Dane County Water Body Classification
Economic Advisors Focus Group
Held January 13, 2009 in the Alliant Energy Center Board Room, Madison WI

Focus group participants present: Bill Provencher, Greg Gardiner, Phil Salkin, Paul Musser, Connie Anderson, Tenny Albert, Jim Welsh, Mark Hanson, Don Esposito, Gaylord Plummer
Lakes and Watershed Commission members present: Brett Hulsey
Others present: Karen Karnel (City of Madison), Kent Disch (Madison Area Builders' Association), Carole Schaeffer (Smart Growth Greater Madison), Kevin Little (Greater Madison Chamber of Commerce), Eileen Bruskewitz
Staff team members present: Mindy Habecker, Brian Standing, Mike Kakuska, Sue Jones

Following a presentation on the proposed Shoreland and Riparian Management Plan, staff posed six questions to the focus group. Questions and participant responses are listed below.

QUESTION 1: What factors influence the market value of property in general? What is different about shoreland properties in particular?

- Substantiate that stormwater facilities are not navigable
- The critical point is that property values are sensitive to short distances (i.e., proximity to the water). Small changes can make hundreds of thousands of dollars difference in value.
- Property values primarily relate to 1) an unobstructed view of the lake, and 2) use of the lake. Also lake quality, surrounding uses, topography, bed (e.g, sandy, muddy, etc.).
- Regulation affects valuation. Well-designed regulation can increase property values (i.e., setbacks). Regulating in a smart manner can increase positive amenities without adverse effects on development.
- There are offsetting costs/tradeoffs with regulations. A study should be conducted to cost this out in dollar terms.
- It's an empirical question. A study of property values in Vilas Co. showed negative development effect of town ordinances: restriction drives down value, and plays against amenity value. Although, if everyone was held to the same standard you would get amenities greater than cost.
- Study the cost/benefit of regulating a shoreland home vs. one 500 feet away. If the public good is defined within 75 ft., then why are we regulating 1000 ft.?
- With conservation easements on larger parcels we're finding land values actually increase.
- You can't say regulations that limit uses always depress land values. Restrictions can increase property value, especially if ordinances improve water quality. However values of properties farther from lake may not increase at same rate with improved water quality.
- Need to study how amenities affect property values. If one loses $30,000, are they getting $30,000 back in benefits? How does this compare with other impacts (i.e, agriculture, stormwater)?
- It's a matter of short-term costs vs. long-term appreciation in the long run. If we improve lake quality this will add value in the end. Short-term loss over long-term gain.
- It's complicated. You never know how the market will value requirements on shoreland property owners. It could scare buyers. Shoreland valuation is often more emotional than rational.

- People will want financial credit for costs of practices such as installing rain gardens, etc. (tax break perhaps?).
- Uncertainty will have a negative effect on property value.
- It would be interesting to have a study of the lakes right now, in a dirty condition. How has that value dropped compared to previously?
- A $5000 buffer would not be a major disincentive on a $1 million property.
- It's a bad time now to judge property values.
- Water quality in the lakes has always been bad, yet property values have gone up! Values could rise faster with cleaner lakes.
- It's a matter of winners (areas currently developed that would get amenity flow) and losers (areas planning to develop that would have to incorporate practices to meet new requirements).
- In Vilas County a water quality study was done comparing a minimum setback of 100 vs. 200 ft. Increased water clarity had a definite positive effect on property values (estimated to be $2,000 per lot per foot depth increase). This study result is similar to others in other parts of country.
- Purchases of lake front property are usually emotional. People are not too concerned about water quality. People prefer the view. Market value is more emotional than statistical. Really can't tell the impact until there have been some sales.

QUESTION 2: How do land and design regulation in general affect property values? How might land and design regulations affect specifically shoreland properties?

- Costs of regulation on property values often don't consider the benefits – which are often intangible.
- Don't see the nexus between this set of regulations and water quality.
- An $8,000 increase in value due to regulation on a lakefront property worth millions of dollars is statistically nil by comparison.
- This regulation brings in 40-50,000 properties under regulation that were formerly not regulated (therefore non-conforming).
- There has to be disclosure. How will people react if their property now has obligations? What's the impact?
- Every property is regulated under erosion control and stormwater management requirements. We haven't seen increased costs due to these.
- It's hard to value this ordinance. Can't value highest and best use on a public good, especially if it is realized beyond the property. Can't account for the public good.
- It's nebulous. We don't know how benefits will accrue to the property owner.
- How complicated will it be to re-develop other properties? The unintended consequence of this could be to discourage re-development of our most valuable properties. This is a disincentive on property values and tax base. We don't know what the unintended consequences of this proposed program will be.

- For a Mud Lake property it costs $25,000 to get DNR and County permits. It's very cumbersome and takes a long time. Would like to see these steps applied at the same time, therefore more efficient.
- There should be a County matching fund (from all taxpayers) to shoreland owners who would bear the costs of the public benefit.
- How does this affect the lots in the Arboretum?
- The value loss of the unknown is big in a buyer's mind, especially regulation. It's a very gray area. If left up to an administrator's opinion, for example, what constitutes a rain garden? That human interpretation equates to uncertainty, which equates to property loss.
- On the other hand, this proposal makes regulation more predictable, and there's value to that.
- There's a question of lakes vs. other properties: does a stream lot command the same premium as a lake property? Yes, but not the same or as much as a lake property – depends on which lake or stream and its condition. For example, a lake property subject to flooding may not command the same premium.
- There's a larger amount of navigable waters than one probably realizes. How we define navigability is important. It can become more confrontational. Should state in ordinance who determines navigability.
- Erosion control costs of compliance get passed on to the buyer. The level of effort is quite high. Hard costs and time commitment leads to uncertainty. Can miss an entire development season if there are delays.
- Would like to see sufficient funding and staffing so as to be able to complete the review/process in a reasonable timeframe.
- Public benefit is missing in the calculation. Hard to calculate. Re-evaluate how to calculate value to include public benefits.

QUESTION 3: How might the proposed management strategies economically impact local property values both negatively and positively? Please provide specific examples.

- After the controversy in the Arboretum, offers on properties went down when people had to go through a variance process and there was uncertainty about their ability to add a deck.
- In the Town of Albion, two of four small non-compliant lots were found useless and had an immediate effect on assessments and property values.
- With the Middleton Beach Association, representing millions of dollars in property value, there would be a big loss there if found non-conforming.
- Have to show some credible evidence these regulations will have a positive impact on water quality. Where's that nexus?
- How does the ordinance translate into amenity value?
- In Vilas County, properties with a 200 ft. setback were found to be more valuable than those with a 100 ft. setback.
- What's the long-term effect? Market value increase probably won't show up right away.
- With regard to the performance standards, will they have a positive impact on water quality, is this the best way to proceed, are there any other alternatives that might be better?
- Have to stop analysis at some point, or will spend all time on studies and not take actions to improve water quality.

- Does this ordinance create more non-conforming lots, therefore negative value?
- With regard habitat, scenic, and water quality; scenery may change quicker.
- What about historic structures? Vegetative screening could mean that could no longer see historic homes from the water.
- Scenic value is from house to lake, not lake to house (from a property's perspective). Putting up a screen blocks the view from the house to lake.

QUESTION 4: Besides property values and individual parcels, what other positive or negative economic implications might be associated with this proposal?

- Will this have unintended consequences of reducing incentives to fix a rundown property (e.g. boathouse)?
- Will this promote sprawl?
- How does this integrate with CARPC's policies that new development must be at higher densities? Prescriptive zoning would be a clear conflict in terms of density.
- Potential for huge benefits with this program. In Vilas County, improvements in water quality, fishing, less weeds, and swimming resulted in property increases in the tens of thousands of dollars. Benefits flow to those farther away from water, also.
- In the long run we can expect increases in the ecological quality, however, the benefits are hard to quantify. They could be quite large.
- Vilas County was noted as having seasonal vs. year-round homes – how well would that transfer here? River system benefits may be different, too.
- Appraisals are based on current conditions - can't look 20 years down line and quantify future water quality benefits to a property today. There's no doubt that the proposed ordinance will make the lakes better, but it's not quantifiable now.
- One might argue that the County is already responsible for providing clean water through taxes, programs, weed cutting, etc.
- Unknowns must be eliminated and then would have very little downward impact on property.
- The process has to be streamlined (week vs. months). Reducing the gray area (more certainty) would be a tremendous benefit, although less impact on value.
- Costs are felt individually, while benefits are long-term.
- It's difficult to take the public good into account, quantify it.
- Once people are on the lake, they want to see increased water quality, swimming, less algae.
- One study found a $25,000 loss per lot as a result of mill foil invading a lake. A strong negative effect.

QUESTION 5: What modifications to the draft plan would strengthen it and make it better?

- We need numbers, dollar amounts, ecological evidence linking the regulation and benefits. Look at different property investments (ranges). What are the aggregate costs and benefits?
- The regulations assume benefits are greater than costs. That needs to be substantiated.

- What are the prospects for increased flexibility, such as mitigating the impacts of Highest/Best value offsite?
- Give us an idea of time horizons for when changes could occur. How long would it take for property changes to pay out water quality benefits?
- How many lots will be affected, what will that mean for the lakes?
- UW's Bishop study was based on a 40% phosphorus reduction as a result of the Lake Mendota Priority Watershed plan. Did that go through and have the desired effect? This could be used to give us an idea of public benefits.
- Not sure the science is there, there's a lot of uncertainty.
- Nexus issue is needed up front – clear cost/benefits.
- What would happen if we did nothing?
- The process needs to be simple with a quick turn around.
- Need increased certainty in the ordinance (e.g., navigability, variances pretty wide open terms). Knowing who to go to get answers would be a tremendous benefit.
- Consider County financial assistance to shoreland owners to implement the requirements, since it fosters the public good. Benefits go far beyond the riparian zone.
- Find data on property values, different water quality, views, tease out the effect of this regulation on amenity value and then determine how the market will value it – not easy to do, but doable.
- What is going to be the impact, is it going to improve water quality in Lake Mendota -- a foot perhaps?
- What's going to be the impact on the ecology, fishery?
- Evaluate the effect of erosion control, stormwater management.

QUESTION 6: As a result of your discussion, has anything else occurred to you regarding economic impact that you would like to share?

- Participants wanted to know next steps, which have subsequently been summarized in the "Update on the progress of the Dane County Waterbody Classification Project (Draft Shoreland and Riparian Management Plan)."

- Some participants expressed a willingness to be consulted on future project work