

## Information Regarding Specific Cases of Laws or Regulations Affecting Property Values

November 4, 2011

*Revised*

Resolve 2011, chapter 111 provided that the committee may “ Examine specific cases in which state and municipal laws, regulations, ordinances and investments have affected property values in this State, both positively and negatively;”

The following is an outline of our efforts to find this information for the committee’s consideration.

### Information from testimony on LD 1477

**1. Don White**, President of Prentiss & Carlisle –Mr. White stressed the importance of preserving the value of land for future generations.

Example given: 100,000 acre parcel with 75 miles of shorefront on ponds greater than 10 acres

Attached to the testimony were maps of the **Jo-Mary Region** illustrating areas with code restrictions (FEMA & State plumbing code) based on soils, slope and setback and regulatory restrictions based on LURC subdistricts and lake classifications.

Rule of thumb offered in the testimony: Waterfront “buildable” lots are 100 times more valuable than generic timberland lots.

Breakdown on 75 miles of shorefront:

- 6 miles or 8 % could possibly be developed
- 2 miles or 3% probably retain their development value.
- 42% of frontage is unsuitable for development (poor soils, flood plain, slope)
- 47% of land can not be developed due to LURC land district and lake classifications

Don White agreed to ask P&C’s appraisers to provide more specific examples of value lost to regulation. E-mail correspondence and phone conversation.

**2. Rep. Kathy Chase**, example from Town of Wells:

Start with a 5.9 acres lot:

- Local requirements reduced the “buildable” area to a shape approximately 70 ft. X 230 ft.
- Setback from wading bird habitat required under DIFW rule further reduced the “buildable area” to 20x 100 feet.

Estimate that the value of the lot went from \$125,000 as a buildable lot to \$1,000 - \$1,500 as a “non-buildable” lot

## Personal communications

### **1. Robert Doiron, Supervisor, UT Property Tax Division, MRS**

Comments: Assessors typically do not value property based solely or primarily on land use zoning districts or restrictions. Information from real estate market sales over time is typically the best indicator of real estate value in a particular area. Many factors beyond zoning restrictions drive market and assessed value of real estate.

MRS assumes land within LURC jurisdiction (other than land enrolled under current use tax provisions - tree growth, open space or farmland) is unencumbered relative to some level of development unless the property owner (taxpayer) demonstrates that the land is encumbered in some fashion by LURC regulation, that is beyond the obvious restrictions such as shoreland zoning..

If taxpayer claims the land is not developable at all, MRS asks for a written determination from LURC to confirm this. In such cases, MRS values the parcel at 50% of its value without the encumbrances.

**2. Drew Sigfridson**, Board Member, MEREDA, broker with CG Richard Ellis/ The Boulos Company. Contacted at the suggestion of House Chair, Rep. Cushing

Mr. Sigfridson forwarded the inquiry to Mark Plourde of Maine Valuation Co.

### **3. Mark Plourde**, MAI, Maine Valuation Co. Standish Maine

Mr. Plourde did not have time to research and provide realistic examples based on recent appraisals. He stated that there is no “one size fits all” in the appraisal world and that real estate values can vary widely from property to property. Mr. Plourde outlined regulatory impacts on private property values as related to:

- Eminent Domain (MDOT - just compensation must be paid for property rights taken)
- Conservation Easements (voluntary preservation, tax benefits)
- Working Waterfront (LMF – preservation, tax benefits)
- Tax Abatement Appeals (higher property tax expense can lower market value for income properties – market value should trump equity)
- Subdivision Regulations (impacts development density and values)
- Zoning changes (large impacts, but mostly police power)
- Shoreland Zoning (reduces utility/value of land)
- Vernal Pools (reduces utility/value of land)
- Historic Preservation façade easements (higher expenses to maintain)
- MDOT Access Management Regulations (limited curb cuts can limit utility/value of a parcel)
- Farmland/Open Space/Tree Growth classifications (reduced taxes, carrying costs benefit land owners)
- TIF (Tax Increment Financing) Districts – attracts development and narrows gap to financial feasibility of a project.

Mr. Plourde suggested speaking with Bill Van Tuinen, an assessor in Madison – Skowhegan area, Bret Vicary from Sewall Co., and Toni Kemmerle from MDOT.

**4. William Van Tuinen, Assessor.** Mr. Tuinen commented that it is difficult to quantify the affect of a land use regulation or ordinance on the value of a property. Assessing property values is complex and relies primarily on comparisons of recent sales of similar properties in the same vicinity. Many factors affect property values over time. A person who is knowledgeable of the real estate market may anticipate a change in property values in response to a new land use regulation but quantifying the near term impact and predicting the long term impact of a specific regulation is almost impossible.

Two examples illustrating factors to consider follow:

**Example 1:** A landowner owns a parcel of land with 1000 feet of shore frontage along a lake. The landowner had anticipated dividing the parcel into 10 residential lots, each with 100 feet of frontage. In 1990 shoreland zoning standards changed to require a minimum of 200 ft. shore frontage for each residential lot. The owner can now market only 5 lots rather than the 10 originally anticipated but not surveyed, plotted and recorded at the time of the change. The total realized from the sale of 5 lots each with 200 ft. of frontage is unlikely to equal the total of 10 lots each with 100 ft. of frontage. The value of the 1000 ft of shorefront has been reduced. Increases in minimum shore frontage and lot size may have the desired intent of protecting water quality. In the long term this may positively impact property values around the entire lake but for the landowner with the 1000 ft of shorefront who wants to sell now the change in minimum frontage has resulted in a diminution of value.

**Example 2:** A person owns a shorefront camp built before shoreland zoning was enacted in 1971. The camp sits very close to the water with no buffer and great views of the lake. The camp is grandfathered and can be sold as is. An adjacent lot has not been built on. The lot is taxed at a value less than the adjacent lot with the camp. The frontage is similar and the lots are approximately the same size.

The camp owner believes his taxes (that portion attributed to the lot) are too high and files for abatement. The appraiser for the town examines the lots and concludes that the higher value for the camp owner's lot is justifiably assessed. Because of setbacks and restrictions on clearing vegetation, anyone purchasing the vacant lot will not be able to build a camp as close to the lake or with the view offered on the grandfathered lot.