

Governor's Clean Water Initiative: Shoreland Standards Update Project 2006 - Article Number 5

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Your Lake, Our Lakes: Economics of Shoreland Zoning

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If we want to make good lakeshore development decisions, we need to understand the environmental and economic benefits of shoreland zoning. While the environmental benefits of zoning are often obvious, understanding the economic consequences of shoreland zoning can be more challenging.

The State sets the minimum rules for local government shoreland zoning, and these minimum rules are intended to preserve and enhance the quality of surface waters, conserve the economic and natural environmental values of shorelands, and provide for the wise use of water and related land resources of the state. These rules include provisions for setbacks, lot size, vegetation clearing, subdivisions, and other development rules. Prior to the development of these minimum rules, developments often led to the degradation of lakes and rivers. Today, each local government is responsible for administration and enforcement of its shoreland ordinances adopted in compliance with existing State rules.

We are often contradictory in our opinions of lake development. We want to preserve the natural character of our lakes, yet we don't like limits to development. We do not want others to infringe on our freedom to enjoy our lakes, yet we want additional regulations on those who detract from our experiences. As the number of homes on Minnesota lakeshores continues to grow and the miles of shoreline remain static, more conflicts about lakeshore development are sure to arise.

The economic benefits of good shoreland zoning practices may be hard to quantify, however, the private costs of complying with those regulations are well known to those regulated. Shoreland zoning ordinances limit the use of private property. Any limit may result in loss of anticipated or wished benefits. Second, a property owner may incur costs in complying with a zoning requirement or in addressing an existing non-conformity. Third, a property owner is limited in the number of lots into which a parcel can be subdivided, which may reduce profit.

Finally, the net cost to the local government of administering its shoreland ordinance is a public cost, which is borne by its taxpayers.

Lakefront property owners, local governments, and taxpayers benefit economically as a result of the amenities that good shoreland management preserves: clean water, fish and wildlife, and natural beauty. Riparian property-owners also benefit from zoning regulations through the protection and preservation of the valuable amenities associated with their waterfront property. Without shoreland ordinances, property owners would have to confront their neighbors to protect their private interests. Zoning controls are a much more effective mechanism than individual lawsuits.

Good water quality is critical to the tax base and economic assets of the state. There are several studies that demonstrate the economic benefits of good shoreland zoning.

Water clarity is strongly related to the price people are willing to pay for lakefront property. In two Maine studies, declining water clarity was shown to reduce lakefront property values. A 3-foot difference in average minimum water clarity was associated with property value declines of up to 22 percent. In a lake-rich township in Maine, it was predicted that a 3-foot decline in average minimum water clarity would cause a loss of 5 percent in total property value and likely an equivalent loss in taxes paid. A similar study showed a direct relationship between property values and water clarity for Minnesota lakes. Such studies are evidence that protecting water quality of lakes is important in maintaining the economic assets of a region.

People are also willing to pay more to live on a lake that's protected from degradation and poor development. When Vilas County, Wisconsin, enacted shoreland zone based on the level of development and sensitivity to environmental change, the economic effect was generally positive, as reflected in higher property prices. The zoning restrictions increased the value of land along lake studied from 13 to 24 percent. These results suggest that the lake homeowners are willing to exchange rights and money to live on a healthier lake. At the same time, the study suggests that preservation is valuable economically because it enhances the worth of land surrounding restricted lakes. Further analysis also suggested that the value of shoreline increased in the county, even for undeveloped parcels.

Protecting lakes can deliver additional broad-scale economic value. For example, tourism in the lakes regions of Minnesota is important economically. Our tourism industry is based primarily on Minnesota's water resources, so water quality is important to a healthy

business economy. Clean water and lakes draw visitors and these amenities are important in the quality of life for local residents. The highest ranked reasons visitors identified in selecting the Brainerd Lakes and Itasca areas were the natural environment; area lakes, streams, and rivers; boating/water recreation, and scenic views. Of course, poor development and inadequate shoreland zoning threaten these amenities.

A group of private citizens and government officials recently finished a review of Minnesota's shoreland management standards and recommended changes they believe will enhance environmental and economic benefits. These modernized Alternative Shoreland Management Standards could serve as the foundation for local government administered ordinances to provide greater protection to both economic and environmental concerns. These standards include better development practices and standards to reduce the negative consequences of rapid development. These standards, which were developed with the understanding of the economic consequences of zoning, also incorporate pragmatic tools that provide for the wise use of Minnesota's shorelands.

Details of the shoreland rules update project are online at <http://www.dnr.state.mn.us/waters>. E-mail comments to shorelandupdate@dnr.state.mn.us.

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