

Property Values



The co-author of a study linking water quality to lakeshore property value in Minnesota says landowners who restore their lakeshore to a more natural state should be given a property tax break.

Charles Parson, a geography professor at Bemidji State University, said there should be financial incentive for people willing to protect water quality. "It would be a smart move on the part of county governments to implement a program to encourage citizens to protect the lakes," Parson said. "Counties in lakes areas derive much of their tax base from lakeshore property, so it would be in government's best interest to protect the value of that property."

Parson and Patrick Welle, a BSU professor of economics and environmental studies, co-authored a study titled "Lakeshore Property Values and Water Quality" and released the findings in June. Their conclusion: The better the water clarity in a lake, the higher the value of the land around that lake.

Researchers at BSU calculated how much property values would rise or fall on 37 north-central Minnesota lakes if water clarity improved or worsened. They examined 1,205 residential property sales from 1996 to 2001. Land values were compared with water-clarity data for those lakes. Water clarity is a measure of how deep you can see into a lake.

In general, Welle said, lakeshore owners can figure 1 meter (a little more than 3 feet) of improvement in clarity is worth \$50 to \$60 per frontage foot of lakeshore. Frontage foot is a common way to measure lakeshore property, measuring the number of feet fronting the lake. Welle said that number varies greatly from lake to lake, however. Leech Lake near Walker, for example, is clear to about 10 feet. The study projected that if clarity improved to 13 feet, the lake's property value would rise by \$423 for each foot of frontage. For 50 feet of lakeshore, that's an increase in value of more than \$20,000.

If Leech's clarity was reduced by 1 meter, it would reduce values by almost \$600 per frontage foot, the study says.

Other lakes would have their property value less dramatically affected by changes in water quality, Welle said.

"The value of the study is that it finally puts a real dollar figure on the relationship between water quality and property value," Parson said. "People always suspected clear water meant higher property values, but now we know a meter of clear water is worth 'X' amount of dollars." The study's findings didn't surprise Fargoan John Postovit, a lake home owner on Big Floyd Lake near Detroit Lakes and an active member of Becker County's Coalition of Lake Associations. Postovit last year compared property values on Big Floyd, Little Floyd and North Floyd lakes to their respective water qualities. His findings were similar to that of Parson and Welle.

On Big Floyd, the clearest lake of the three, the assessed value of 100 feet of lakeshore was \$88,000. On North Floyd, a nutrient-rich lake with poor clarity, 100 feet of lakeshore was assessed at \$30,000. Property on Little Floyd, in which water quality falls between the other two lakes, was worth less than Big Floyd but

was 52 percent higher than North Floyd, Postovit said. "Everything appears to be the same -- things like proximity to Detroit Lakes, services, roads to and from the lakes -- so I asked myself, 'What's different?'" Postovit said. "The only thing I can come up with is the water in the lakes."

A real estate agent in Detroit Lakes disputes the BSU study's findings. Jack Chivers said the oft-repeated cliché about the value of real estate still holds true when it comes to lake property in Becker County. "It's based on three things," he said. "Location, location and location." He said the area's two lakes that have the highest property value -- Big Detroit and Pelican -- don't have the best water quality. And the lakes in northern Becker County that have the best water quality don't fetch the highest prices. Chivers said an undeveloped 150-foot lot on Pelican Lake recently sold for \$600,000, or \$4,000 per frontage foot.

"There are lakes in the northern part of the county, like Elbow, Many Point, Round, Ice Cracking and Bad Medicine, where you can drink the water off the end of the dock, and they aren't getting anywhere near that," Chivers said. "A good lot on those lakes goes in the neighborhood of \$1,000 a front foot."

Parson defends the study's findings and said it's time for property owners and state and local governments to think hard about land-use and development issues regarding Minnesota's lakes. "When people act individually to increase their property prices, giving their lot a golf course look, they are doing things that maximize the degradation of the lake," Parson said. "We don't have an effective policy to deal with that."