

WATER QUALITY



THE SUN sets over Flathead Lake, which is the largest, fresh body of water west of the Mississippi River. (Provided by University of Montana)

Study: NW Montana lakes generate \$3B in property value

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A new study from the Flathead Lake Biological Station and Whitefish Lake Institute has revealed Whitefish and Flathead lakes upward of \$3 billion in property value and \$25 mil-

lion in annual property tax revenues for state and local governments.

One major goal of the study released last week was to estimate the benefits the two lakes impart to home values in the form of price premiums for lakefront properties and other nearby

real estate. The premium, according to the report, can be roughly interpreted as “the aesthetic benefit land-owners derive from living on or near lakes with exceptional water quality.”

Researchers used a specific pricing model to estimate how much more an indi-

vidual is willing to pay for homes with lake-associated amenities. To achieve this, the team reviewed more than 7,000 “arm’s-length” real estate transactions that transpired between 2004 and 2018 within 2 kilometers —

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STUDY

from A1

or about 1.2 miles — from the lakes.

Information on each home, such as the size of the lot, number of bedrooms, proximity to the lake and shoreline length, were used to estimate the relationship between those characteristics and the sale price of a home.

Various screening measures were then applied to the dataset to ensure it reflected a homogenous market. For example, the top and bottom 1% of sale prices were excluded from the set in order to avoid the inclusion of transactions that were unusually low or high and all price estimates were inflated to reflect 2018 dollars.

Upon analyzing the data, the team discovered lakefront property sales surrounding Flathead Lake exhibited a \$0.5 million average premium compared to similar property sales located 2

kilometers away from the lake between 2004 and 2018, while Whitefish Lake showed a \$1.3 million average premium. And the sum across all properties within that respective distance on both lakes yielded aggregate premiums upward of about \$3 billion.

In addition, the effect Flathead Lake had on surrounding lakefront parcels during that stretch of time equaled \$12 million to \$17 million in property tax revenues, while Whitefish Lake generated \$5 million to \$8 million. The report noted those findings are important because in Montana, over 94% of local government and school district tax collections are derived from property taxes.

“We sought to economically quantify the aesthetic benefits landowners derive from living on or near lakes with exceptional water quality,” said Nanette Nelson, a research economist with the University of Montana-owned Flathead Lake Bio Station and lead

author of the study. “Our results suggest that highly desirable lakes like Flathead and Whitefish Lakes enhance surrounding property values, thereby contributing significantly to the local tax base and economy of both lake-based communities.”

THE STUDY,

“Estimating the Real Estate Price Premium of Two Northwest Montana Lakes,” also analyzed the economic value of shoreline, water access and other statistically significant variables.

As researchers anticipated, an actual lakefront home on either lake sold for considerably more than those situated farther away from the water. The percent increase in price for a home on Whitefish Lake was found to be larger than a home on Flathead Lake, which is due in-part to Whitefish being considerably smaller than Flathead.

WATER ACCESS for non-lakefront homes also

imparted price premiums of 30% and 33% for homes with deeded access to Flathead and Whitefish Lakes, compared to homes without access to water.

Those premiums, the report states, were likely the result of limited public access on both lakes. Flathead lake is the largest, freshwater, natural lake west of the Mississippi River and boasts 185 miles of shoreline, but public access to the lake is limited to six state parks, one tribal campground, three city parks and six fishing access sites.

Whitefish Lake has only two state parks, a city park and two small county sites.

“These study results provide us with an economic argument in communicating the importance of maintaining water quality and our work,” said Lori Curtis, science education director for the Whitefish Lake Institute, which focuses on science, education and community stewardship

to protect and improve Whitefish Lake and nearby water resources.

Overall, stakeholders hope the 19-page study underscores the need to protect the water bodies from environmental issues that tend to arise from burgeoning human populations as well.

The U.S. Census Bureau shows Flathead County grew by more than 14% over the past decade, and land use and planning and development decisions associated with that growth tend to be locally driven, the study notes.

“Water quality conditions in Flathead and Whitefish Lakes are excellent in relation to other similarly sized lakes at this latitude,” it states. “Population growth in the

watershed as well as our use and enjoyment of the outdoors, however, can degrade these freshwater resources. If local decision makers are to enact policies that protect water quality, an understanding of how local residents’ value maintaining watershed services and water quality is needed. The analysis of real estate transactions is one way to estimate the value people place on local environmental quality.”

The report can be found under the ‘Reports and Publications’ tab on the Whitefish Lake Institute’s website, whitefishlake.org

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