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Houses line the shore of Whitefish Lake. (Heidi Desch/Whitefish Pilot)

Study: higher value of homes on lakes provide significant contribution to tax base

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A home on Whitefish Lake on average has a sales value of \$1.3 million more when compared to a similar home located just over 1 mile from the lake.

And a lakefront home on Flathead Lake has a sales value of about \$500,000 on average more when compared to a similar home nearby not located on the lake, according to a recent study by the Flathead Lake Biological Station and the Whitefish

Lake Institute. Highly desirable lakes such as Flathead and Whitefish enhance surrounding property values and therefore contribute significantly to the local economy and tax base, the study concludes.

The study was aimed at estimating the benefits of the two northwest Montana lakes impart on home values in the form of price — or the aesthetic benefit landowners get by way of estimating how much more

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people are willing to pay for homes on lakes with good water quality.

Nanette Nelson, research economist for the Flathead Lake Biological Station and lead author of the study, said it's already known that real estate prices are affected by being near water, but the goal of the study was to quantify the amount for Whitefish and Flathead lakes.

"This is another piece of evidence for how valuable these lakes are," Nelson said. "It's a way to make people aware of what they have and the goal would be that we should all be good stewards and look after these resources."

The study looked at more than 7,000 sales transactions occurring on both lakes between 2004 and 2018 based upon sales data provided from the Multiple Listing Service of Montana, a realtor-owned sales data base.

The study took the factors that contribute to the price of a house — number of bedrooms, square footage, lot size — and then compared houses on and near the lakes to determine the difference in resulting sale prices.

Having a larger shoreline length and access to the water can also add to the sales value of homes, the study found. An additional meter of shoreline on Flathead was worth about \$3,000 or roughly 28% of the mean sales price. The same was found for Whitefish, but the study says that's likely due to the uniformity in shoreline length for those properties.

Water access for

non-lakefront homes also provided a sales premium of 30% higher for those with access to either lake compared with homes without access.

"There is a premium price that comes with being on or near the lake," Nelson said.

The effect of Flathead Lake on surrounding lakefront parcels equaled \$12 to \$17 million in property tax revenues, while Whitefish Lake generated \$5 to \$8 million. This is important because in Montana, over 94% of local government and school district tax collections are derived from property taxes, researchers note.

The study found that lakes contribute upwards of \$3 billion in property values to the local tax base equaling \$25 million in property tax revenue.

Nelson said county governments rely highly on property taxes to operate and homes on the lakes are supporting communities through the amount of property tax revenue they generate.

"We hear a lot about reducing the tax burden for property taxes, but we would have to find another way to make up that revenue stream," she said. "It's good to know how much protecting these natural resources means protecting our tax base. Everybody benefits from high water quality."

Lori Curtis, Science and Education Director for the Whitefish Lake Institute and co-author of the study, points out that the results of the study provide an economic argument in communicating the significance of maintaining water quality.

"This study reveals the economic importance of maintaining water quality in our lakes," Curtis said. "Scientists

from the Bio Station and WLI conduct research and continuously monitor the health of the two lakes, engage students in water quality education, and make recommendations to help citizens and leaders make informed resource management decisions."

The Flathead River Basin because of federal protection of most of the basin at about 60% has preserved the integrity of the basin and waters that flow within it are of "very high quality," the study points out while noting that population growth and use can degrade freshwater resources.

However, the study also lists potential threats to lake water quality that would likely in turn have an impact on the aesthetics of the lakes.

The "greening" of lakes occurs with an increase of nitrogen through resulting in algae, murky water and fish kills. Of particular regard to this concern, the study notes for the Flathead River Basin, is septic leachate from poorly maintained or failing septic systems that are a threat to water quality. The study says that about

that in Barnstable, Massachusetts, home prices fell an average of 6% to 10% decline in water quality.

Nelson points out that because Whitefish and Flathead lakes have good water quality it's often difficult to educate about what could happen if water quality deteriorates.

As an economist for the Bio Station, Nelson said her role is to ana-

lyze the data but the study makes it easier for those working on the advocacy side to show the economic value of the lakes.

2,900 septic systems in Lake County and more than 15,000 in Flathead County are over 50 years old, while septic systems pre-1990 generally last about 15 to 20 years. "Aging infrastructure coupled with increased demand for onsite wastewater treatment highlights the importance of quantifying the potential costs of failing to address future degradation from excess nutrients," the study notes.

Many lakes in the U.S. are also undergoing a "browning" due to colored dissolved organic matter from increased runoff, the study points out, and other studies have found that U.S. lakes are becoming murkier.

The lakes are also increasingly subject to the potential for aquatic plant and animal invasive species infestations and could dramatically alter the lakes, the study notes.

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"This really helps to support their positions that are about protecting water quality," she said. "Everybody knows that the lakes are important, but this puts the numbers to it."