic types of collective private ownership: the traditional corporation for business property and the RCA for residential property.

In our studies of private communities, initially developed as retirement communities in Arkansas, we have found that some communities with "private governments" are moving toward incorporation as public municipal gov-

ernments. This is particularly interesting in light of the tidal flow toward privatization. We explore the history of three private communities as well as the opinions of residents and the philosophical, legal, and practical problems that are involved when a private entity attempts to go public. Little has been written about this process. Evidence of the paucity of scholarly discussion might be seen in the lack of a concise term to describe the movement from private to public governance. We can speak of a government privatizing, yet we have no equivalent word for local private government "publicization."

RCA's in the context of the privatization movement

Paul Starr (1987) defines privatization as the shift from publicly to privately produced goods and services. Those who support privatization hold a "shared belief that the public sector is too large and that many functions presently performed by government might be better assigned to private sector units, directly or indirectly, or left to the play of the market place. The private sector, it is argued, will perform these functions more efficiently and economically than they can be performed by the public sector" (Moe 1987).

What is most interesting about private communities is that they privatize not only services, but also governance itself. Residential Community Associations are the most common form of private community government. According to Barton and Silverman (1989), RCAs are defined, "by the presence of common property, by rules governing the use of common and individually owned property, and by a mandatory homeowners' association whose elected board has the responsibility for enforcing these rules for maintaining the common property and financing their activities through assessments on all property owners." RCAs are an increasingly important component of the housing mix in the United States. Growing by more than 9,500 new RCAs annually, with more than 30 million Americans presently subject to RCA governance, it is expected that the number of RCAs will reach 225,000 by the turn of the millennium (Dilger 1992). In order to better understand the issues concerning privatization and RCAs, several private Arkansas communities, Cherokee Village, Fairfield Bay and, to a lesser extent, Bella Vista were examined. Because they are among the largest retirement communities with the longest histories, these communities present long-standing governance issues. Each is first described and then analyzed from the perspective of the issue of governance.

Methods

A collective case study (Stake 1994, 237) was used to study governance in retirement communities in Arkansas. Three cases, Cherokee Village, Fairfield Bay and Bella Vista, were chosen from a larger study. The data are qualitative and were collected through focus group interviews. Focus groups can disclose salient community issues and thus, describe understudied phenomena and assess needs and implications. Such was the case in this study.

Focus groups ranged from 6 to 14 members. Participants were grouped by town or area and included three categories: older adults aging-in-place, older adult in-migrants, and community leaders. Some respondents overlapped categories. Interviews were conducted between January and June, 1997. Snowball sampling was used to select participants. Questions were open-ended and designed to elicit perceptions of local history as well as current issues. Where not otherwise cited quotes used herein are from focus group participants. Based on findings from these focus groups, the researchers also examined legal filings, local histories, newspaper and other documentation and conducted supplemental interviews with community residents and officials.

Case Studies: Three Arkansas Private Developments

Cherokee Village

Cherokee Village is the oldest residential development among our cases. It grew from 2,400 acres in 1954 to more than 13,000 and includes parts of both Sharp and Fulton Counties (Wade 1984, 1; Cole May 1995, 2). Today Cherokee Village houses more than 5,000 residents (Cole, 1998). John Cooper, Sr., developed Cherokee Village's myriad amenities as well as fire stations, 350 miles of roads and streets, other buildings and facilities. Water was provided without charge until 1963. Until 1970, he maintained them and subsidized their use. No charges were levied for using pools or lakes and golf fees were low. He even subsidized meals in the main restaurant.

One focus group participant described Cherokee Village circa 1968 as follows:

There was not a piece of paper anywhere. Have you been to Disney World? You know how clean it is? You may not believe this but that is how clean this place was. If there was someone who was disgruntled and there was a chance that you might drive in here and buy a lot and talk to that individual, Mr. Cooper didn't run

him out of town, but...the organization would buy your house so that you wouldn't have to be disgruntled, so you wouldn't cause that person not to buy a lot...It was beautiful. There were 100,000 people a year coming through here between June and September. It was jumping. It was clean and the swimming pools were full.

Community affect of that period is summarized by another focus group respondent as "a country club environment in which the patriarchs took care of us." Although those days passed long ago, the developer received a favorable rating from current and relatively new residents in our focus groups. As one resident said, "[He] was good about looking after the interests and welfare of the Village..."

The Cooper organization unilaterally governed the community initially. In 1958, the Coopers initiated the first form of public governing structure, a "country club." Membership redounded to property owners. Over time, however, a more formal governing structure and increased revenues were needed to maintain and operate the amenities and to plan. Therefore, the Cooper company asked the Country Club to examine possible forms of Village governance. After a thorough study (Cole 1995, 1), the Country Club committee rejected municipal governance, their top choice. It was seen as too costly and lacking in power to levy sufficient taxes due to statutory millage limitations (Cole 1995, 1). Furthermore, off-site property owners, the majority of owners then and now, would have been unable to vote. The minority of resident property owners and renters would have controlled community decision making power. Therefore, changing to a municipality would have significantly reduced the developer's and other property owners' power.

A property owners' association (POA) with governing powers (essentially an RCA) would have provided a more democratic structure than the one selected. A POA was precluded, however, because legally it must have been established before the sale of the first property. A Suburban Improvement District (SID) was selected by default (Cole 1995).

The Steering Committee presented the decision to the property owners in a series of meetings. Despite organized opposition from the Cherokee Village Homeowners Protective Association, Country Club members voted for the SID by a ratio of 14 to 1 in 1969. Petitions circulating simultaneously garnered 7 times as many supporters as opponents. It is unclear whether the Villagers knew they were voting away their right to elect their representa-

tives, but presumably they did.

Although opponents challenged the SID for three years, local and state courts upheld it. Cooper donated the Cherokee Village amenities to the SID in 1972, three years after its establishment. Members of the Cherokee Village Homeowners Protective Association joined the Country Club and in 1973, a property owners' association (POA) also formed with which the Country Club merged (Cole 1995).

The POA is advisory and collects no dues, but all property owners are members. Among other current responsibilities, the POA dispenses a newcomer's packet and supports various community projects. The POA is functionally independent of the developer. Neither Cooper employees nor relatives ever held positions in the POA, even though Cooper was the primary property owner (Cole 1998). On the other hand, the Cooper Company donated office space out of which the POA operated, as does the current developer.

Though the Cooper company exerted no control in the POA, Cooper's son and son-in-law were two of the SID's first commissioners. The circuit judge appointed them. Over time, some of the officers of the POA became SID commissioners. Neither SID commissioner nor POA positions are paid.

SID is responsible for roads and streets; fire and security (excluding police protection); and parks and recreation. SIDs and municipalities differ in numerous ways. The SID's revenue collection authority pertains to lots but not to buildings or improvements. The revenue assessment assumes equal facility use value among owners. Because all property owners have equal access to all facilities, assessments are, with an exception, equal. Assessments are greater on those whose property abuts a lake or golf course because their access is direct and property values are therefore higher. Proceeds gained from selling a community-owned property would be divided equally among all property owners.

Compared with a municipality, a SID's participatory process limitations are striking. Commissioners are not elected and when a commissioner resigns or otherwise leaves office, the two remaining commissioners select a replacement for final approval by the circuit judge. Accountability resides in the judge's approval of the new commissioner and in the citizens' ability to remove a commissioner. In addition, although the Cooper organization deeded the streets and roads to the counties in which they are located, SID is responsible for them. Unlike a municipality, however, the SID receives no county "turnback" funds for street and road maintenance. The 350 miles of roads

within the Village strain the capabilities of the SID.

Deeding the streets and roads to the county affords them protection by the county sheriff. Technically, SID cannot arrange for police security, and so must employ indirect methods. Furthermore, the SID cannot pass zoning ordinances or building codes or laws. Cherokee Village has had to rely on the county to issue and enforce leash laws, for example. Leash laws constitute a case in which the potential hazard to a community of older adults is much greater than to the general community. A county is more likely to aim to serve needs of the general community over a subset, especially when resources are as limited as in Sharp County.

At its height, the Cooper organization had sold 25,015 properties in Cherokee Village (Cole 1998). It was assumed that the dues from these properties would maintain the roads and other amenities. Now monthly assessments are paid on about 16,000 or 66 percent of the original lots (Cole 1998). Declines resulted from two intervening recessions, the declining health of owners and heirs who lack interest. If property taxes also lapse, properties revert to state ownership for sale at auction. About 8,000 of the lots originally sold by Cooper had reverted to state ownership by 1995 (Cox 1995). The SID has tried to retrieve lots for the rolls, but marketing is outside their purview. Their funds may be allocated only to the three legislated goals.

In 1992, Cooper sold the remainder of his interest to a relative who continues, as the Cooper Company did, to pay assessments of approximately \$400,000 on all the lots he owns. Yet the major subsidies that ended in 1971, and the maintenance subsidies that continued until 1992, were gone and never to return. According to one interviewee, "The new owner does not have the resources to do these things [meaning the subsidies.] He has a lot of property to sell for his support, but as far as looking after the place it is primarily the responsibility of SID."

After the establishment of the SID in 1972, residents attempted four times to incorporate Cherokee Village as a municipality. Supporters of incorporation extolled the benefits of making local laws and voting for representatives. The largest incentive touted for incorporation, however, was the ability to raise revenues using a variety of methods unavailable to private nonprofit corporations, including retaining state and county turnback funds. Some saw loss of turnback funds as huge and unfair. The Fulton County portion of Cherokee Village (approximately 45 percent of the Cherokee Village acreage and about 600 of the more than 5,000 residents) recently successfully incor-

porated. In April 1998, Fulton County constituents voted to annex the Sharp County residents of Cherokee Village. Subsequently, Sharp County's Cherokee Village residents voted 2 to 1 to be annexed and incorporated as a city called Cherokee Village.

Cherokee Village Analysis and Interpretation

The Cherokee Village case study tellingly illustrates the issues involved in the privatization of governance. The community has struggled with three levels of privatization (a private corporation, a quasi-public special district, and a public municipality). At its inception Cherokee Village was a private development owned and administered by a corporation external to the community. Governance was through a developer who was viewed as a benevolent patriarch.

Developer control exemplifies the highest of the three levels of privatization. Governance and most services are provided by the private sector. Though decision making is almost exclusively under developer control, the developer relies on the government for enforcement or coercive power. Contracts are viewed by the government as binding agreements which the developer can enforce through the courts. The POA served an advisory role in Cherokee Village.

After developers have sold a substantial portion of their development, they need a vehicle for removing themselves from direct control and responsibility for infrastructure. Just as public governments may attempt to "load shed" and make public services private, developers desire to shed the load of their private amenities to a private owner's association (RCA, POA) or the public sector. In addition, in many communities demand for public goods which would not profit a developer would have arisen by this time. Cooper's need to end his subsidies required a new source of funding. In 1969, after debating how to support Cherokee Village's infrastructure, petitions were signed by owners representing 62.98 percent of the land requesting the formation of a Suburban Improvement District (SID).

SIDs are quasi-public agencies. Though constituted by the state and county government, SIDs embody many procedural aspects which are not what most would consider public. The limited voice in the SID is based on property ownership and not residency. Lower and different requirements for participation were evident from the SID's inception. While informal petitions of support came from a majority of the community, the creation of the Cherokee

Village SID was formally initiated by owners of about two-thirds of the land acreage. The petition to form the SID legally required "a majority in value and of area of the owners of record." Since the John A. Cooper Company owned 50 percent of the land, it required nowhere near a majority of the residents to create the SID. Following its creation, two of the three commissioners named to the SID represented the Cooper Company.

Neither the SID commissioners nor their successors are elected by community residents. The Cherokee Village Homeowners Protective Association filed suit. One motivation for the suit was a feeling that they would not be represented in the SID. Others argued that the POA members did not want to pay for amenities they had previously received without direct cost to themselves. The Arkansas Supreme Court ruled against the POA upholding the SID as a *de jure* governmental agency. This finding supported the SID's power to levy assessments, issue bonds, and take property for what the court called a public purpose.

Governance by private developers and RCAs is the most private. The SID is quasi-public and the municipal government is the least private. This ranking might be different if it were based on the degree of citizen participation in decision making. Ranked by openness of participation, the municipal government is the most democratic. The rule of "one-person-one-vote" was established for governmental entities first in *Reynolds v. Simms*. Next, and less democratic, is the RCA. "Citizenship" in an RCA is based on property ownership. In this case the franchise is based on property ownership. Each property owner gets one vote. Renters, for instance, are excluded. A formal RCA was not an option to Cherokee Village residents. Least democratic in process is the special district or SID. The SID comes into existence through a decision of voters whose franchise is based on the amount of property that is owned. After its creation, there is very little democratic control of the SID. Decisions are made by an appointed commission. The only way for citizens to exclude themselves from the authority of the commission is by exit. They must sell their property and leave the community.

In an effort to restore a sense of public governance, in 1980 a minority of residents of Cherokee Village attempted to incorporate as a city government. Polls of residents seemed to suggest that municipal incorporation was not a favored strategy. Some felt that it was a situation where "Let the buyer beware" was applicable. Recently one resident said,

Nobody was forced to live that kind of lifestyle. It wasn't as though we were railing against this. Mr. Cooper had a sales organization. It was a company policy, an industry. It wasn't as though people were saying, "Don't treat me this way." Everybody was happy. That was the way it was.

Diminishing assessments, the limited powers of the SID, and disappointment with county services have rekindled the desire for a municipal form of government over the years. Desire to elect their representatives has also been an issue for some. One older adult in-migrant described his/her understanding of SID thus,

I was almost shocked when I first came to the Village. I didn't know what SID stood for...I didn't realize that we didn't have any type of government, and I'd always lived in communities where there was a form of government where you could participate in it and the fact that you couldn't even elect the people who were doing all these things and spending all this money and deciding on the budget and all that...I'm not complaining about the job they did... they've done a wonderful job.

The process of becoming a municipality in such circumstances is not without controversy. While all legal residents will be enfranchised through municipal incorporation, non-resident owners are disenfranchised. SID commissioners and their supporters will lose their central role in policy making if a new public municipality is created. Incorporation in Arkansas is a petition process. The majority of voters from Cherokee Village East (Sharp County) and Cherokee Village West (Fulton County) submitted petitions in fall of 1996 to their respective judges. In January 1997, the Fulton Co. judge approved the petition; in February 1997, the Sharp County judge denied it. The Sharp County judge found that the powers of the SID superseded any newly established municipal authority. If the residents successfully incorporated, he said, the SID would still have the same powers inside the district. Since the SID included all of Cherokee Village, he argued that the proposed city government would not allow the new city to function in a meaningful way. The whole of Cherokee village would finally become a single city only through citizen votes and the annexation of the Sharp County side by the Fulton County side. They describe their new government as a "minimal government city." The SID will continue collecting assessments and provide the same services as in the past.

Fairfield Bay

Fairfield Bay, like Cherokee Village, created a different alternative to solely private government over time. Developed by the Fairfield Communities, Inc. (FCI) Fairfield Bay spanned more than 12,000 acres by 1976. Construction on the first building began in January 1966 and marketing soon followed (Harper 1976). Fairfield Bay hugs the shores of Greer's Ferry Lake and as part of the Ozark National Forest the terrain is hilly with deep ravines. One resident reported that prospective buyers,

...bought into this project because of the beauty of the area, more so than what was developed here at that time. We have the lake, ...the foothills of the Ozarks, we are in the Boston Mountains, it is a gorgeous place... a natural area. Air is clean, the water is clean. Beautiful place to come. Much nature.

In addition, FCI carried out promises to build some infrastructure. A conference center, mall, and restaurant constitute a town center. A country club, golf courses, and other amenities provide recreation. Disadvantageously, the preponderance of dirt roads in Fairfield Bay reduce travel safety and pollute water. Furthermore, FCI laid only about 26 miles of sewer line and 50 miles of water line so other property owners must install septic systems and wells. Due to the soil and water composition of this terrain, septic systems likely bode ill for long-term water quality (Stroud, 1995).

Early in the development of Fairfield Bay, FCI created a property owners' association (POA), the "Community Club," to which all but a few original property owners belonged and paid dues. FCI deeded the sewers and other amenities to the Community Club as it built them. The Community Club managed the amenities. The Community Club owned the country club and still does. Later the water system was sold to a private company which still holds the contract. Governance was firmly in private hands.

Initially FCI's general manager presided over the Community Club. Because FCI owned many unsold lots with which it could block-vote, the developer also controlled the nominations committee and therefore, the Community Club board of directors. Many members of the Board were FCI employees. During the developer's term, "the Community Club was a rubber stamp, and a marketing tool," according to one Fairfield Bay resident and focus group participant. Another added, "The original Chamber of Commerce was merely an extension of FCI...It functioned more like a hospitality [provider]." At least one focus group participant described the paradoxical relationship with

the developer by noting that FCI had been called a benevolent dictator. "Things were kind of nice. Things were reasonable. The developer did a lot of things for the people who moved into the community. Spent a lot of money..." Satisfaction with developer rule was not unanimous, however. A property owners' association (POA), separate from the Community Club, arose in Fairfield Bay in order to improve the Community Club's accountability. To make itself heard, the POA once unsuccessfully sued the developer and Community Club.

FCI's bankruptcy in 1990 brought "a screeching halt to what was going very well," according to one focus group participant. During this abrupt change all of the major institutions reorganized. Since the bankruptcy FCI has played a more modest role in the community. Although they still sell land and time shares and manage property, much of FCI's land is sold and it no longer develops land. As part of the bankruptcy proceedings, FCI was allowed to relinquish all property with liens. FCI turned over the first golf course to the Community Club to manage and own, but sold most other amenities to private entities.

According to more than one participant, the transition has been difficult. Just prior to the bankruptcy, the Fairfield Bay community had matured and the Community Club Board became more representative (Muellor, 1998). Yet when FCI failed,

They dumped the responsibility of this place on the people here with absolutely no corporate structure...We had an oversized homeowners' association called the Community Club, with no ability to tax or raise money other than through dues. [We had] no legal way of policing, running public safety or taking care of our streets and sewers and so on. It was all an ad hoc kind of operation (Focus Group Participant).

In the transition it became clear that Fairfield Bay would never again be subsidized by an entity like the developer. Losses were felt. As one participant indicated, "The expectations that had been fulfilled prior to [the developer's bankruptcy]...didn't change, but what was reality did." This heightened the community stress level. These expectations are described by another focus group member, "We still have a lot of problems with people thinking back to the days when the developer paid all the bills and they could live here so cheaply. They can't accept the idea that there is no one around paying their bills anymore." Yet another described it as a "...sort of a grandfather feeling that the developer would always take care of us, and we were protected and

the charges here wouldn't be like they are outside the gates. So that has been a real problem for some people."

The Community Club became a Residential Community Association (RCA). Then, in 1993, about two years after the bankruptcy, a few local citizens proposed incorporation, held a series of town meetings and circulated an incorporation petition. Voters strongly favored incorporation, and Fairfield Bay became a municipality by the end of July, 1993. In the November 1993 elections, 74 percent of the voters elected their first public officials.

The city of Fairfield Bay, although free of control by the original developer, is not without governance challenges. One focus group participant contended that the subsequent changes culminated in a "dual administrative function between the Community Club and the city." Defining and allocating responsibilities between the two governing entities consumed much energy in the first four years of municipal government. The decision making process has been heated. Yet views on it vary. Some view controversy as unwelcome dissension, others as the necessity of "people expressing their opinions and coming to the conclusions about what the community roles are." Furthermore, the change in Fairfield Bay's government was effected with the volunteer labor of numerous citizens, some of whom served countless hours. The work and conflict collided with the notion that residents had retired and chosen a quiet, tranquil well-ordered community in which to enjoy their leisurely older adulthood.

To facilitate cohesion between the city and Community Club, the new mayor appointed at least one Community Club Board member as an ex-officio member of each new city committee. The Community Club represents only property owners and while they could not vote as members of municipal committees, their participation invited consideration of their interests. Focus group participants tended to agree that by spring 1997, coordination between the city and Community Club was improving. One focus group member summarized the cautious optimism: "When Fairfield Communities went under, it left a void. We had all the volunteers, the different groups trying to do things with no coordination whatsoever. [The coordination] seems to be materializing at this time. I think we are on a roll."

The coordination extends to other important community groups as well. Still extant, the POA now takes on more general issues since the Community Club board members are now openly nominated and elected. For example, the POA recently contributed to a campaign to support locating the new se-

nior center in Fairfield Bay and donated funds to the Chamber of Commerce to market the area. The Chamber of Commerce, now independent of the developer, is also redefining its functions and identifying new relationships.

Although the two major governmental entities, the city and Community Club, cooperate they nonetheless maintain some separate responsibilities, structures and means of revenue generation. Subsequent to incorporation, for example, the city assumed responsibility for roads. The city provides revenue (at least partially from state and county turnback funds) and the Community Club furnishes labor and equipment for road maintenance. In another example, the new city assumed responsibility for public safety for which the Community Club had previously contracted with the county sheriff. Now, the city has its own police force which Community Club dues augment. The combined effort allows a much larger police force in the Bay than would otherwise be the case.

Nonresident assessment payments pose problems for the Community Club regardless of its structure. On the other hand, the public services offered by local government influence nonresident dues as does marketing, a perquisite of an active developer. Investors are more likely to pay dues if they want to use the property or have a good chance of selling it for a profit. Dues for residents must increase when those paid by nonresidents decrease because nonresidents are usually the large majority of owners.

In Fairfield Bay, the Community Club determines dues by vote. If a property owner does not pay dues, the Community Club must sue them and may pursue contents of their bank account. Liens on property often become unenforceable, however, because investors sometimes also stop paying taxes. If the property doesn't sell after a few years, it reverts to state ownership. Although increasingly heterogeneous, Fairfield Bay remains largely, a retirement community, is remote and depends heavily upon marketing for property sales. Abandoned properties affect not only RCA revenues, but also the general public good.

One significant disadvantage of FCI's bankruptcy was the loss of marketing. Questions of statutory authority and willingness to market must be addressed before questions of process may be. It appears as though marketing will become the purview of the city in conjunction with the Chamber of Commerce in Fairfield Bay. While the city has yet to levy taxes, they are considering a tax on restaurant food and/or lodging to pay for marketing. The rejuvenated Chamber of Commerce is determining its role here.

Bella Vista

Bella Vista is the newest development we studied. For that reason, and because of space concerns, only the most relevant aspects of Bella Vista's present governance will be considered here. John Cooper, Sr.'s Cherokee Village Development Company (Fite 1993, 95) began purchasing land in Benton County in 1962. Bella Vista Village now encompasses nearly 14,000 acres (Fite 1993, 80).

Having learned from Cherokee Village, the developer took the preliminary legal steps necessary to establish a POA in Bella Vista. The governing "Declaration" charged the POA to construct, maintain and administer common properties and facilities, enforce the Covenants and levy and collect assessments (Fite 1993, 96). From its inception in 1965 until about 1970, the POA board was comprised only of members of the Cooper Company board of directors. A professional manager, hired in 1968, began the process of separating POA and developer by encouraging unaffiliated property owners to run for the POA board.

The Bella Vista POA evolved over time to meet the demands of its growing constituency. For example, the POA made nominations more democratic and less likely to self-perpetuate. In 1981, it changed voting privileges from one-vote per property to one-person-one-vote but reversed itself in 1992, to comply with a formal ruling. In response to problems in the mid-1980s, the POA restructured, reallocated committee power and clarified management and board roles.

Although the POA has some powers, e.g. enforcement of some building codes, the POA cannot make laws. Initial covenants, regardless of their strengths, cannot respond adequately to changing demands, resources and events. Hunting, for example, was prohibited in Bella Vista in 1993 only by an act of the Arkansas legislature. It charged counties with enforcement. The county in which Bella Vista is located has numerous competing pressures, limited funds and is viewed by Bella Vistans as insufficiently responsive to their needs (Fite 1993, 182).

As in the other cases presented, amenity financing has risen in importance. In 1974, Bella Vista's dues were \$5 per month. Fees were applied sparingly. Meals in restaurants were served below cost; green fees were not charged. With such subsidies, demand for expansion of recreational facilities has been high. Assessments were raised to \$9.50 per month in 1977 and \$14 in 1985. POA members are reluctant to pay higher assessments and non-

residents, the bulk of owners, feel unfairly taxed. User fees charge those who use the services, mostly residents (French 1998, A8).

Although Board support for dues increases has been strong, property owners have continuously rejected them. Consequently, fees have risen. Assessment income provided 53.5 percent of POA revenue in 1988, for example, but 44.6 percent in 1991. Having recently rejected another proposed increase, today dues remain at their 1985 level of \$14.00. Equity and social class issues influence Bella Vista's financing. Increased fees would place a burden on some older residents who live on fixed incomes. One focus group member described their plight: "The older retired folks in Bella Vista feel an awful lot of pressure because they are on fixed incomes and their checks have not grown to meet inflation and some of them just can't afford [it]." Some have moved to Bentonville; others back home. Yet another focus group participant expressed a critical issue, "If they make decisions on the lowest denominator, which is almost a morals thing, then you're going to have a crummy town. You're going to have a town that's on the level of the cheapest, the lowest income. I don't know what to do about it." One of them sees older adults and the POA analogously, "In one sense, the POA budget for municipal services is in that same boat. Revenues don't rise, but costs do..."

One approach to solving the underfunded amenities and services is to consider incorporation. The first "serious discussions" of incorporation occurred in 1977 (Fite 186). The POA Planning Committee studied incorporation as well as the possibility of becoming a planning district, but opposed both. Since 1977 incorporation has been studied again and again rejected. In the early 1980s when the planning committee recommended reexamining the issue every 3 years, John Cooper, Jr. opposed incorporation but granted it might become necessary (Fite 187-188). Discussion of incorporation has revived in the last few years.

Costs of incorporation include the belief that it would be no more democratic than the POA and less able to deal with the rapid growth (Fite 1993, 187). Non-residents would lose their votes. Aspects of incorporation that would counter the Covenants might produce legal battles (Fite 1993, 187). The existence of two governments for one location would promote conflict. At one point, an economic analysis estimated that a city would end up with a \$1 million deficit due to an inadequate tax base (Fite 1993, 189).

One study indicated that the city could not afford police, fire and water, but that those could be contracted with the POA. Sullins (Fite 1993) sug-

gested there would be higher taxes due to the expense of city government (190-191). Some worry that in a city, residents would have less autonomy over spending and decision making than with a POA. In focus groups, however, community leaders noted that some residents believe the opposite. One focus group participant observed that, "The Covenants were not designed to govern a community of people. I don't think even the Coopers envisioned that this Village would be as large and as dynamic as it is..." Yet another participant added, "It is trying to govern the Village by the Covenants that were not designed to govern people. They were designed to govern a country club." The numbers affirm growth. Bella Vista now has over 70,000 member-owners. It is managed by six division chiefs and has over 200 full-time and 350 part-time employees (The Morning News, June 10, 1998).

Conclusions & Implications

Of the three models for government (private governance or RCA, public authority or SID and municipality) both the RCA and the SID exemplify what Villmoare (1982) calls a "corporatist model" of governance. "Under corporatism there is 'mutual interpenetration of public and private authority.'" The new corporatist state, "is based on the perception of the fulfillment of socially harmonious goals...minimizes overt conflict..." (Villmoare, 1982, 11). Even when basic services are more or less effectively managed, decision-making processes will still differ in public and private governance. Citizenship confers participatory rights to residents in a municipality. Ownership confers a more limited participatory right in a private RCA or quasi-public authority.

Barry Bozeman (1989) argues that public and private "sector blurring" is not only present and inevitable, but the desired way to plan for the future. Our analysis of communities in Arkansas leads us to conclude that the process by which decisions are reached may be as important to residents as the effectiveness by which services are provided. There is at least the perception of significant differences in public access to the decision making process between public municipalities and private corporatist governments. Citizens in Cherokee Village and in Fairfield Bay eventually chose to move away from the private corporate model of governance toward a more public one. Such was the case in Cherokee Village, even though the quasi-public SID seemed to prevent meaningful incorporation as a municipality.

Financial issues are also crucial in residents' decisions to become public.

Becoming "public" means that public funds (turnback funds for instance) now may be used in the formerly private community for the community amenities and infrastructure. In both Fairfield Bay and in Cherokee Village, much of the infrastructure that was built for a private purpose became a public responsibility. In both of these cases, local governments did not initially plan or budget to assume the role of maintaining the infrastructure. Nor was the infrastructure built according to publicly established standards. The environmental issues in the development of Fairfield Bay raised by Stroud (1995) provide examples.

Arkansas counties and cities, like most local governments in the U.S., do not regulate the finances of private communities in any meaningful way. Some argue that local governments should require all RCAs to report their financial status periodically and "to meet certain financial tests, such as required reserves" (Dilger 1991). Developers would probably oppose such intrusion into the private sector. Higher reserves require higher assessments and might hinder property sales. Yet it could be argued that the private developer, by not assuring adequate long-term maintenance funds, makes the short-term profit from sales while transferring the long-term capital expenses to the public sector.

Our study of Cherokee Village, Fairfield Bay and Bella Vista raises questions relevant both to RCA residents and to the larger community. Potential RCA residents must ask numerous questions before buying. Not only should they understand what is being subsidized and whether operating costs will change after their initial investment, but also consider how comfortable they will be with decision processes in the new private corporatist communities. In considering issues for the larger community, Salamon (in Moe 1987, 132) reminds us that "Privatization does not transform constraint into choice; it transfers decisions from one realm of choice—and constraint—to another..." When a regional or local public government considers how many golf courses, swimming pools or roads to build or maintain, it does so with a view towards balancing the needs of a particular area with the needs of the whole city or region. A private RCA developer, on the other hand, will most likely plan and build with the developer's short-term marketing and profit concerns as the paramount decision criteria.

If no mechanisms exist for assuring continued support for the amenities planned and built by a private developer, the public sector likely will be forced to assume continuing costs. For the developer, this makes economic sense. What makes sense for the community as a whole?

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¹ Collective case studies are defined by Stake (1995) as instrumental in nature, but comprised of more than one case. Instrumental case studies “provide insight into an issue or refinement of theory” (237) and are thus, often used to teach.

² USDA National Research Initiative grant on the impact of older adults on rural communities. M. Jean Turner, principal investigator.

³ Qualitative data have been defined variously, but are summed up by Tesch (1990) as Any information the researcher gathers that is not expressed in numbers. Qualitative research is defined by Denzin and Lincoln (1994) as “A multimethod in focus, involving an interpretive, naturalistic approach to its subject matter” (2).

⁴ Cooper employed a Residential Community Association in his subsequent developments in Bella Vista and Hot Springs Village.

⁵ The Cherokee Village Homeowners Protective Association was organized in December 1968 (Cole, 1995).

⁶ Turnback funds are portions of taxes paid to a government body which are then returned to localities in proportion to the taxes paid.

⁷ Fairfield Bay is the first of 23 planned recreational communities developed by Fairfield Communities, Inc.

⁸ The Suburban Improvement District (SID) in Cherokee Village is a planning district.