

ISSUE PAPER

MAINE'S LAND BOOM: LAND USE TRENDS, CAUSES, CONCERNS,  
AND POLICY ISSUES

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revised draft

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He described the document as “an informal working paper prepared for the Commission on Maine’s Future.” He further noted that “the land ‘boom’ tanked a year or so after” he prepared the report.

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## INTRODUCTION

This paper outlines a general view of the land boom that is now sweeping the State of Maine. The changing real estate market has affected all corners of the state. It has raised new opportunities, issues, and concerns for citizens, for businesses, and for public policy.

The first task in dealing with this issue is to clearly understand it. This paper attempts to facilitate the Commission's work by clarifying the issues before it concerning the land boom.

To deal with this new and fluid situation, we first need to recognize clearly what is occurring; to measure it carefully; to understand how it differs across the state; and to clarify the role and challenges for public policy it presents.

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Acknowledgement: I would like to thank all at once the many people who assisted by providing the data included in this paper.

For so strikingly important a force in Maine's economy, it is astonishing how poorly documented the trends are. We truly understand very little of what is happening to the basic resource that literally underlies our society--who owns it, how its use is changing, what the implications might be for the future.

Major land use issues--such as the siting of unpopular facilities--are not dealt with in this paper, which instead addresses broader market forces affecting land use in the State.

The recent Growth Management legislation indicates a strong legislative and public awareness that existing public policies concerning land use are inadequate. This recognition is certainly a major first step toward dealing with the issues discussed here.

## HISTORICAL CONTEXT

It has been remarked that one cannot understand Maine's history without understanding the role played by land speculation. Certainly it helps to see the role of land markets and how their ebb and flow relates to wider issues.

Maine has alternately been concerned with the effects of excessive speculation and absentee landownership, and then been concerned with retrogression, disinvestment, and

land abandonment. Maine participated in several major land booms of the 1800's, and in the regionwide farm abandonment that marked the half century after 1880. Prominent in the early part of the century was the accumulation of large wildland tracts by paper companies, some of whom were later bought out by others again in the merger wave of the 60's.

The booms of the 20's seem to have largely passed Maine by, as did the wave of abandonments for taxes that was experienced by many other northern states in the 30's and 40's.

The opening of the Maine Turnpike after World War II, and the extension of I-95 to Brunswick and to Houlton in the mid-seventies put the preconditions in place for a new land boom. The mild boom of the early 70's was felt much more strongly elsewhere in New England than here. No one could then foretell that the experience was but a foreshock rippling ahead of the massive landboom now upon us.

So periodic waves of land speculation and rearrangement in ownership are regular occurrences in Maine history. This is not the first time. But many of the circumstances and impacts of this landboom differ from previous ones, as the discussion here will show.

#### CURRENT LAND USE

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Maine's landscape is dominated by its forest, which covers 84 percent of the land area. Farmland uses account for about an equal amount of land as do cities, roads, and other facilities. Federal landownership in Maine is modest. Total public ownership of land in Maine is said to be the least of any of the forested states.

TABLE 1.  
CURRENT LAND USE IN MAINE

| USE OR CONDITION        | 1,000 ACRES | PERCENT |
|-------------------------|-------------|---------|
| =====                   |             |         |
| Cropland                | 953         | 4.8     |
| Pastureland             | 569         | 2.9     |
| Forest land             | 16,770      | 84.5    |
| Other land--prim. urban | 1,409       | 5.6     |
| Total Nonfederal        | 19,701      | 99.3    |
| Federal land            | 135         | 0.7     |
| Total land              | 19,836      | 100.0   |
| Census water            | 1,453       | --      |
| Grand total             | 21,290      | --      |

-----  
Source: USDA, SCS, RCA, p. 17-4. Figures rounded.



## PROJECTED LAND USE

The Soil Conservation Service's Resource Conservation Act appraisal projected a major increase for Maine in nonagricultural uses of land by the year 2030--such uses were expected to rise from 857,000 acres to 1,450,000 acres by 2030 (RCA, P. 17-52). This increase of almost 600,000 acres in nonagricultural use is a small portion of the state's land area and by itself is little to worry about. The question is not one of amount but of quality, of impacts, and of implications for Maine's people and Maine's future.

## THE LAND MARKET: SUBJECT AND SCOPE

Understanding the landboom requires defining the differences between the various economically distinct areas of the state that are affected. These seem clear enough that listing them should suffice for now (Table 2). These land use conditions are intermixed across the state and do not fall into separate subdivisions of the state.

TABLE 2.

## DISTINCTIVE CONDITIONS:

## LAND MARKET ANALYSIS

Several distinctive regions of the state are affected by the land boom in different ways. Causes, effects, and policy options are all different:

=====

1. Urban real estate
  - waterfronts
  - business districts
  - near-in residential districts
2. Rural Farming Areas
  - farmlands
  - forestlands
  - remote subdividing
3. Coastal, Riverfront, Lakeshores
4. Resort areas
  - Mature resorts --Bar Harbor
  - New resorts--Kingfield
5. Wildlands
  - Common and undivided ownerships
  - Public ownerships
  - Leasing practices
6. Suburban and Suburban Fringe

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The events in real estate markets may be defined and measured by these variables: parcel creation, turnover of ownership, residence of owners, prices, conversions in uses, construction or other changes in status of structures, and the condition of the real estate industry (Table 3).

We live in a mobile society. Mainers leave the state for careers, buy second homes, and return to retire. The average life of a mortgage in the US is about 7 years. Within-state moves across county lines are frequent. So a basic level of change in ownership is normal and really healthy. These indicators listed here are not described as necessarily as adverse in themselves, but they simply indicate levels of activity and trends in the marketplace.

TABLE 3.  
VARIABLES DEFINING THE MAINE LAND MARKET

- =====
1. Parcel creation
    - Subdivision
    - New subdivisions
    - Further divisions of old subdivisions
    - Condo-ization of camps and buildings
    - Parcel numbers from tax and regulatory records.
  2. Parcel turnover and length of Tenure
    - Change in ownership indicates intended uses, for use, residence, speculation.
  3. Residence of Ownership
    - Maine has an abundance of land and a small population. Nonresident ownership of most of its land is an abiding historic fact.
  4. Prices
    - Indications of prices are available from Farm real estate reports but are not comprehensively available for other real estate.
  5. Conversions of Uses
    - Many land transfers, involve no current or contemplated change of use. Some planned changes in use never occur. Also, many changes in use do not involve transfers of ownership.
  6. Structures
    - Existing structures
    - Conversions
    - New Construction
    - Demolitions
    - Other
  7. The real estate industry
    - The industry selling, building, financing, and servicing real estate is a growth industry in Maine. Its trends are an indirect proxy for the land boom itself.
-

Important forces in the market, however, cannot be measured and must be inferred from the data or by anecdote. Buyer and seller motivations, speculative intent, and expectations about future zoning or policy decisions can all affect markets at least temporarily. Investor psychology in real estate is notoriously fickle. Events like the tax reform of 1986 or the financial meltdown of Black Monday can affect perceptions of real estate as an investment and can materially affect particular markets, such as for new rental housing.

## TRENDS AND CONDITIONS

This section summarizes data on trends and conditions according to the dimensions of the market listed above.

As much as the extent of changes now affecting Maine's land, it is the speed of change that unsettles citizens and challenges local governments to accomodate change. Information such as that assembled here can help put dimensions on both the questions of speed and extent.

Information on market trends and conditions, and the basic facts of ownership of Maine's fundamental resource--its land--is largely unavailable. Data exists in town records, in county registries, in files of the Bureau of Taxation for the Unorganized Territory, in Multiple Listing Service files, and in regulatory agency files on the creation and sale of subdivisions and lots. The agencies holding this information do not regularly tabulate this information into form useful for following market trends. For this study, therefore, little detailed data of this kind can be offered. We report below fragments that have been tabulated by the Real Estate.... at USM and other agencies, which provide only the most general picture.

### 1. Parcel creation

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In a survey of the state's forestland owners, Birch (1986) found 180,900 ownership units, of which 56% held less than 10 acres. These units less than 10 acres in size accounted for only 2% of the state's forestland. The distribution of ownerships by size and aggregate acreage owned is highly skewed. One percent of the units are corporations, which own 8.6 million acres in total. Unfortunately, the survey applies to 1982, a year before the landboom was fully recognized as a major phenomenon. In 1982, only 7% of the owners surveyed listed investment as a primary motive for ownership.

The survey gives much information on traits and attitudes of forest landowners, but did not contain information on parcel creation.

## 2. Turnover

Turnover of land is natural because of the normal lifespan of its owners. Most real estate is owned by persons age 30-50 or older. So there is a "natural level of turnover" of perhaps 1/30 for noncorporate ownerships of land. The question is, how far above this natural level is the existing level and how is it changing?

There is little available, summarized information on parcel turnover, but a few indications exist. In Birch's study of forest landowners, 61% of the owners were above age

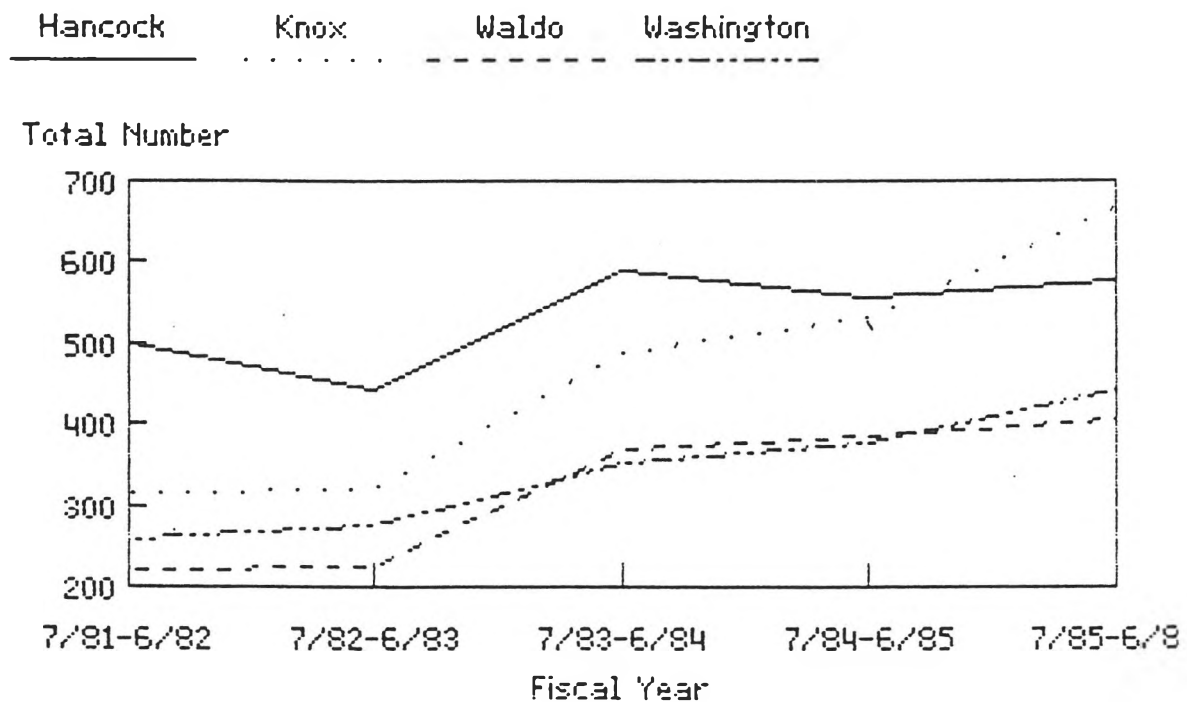


45; 18% were above age 65. Retirees accounted for 17% of the owners. These parcels are going to change ownership within a decade or so in many instances. For individuals, 55% had acquired their land after 1970.

A recent summary of Tax Bureau data on residential housing sales gives an indication of the rising trend in number of transactions (Charts 1-3). The trend varies regionally within the state.

Chart 1.

Total Number of Sold Houses\*  
Coastal Counties  
FY 1982 to 1986



SOURCE: Bureau of Taxation

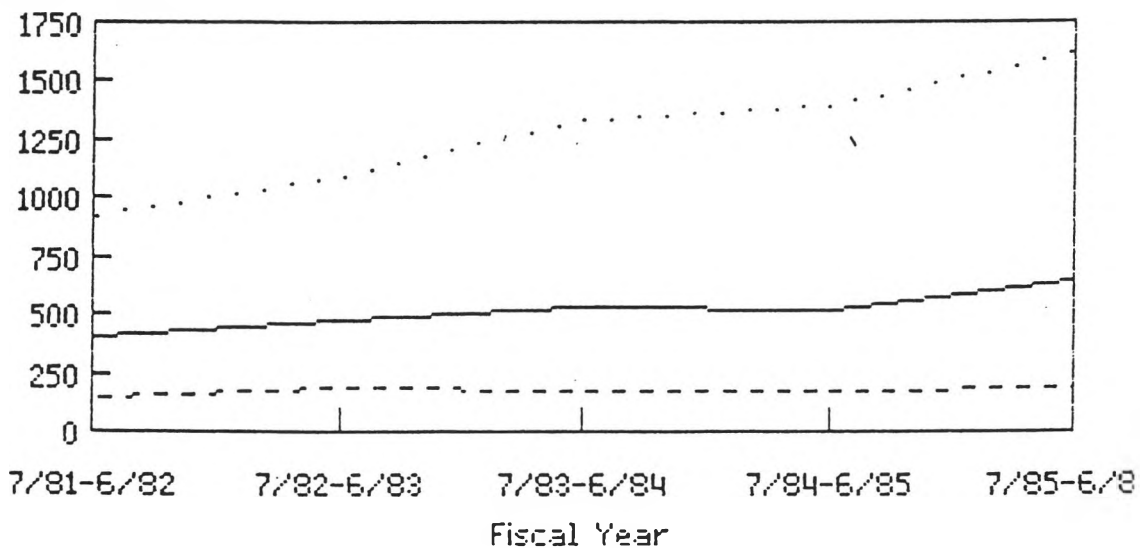
\* Inc. Mobile Homes & Seas. Properties

Chart 2.

Total Number of Sold Houses\*  
Inland Counties  
FY 1982 to 1986

Aroostook    Penobscot    Piscataquis

Total Number



SOURCE: Bureau of Taxation

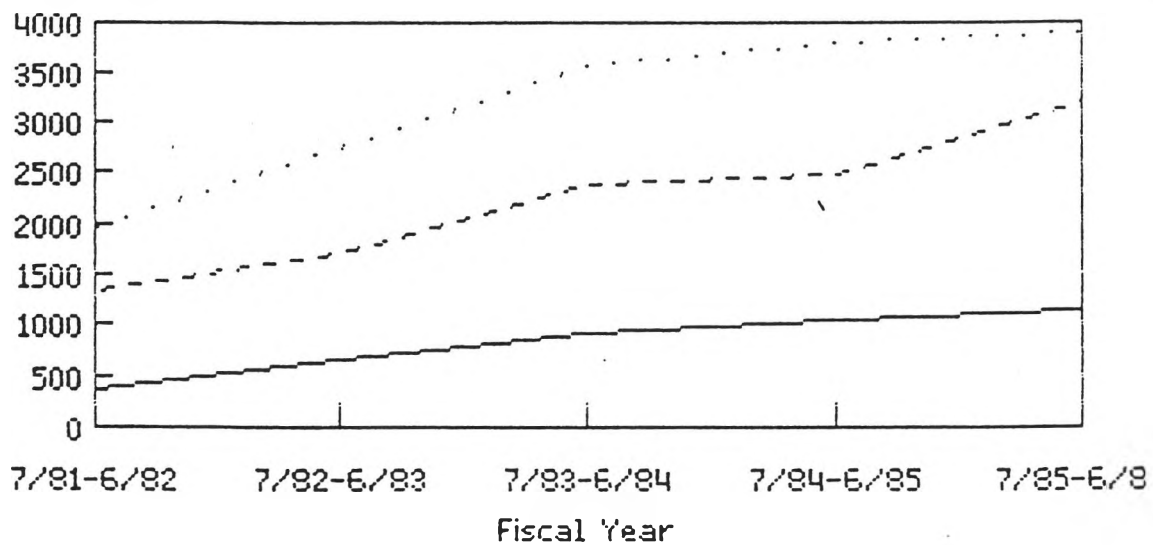
\* Inc. Mobile Homes & Seas. Properties

Chart 3.

Total Number of Sold Houses\*  
Southern Counties  
FY 1982 to 1986

Androscoggin    Cumberland    York  
-----    .....    -----

Total Number



SOURCE: Bureau of Taxation

\* Inc. Mobile Homes & Seas. Properties

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### 3. Residence of ownership

Who owns the land, and where they reside is a fact of fundamental social and political significance. Because of its small population, Maine has long been a place where nonresident ownership has been important. There is no statistical basis for determining whether in fact nonresident ownership has risen or fallen in recent years.

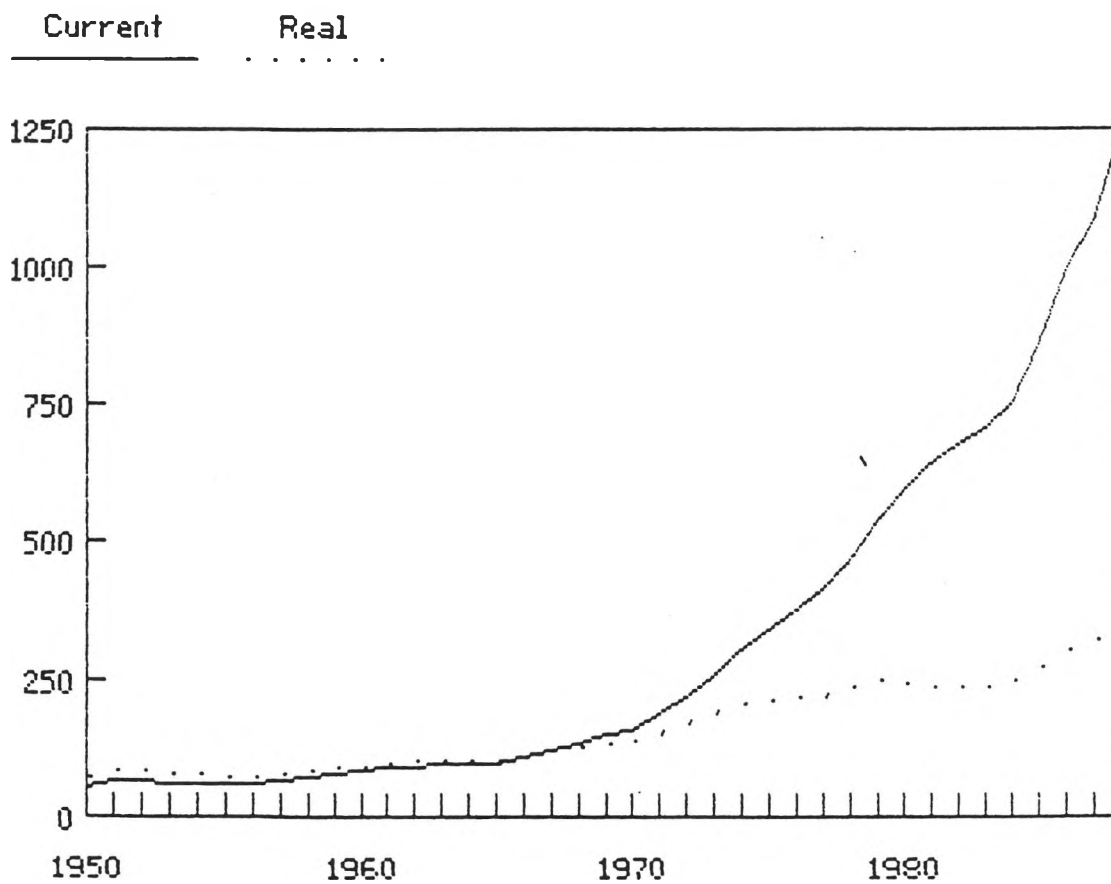
It is known that Maine has one of the largest proportions of its land owned by foreign owners of any state in the nation. Unfortunately, other than by anecdote, little is known of the ownership of Maine real estate by residence of owners.

### 4. Prices

The US Department of Agriculture reports an annual series of value of farmland and buildings by state which is often used by appraisers as a general indicator of trends in rural land values. In Maine, farmland prices have risen in real terms (Chart 4). But the increase is not spectacular, partly because of the averaging of varying market conditions across the state. Increases in values in farmland being converted to developed uses are individually very high.

Chart 4.

## Farmland Value Per Acre 1950-1988



## 5. Conversions of uses

There is little or no information available measuring changes in land use. Only the most indirect and general indicators are available. One source would be local and regional records on subdivision permits.

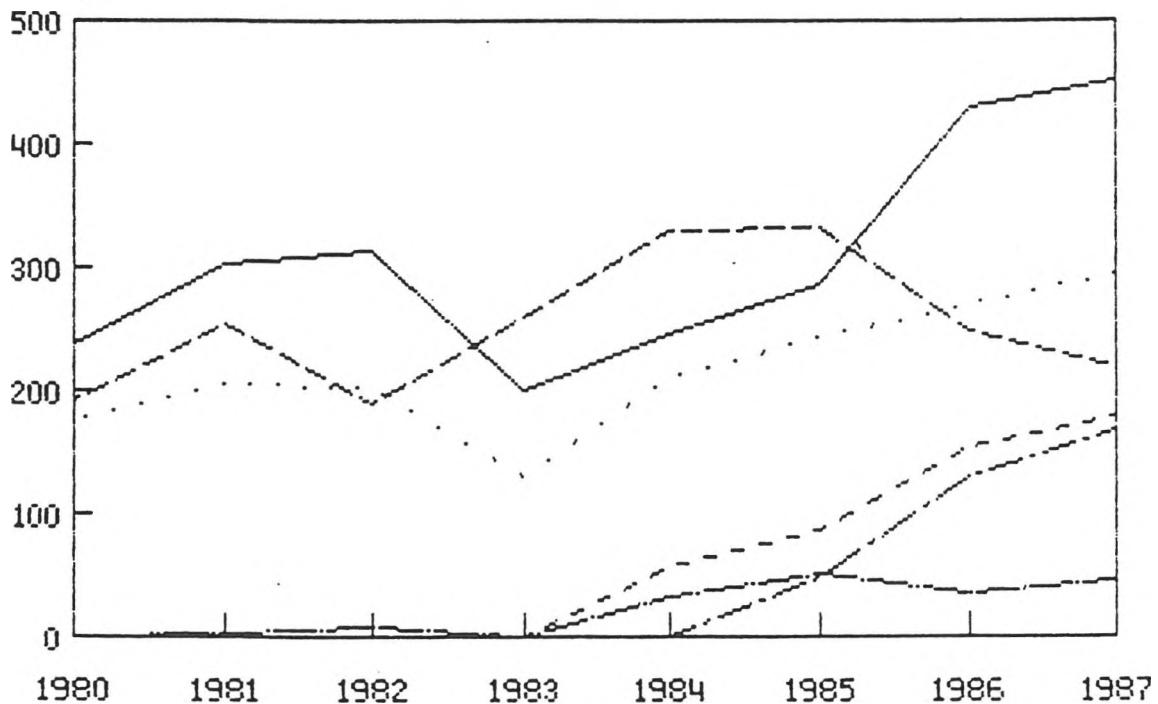
The permit activity of the Department of Environmental Protection provides a general indication of a rising trend in development activity (Chart 5), but the Department does not tally the acreage affected by these developments. And not all development, by any means, is covered by the laws administered by the Department.

Rough estimates of acreage affected by development could be made by using average land consumption per additional population. Assuming a gross land consumption for residences and all commercial and public infrastructure support of 1/2 acre per person on compact subdividing areas, and up to 1 acre per person in large-lot areas, would allow rough estimates of land use conversion.

Chart 5.

## Number of Applications Processed 1980-87

Site Loc. of Dev. Act   Coastal Wetlands Act   Sand Dunes  
Great Ponds Act   Hydro   Stream Alteration





## 6. Construction & Structures

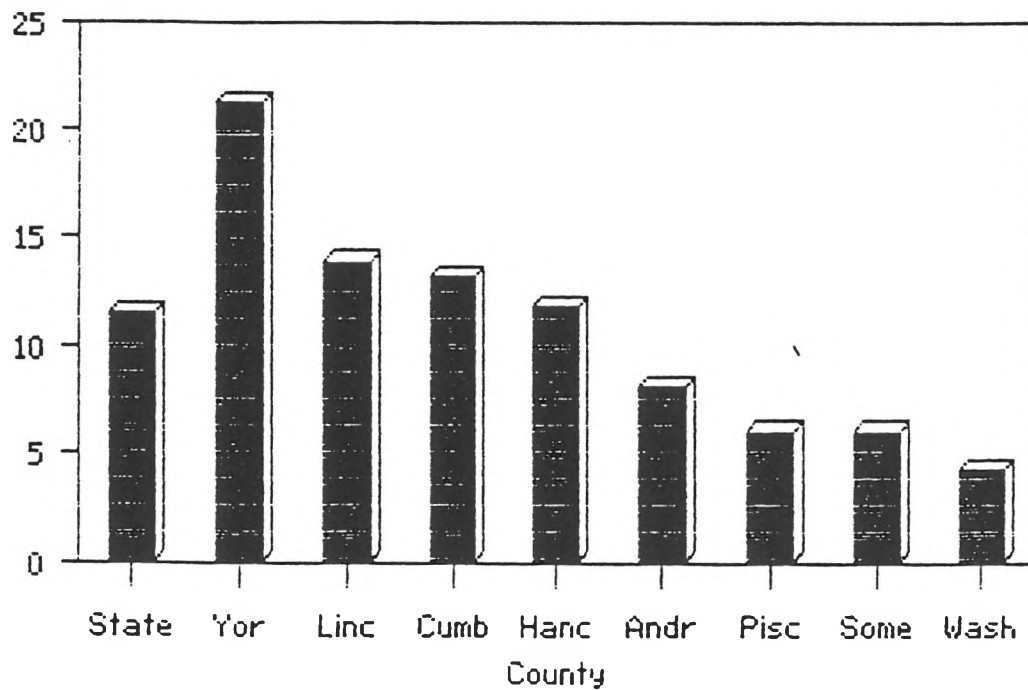
Housing construction has been active in Maine in recent years, varying considerably by county (Chart 6). Data on completions and permits have been maintained at various times by the State Planning Office. Several sources of monthly starts estimates are available, including from the Federal Reserve Bank of Boston, but the different sources show different results.

Regularly available data on demolitions, on apartment and office vacancy rates, and other market indicators are not readily obtained from public sources.

Chart 9.

## Yr.-Round Housing Stock of ME Counties 1980-1987

Percent Change 80-87



Source: SPO & DHS Div. of Data & Res.  
Maine Year-Round Housing Stock  
1980 - 1987

## 7. The Real Estate Industry

Construction has been a star performer in Maine's recent economic growth, showing that the boom period has generated considerable real investment as well as mere subdividing and speculation. The employment in construction increased by roughly 10,000 jobs in the years since the 1981 recession trough (Chart 7).

The financial services sector has been a fast-growing industry in Maine, but its growth is due to far wider changes than just the real estate boom. Employment in the real estate and appraisal sector can be obtained over time, but only from specially tabulated data from the Department of Economic Analysis and Research of the Dept. of Labor.

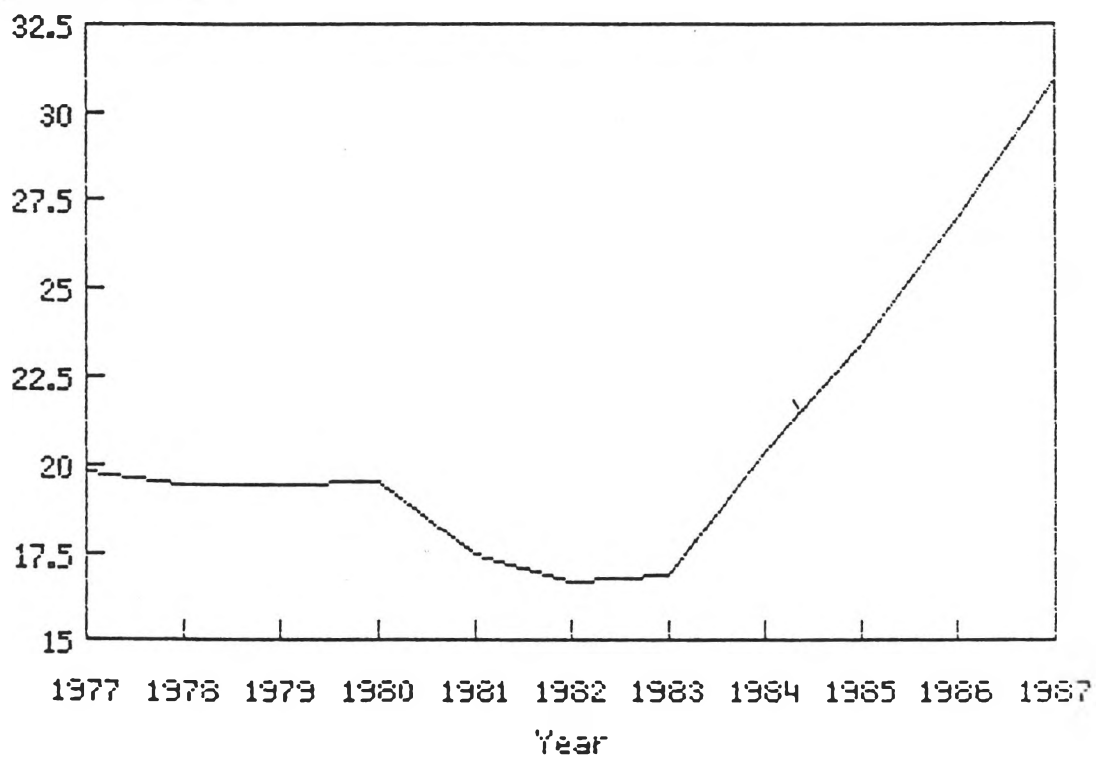
Information on real estate lending by financial institutions, on mortgage originations, and other similar data are available from financial regulatory agencies, but have not been consulted for this study.

The number of people holding real estate licenses stands at a record level now, but this is in large part due to a rush by many people to obtain licenses before new and tighter licensing requirements took effect this past summer. The number of company licenses in effect has actually changed little during the landboom.

Chart 7.

## Maine Construction Employment 1977 to 1987

Ann. Avg. Empl.



SOURCE: Maine DOL, DEAR

## UNDERLYING FORCES

The forces underlying the current landboom are poorly understood. But a few general observations can be made. The landboom is clearly related to the prosperity of the New England economy. This past summer, New Hampshire had the lowest unemployment rate in the nation, and this August Maine's rate fell to its lowest level in 32 years. The Boston economy has been on a strong recovery since the late 1970's.

### 1. Northeastern Housing Values are High

This economic recovery has boosted residential real estate values to unprecedented levels (Charts 8, 9). Prices and sales in condo and coop apartment markets, including resort areas, have also been strong (Charts 10, 11).

These high house values have had several effects:

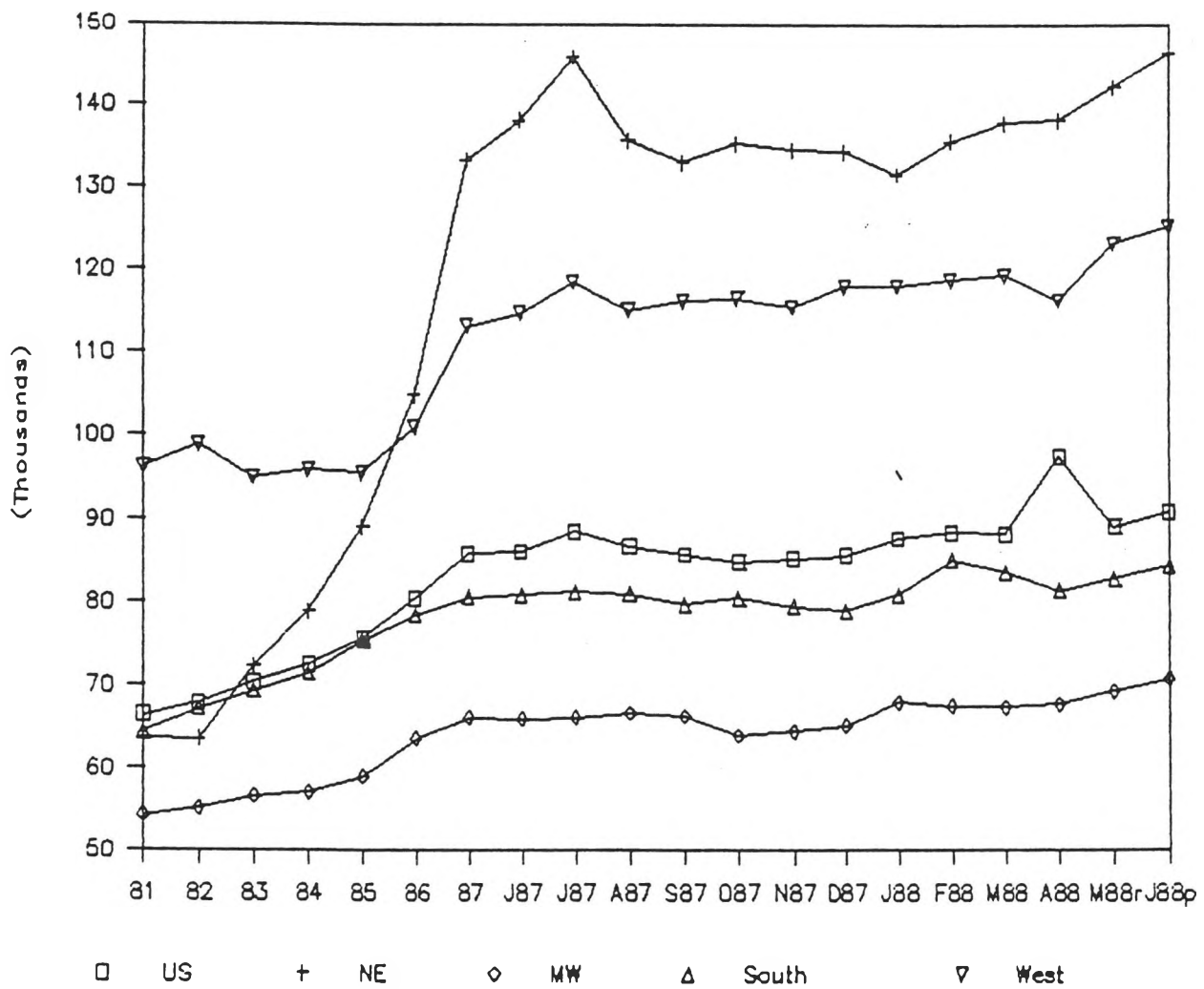
- they chase development to lower land cost areas
- they prompt owners to cash out their urban homes and move to lower cost areas to buy again and retain a large sum of cash. This is even happening within Maine.

- they provide the borrowing power and the perception of wealth to encourage middle-class and high income households to buy recreational property.

These high northeastern urban housing prices are part of the reason for the strong demand for rural property in Maine.

Chart 8.

## Sales Price of Exist. Single-Fam. Homes



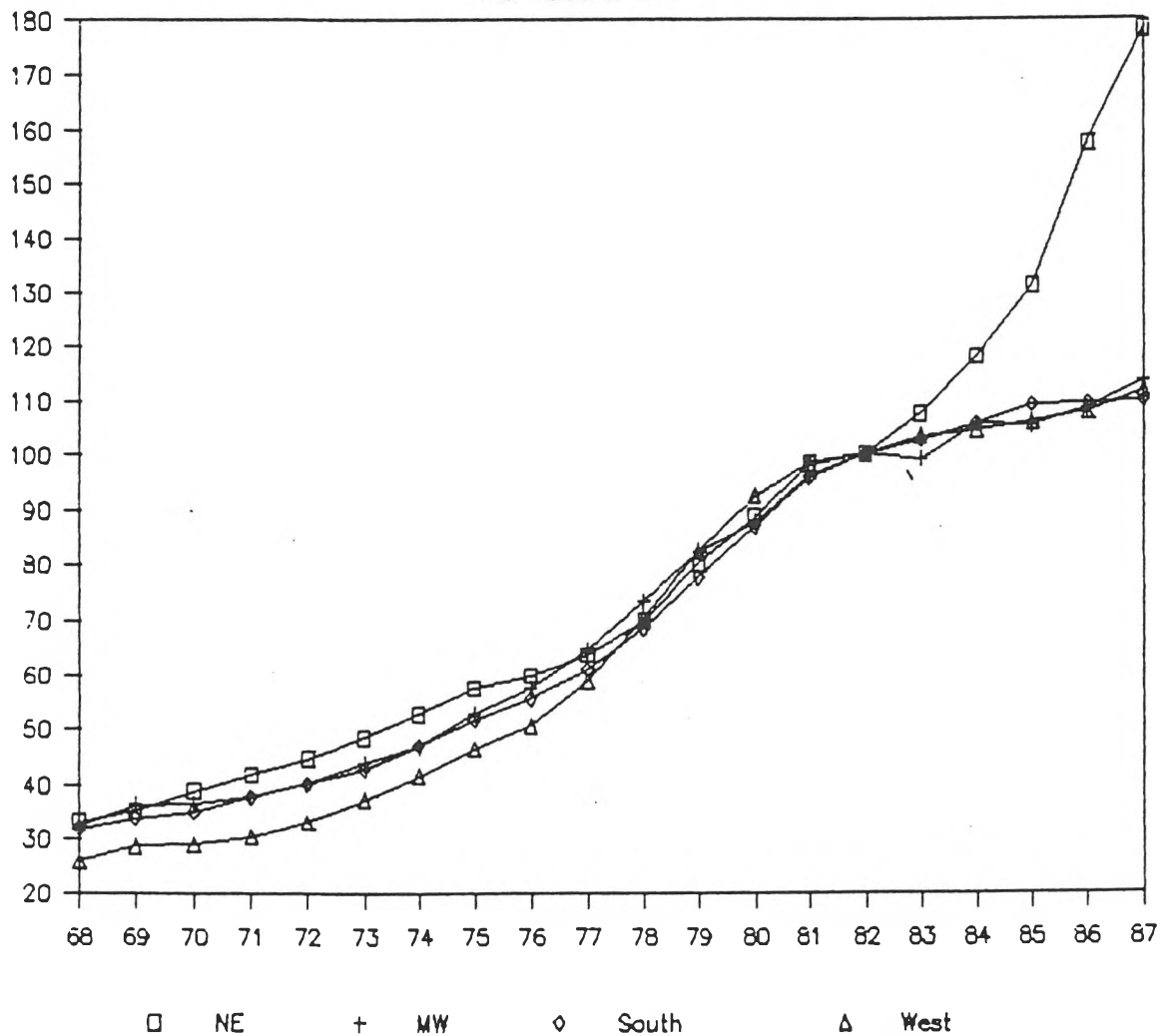
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Chart 9.

## Price Index of New 1-Fam. Houses Sold

inc. value of lot

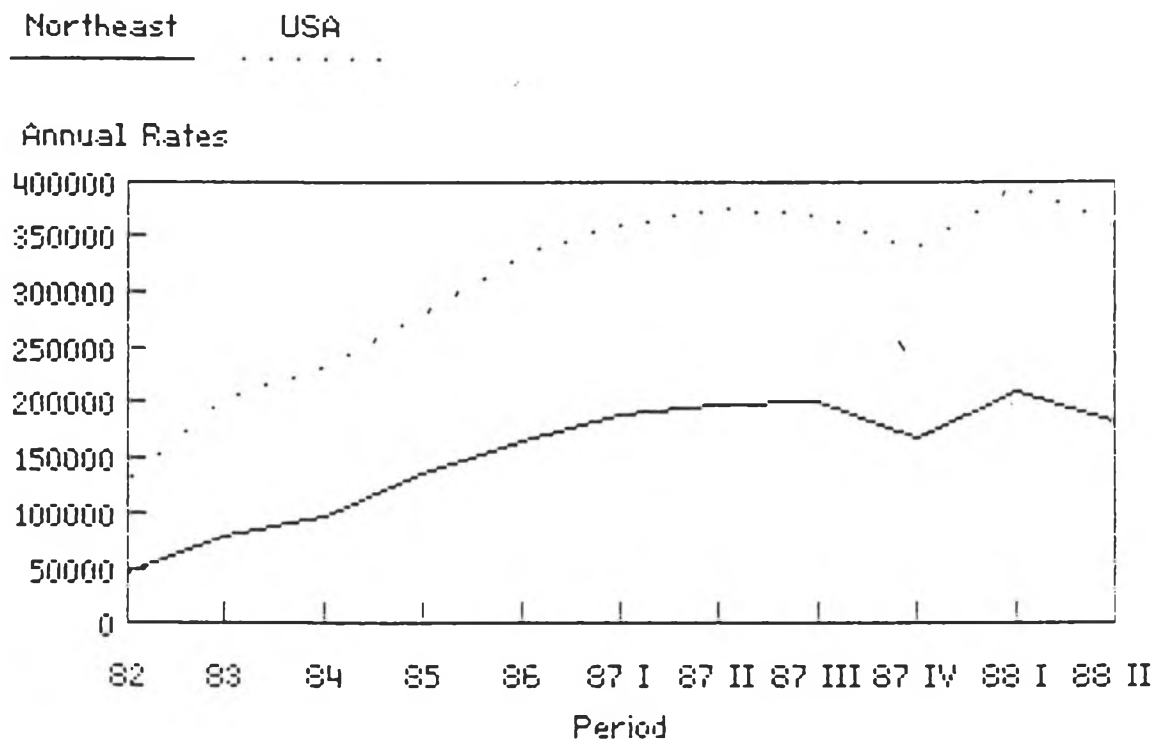


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Chart 10.

Apartment Condo and Co-Op Sales  
(Seasonally Adjusted)  
1982 to 1988 II Period



SOURCE: Nat'l Assn. of Realtors

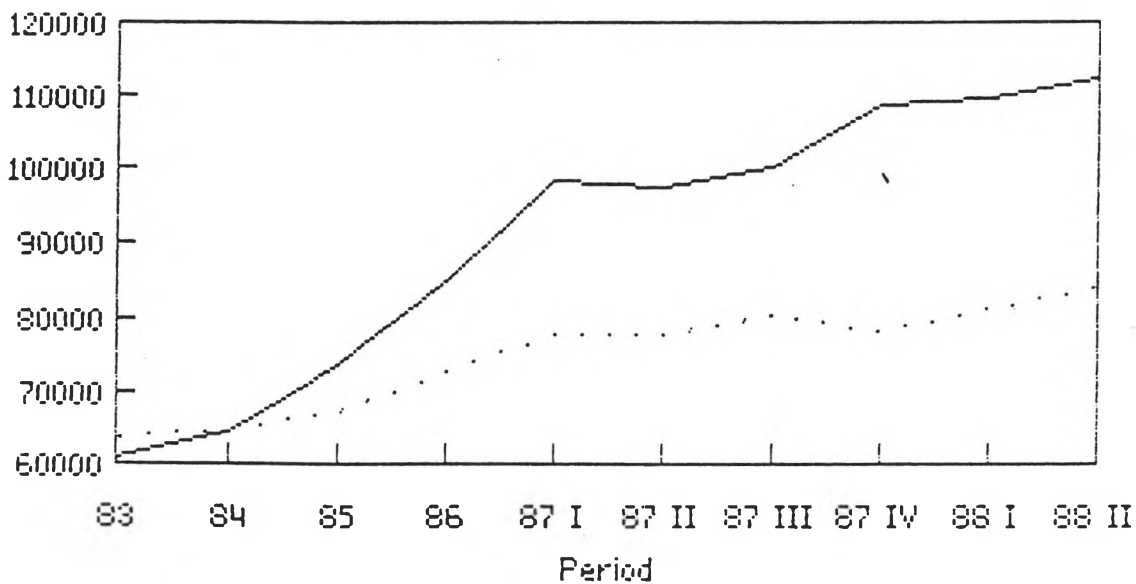


Chart 11.

Apartment Condo and Co-Op Median Sales  
Price (Not Seasonally Adjusted)  
1983 to 1988 II Period

Northeast      USA .....

Annual Rates



SOURCE: Nat'l Assn. of Realtors

## 2. Transportation Has Significantly Improved

The completion of well-designed interstate highways to Brunswick and Houlton has improved access to remote corners of Maine for urban southern Maine and southern New England households. In addition, the strong growth in activity at Portland and Bangor in the wake of deregulation have made a far wider market available for Maine vacations.

The widening of the Turnpike, in my judgment, is primarily a response to tourist season congestion and will in turn become a powerful force pushing the landboom forward, extending its duration, and extending its impact over wider areas of the state (Mainewatch, 1987).

## 3. A New Land Marketing Industry

A large industry has now developed that treats land as a consumer commodity and investment vehicle to be sold on a regional market. This industry has developed strong financial backing, employs technically trained consultants, planners, and sales forces, and employs effective marketing techniques. This industry is a new reality in the land market that has not been seen on any scale in Maine before.

The most successful land marketers do not speculate. They earn profits by converting land from large wild and rural tracts to smaller more marketable parcels, gaining

from the wholesale-retail spread. Speculation entails holding land for pure price increase, which is not the principal strategy of the subdividers. The customers are much more likely to be true speculators than are the subdividers. The land marketing industry is distinct from the development industry in that its prime product is bare land and not developed property.

This industry feeds on itself in that its own advertising contributes to a land boom psychology and to the feeling that remaining available acreage is disappearing. The land marketing industry also feeds on tourism, since growing numbers of more affluent tourists form a natural market for the land sales companies.

#### 4. The Land Boom is Not About Housing People

Maine's population growth is relatively slow, and there are countless suitable residential lots on the market and have been for years. The landboom is not about meeting the housing needs of people. In extreme Southern Maine it is partly about housing needs of immigrants, but elsewhere it is about quite different things.

There exists a huge overhang of subdivided lots that could certainly house Maine's population growth for years to come. The subdividing in rural areas, along remote lakes, and on the coast in general has little to do with real needs

for shelter and for year-round housing. The condo booms in the mountains and on the harbors are likewise unrelated to needs for housing as such.

#### 5. Pollution Control Creates Land Values

Publicly funded water cleanup has created lakefront, riverfront, and coastal land values on a massive scale. It has been surprising in fact how little riverfront water quality improvements have been converted to development value so far. This is probably due to the remaining supply of more desirable lakefront land.

#### 6. Returns to Traditional Land Uses Have Been Low

The bulk of Maine's land is in farms and forests whose current cash returns to their owners per acre are modest. Not only are the returns low on a per acre basis, but they have long been low in relation to market value. Increases in prices of these lands have not generally been so attractive as to provide a strong motivation in themselves to hold rural or wild land for price appreciation alone.

A situation of low current returns, with the perception that it will continue, creates the basis for a widescale turnover of ownership in response to a strong outside demand for land.

#### 7. Financial and Tax Developments: Uncertain Impacts

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It is difficult to assess the many impacts of the 1986 Tax Reform and the year-later Black Monday meltdown on Wall Street. These events made some people feel poorer, but they may have also increased the motivation of upscale households to invest in nonincome producing real estate for pleasure, for longrun investment returns, and for diversification. The tax reform, by stripping away other tax preferences, left owner-occupied homes and second homes as major remaining tax shelters. How these and other impacts interwove with the other forces outlined here will be difficult to disentangle. The landboom was clearly well established before both events.

#### 8. Perverse Public Policy Has Played a Role

There is no question that unintended effects of public policy itself have promoted the landboom and made some of its effects worse than they needed to be. We have little policy analysis that would enable us to determine specifically how serious these effects have been. In many cases, the problem has been the unintended side effects of otherwise sound policies, rather than mistaken policy or inept execution. The low level of enforcement, moreover, has often resulted in the laws failing to achieve their intended purposes.

A major cause of public policy default has been the obsession with "local control", which frequently becomes a synonym for "no control" or "developer control" in its actual effects. Maine has not yet developed a political consensus that can support a sound allocation of planning and regulatory functions between its different levels of government.

#### 9. A Speculative Fever Reigns

Developers are being quoted as saying it will never end. The bears on northern New England rural real estate have been wrong repeatedly and have watched others reap the profits. Even conservative Maine and New Hampshire banks now lend on vacation homes at the same rate as on residences. These are sure signs that a speculative market has developed though signs of a breathing spell have recently been emerging..

The widely advertised Rancourt auction of forestlands in New Hampshire may have contributed to this speculative fever by recalling images of land auctions during past land rushes, even though in the actual event, the auction did not sell out all the property offered and yielded modest prices on many tracts.

## EFFECTS AND CONCERNS

The upsurge in activity in Maine's land market has generated a number of effects and concerns. These can be briefly outlined.

### 1. Land Use is Changing

There is no question that land use changes are occurring. It is less clear whether the boom is merely accelerating changes that would otherwise have occurred, or whether it is causing entirely new developments to arise. The land marketing industry is probably causing some changes in use that would not otherwise have occurred. There may be changes in the pace of urban land use conversion that could be attributed to this boom.

In some respects, the boom reflects the rapid adjustment to forces that have long been building. For example, the loss of farmland is not a new trend in northern New England, and it has many roots other than those directly involved in the landboom.

It would be unwise, therefore, to attribute all events that are perceived to be adverse or threatening solely to the current landboom.

Parcellation of rural land is one effect of the boom. In the 18th century, land was traded in townships; in the

20th, in 100-acre farms or larger parcels. Today, valuable lakefronts and roadsides are being fragmented. This fragmentation affects future uses even if no visible change of use occurs. A new and less flexible pattern of land use and ownership is being created.

"Shadow Conversion" is an important concern. Experts argue that every acre of farmland converted to bungalows compromises an additional 2-3 acres. The ratio for forestland could be even higher. We know little about the practical importance of this effect in Maine, however.

There is currently little basis for clearly identifying the important long-term effects of these facts on Maine's society and economy.

## 2. Public Costs are Being Generated

The unplanned sprawl of commercial strip development, poorly planned subdivisions, and lakeshore developments are generating costs for the public that will be borne by future generations. These costs include the higher expense of servicing scattered development, the loss of highway traffic capacity, and the likely losses in wildlife habitat, water quality, and scenic quality that are occurring.

These changes are due as much to defaults of vision and responsibility on the part of state and local governments as to the actions of owners and developers.

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### 3. Public Access is Being Lost

No Trespassing signs normally replace For Sale signs. This is because of the suburban values of most purchasers and because of the frequent fragmentation that accompanies sales. In Birch's survey in 1982, a comforting picture emerged on a statewide basis. Only 8% of the private land was in ownerships that post a portion of the land. But in the Capital region, 28% of the land, belonging to 36% of the owners, was posted. Also, posting has probably increased along with subdividing and parcel turnover since 1982.

Subdivisions along roads and lakes are cutting off large areas of backland that was formerly available for walking, hunting, and snowmobiling. The traditional country custom of free access across undeveloped land is eroding. The ability to take a walk in the woods is becoming a luxury to be bought by the well-off instead of a customary right to be enjoyed by all. Posting also comes from bad experiences with slob hunters and snowmobilers.

Ironically, the landboom itself encourages further fragmentation and posting as well-to-do suburbanites see these trends and hasten to grab a piece for themselves before it is too late.

Other public spaces vanish as the landboom escalates their values and creates premiums for privatizing them.

Sporting camps can't earn a return justifying their sale value, so they are condo-ized. Waterfront real estate sprouts condominiums, and older houses are converted to office space or stores.

The strong land market, plus increasing crowding, explains the move by Moody Beach owners to "privatize" their beaches in the courts. The payoff to them in terms of land value gains is now historically high.

#### 4. Rising Land Prices Can Have Adverse Effects

Rising real estate values produce important benefits. They enhance the wealth of landowners, who include in Maine many people of lower income levels. They enable older people to sell and retire with a financial cushion that would otherwise not have been available. They can provide incentives for more intense and efficient land use. They contribute to higher taxable values for governments.

But higher land values also have adverse effects for particular groups. The most important is the growing shortage of affordable housing, now being felt even in rural areas. First-time homebuyers and working families are increasingly unable to afford homes in the towns in which they grew up. The quiet shredding of community and family ties by the relentless force of the land market is creating social shifts and resentments that could be of potent

significance, especially in a state where ties to home communities and family are so strong as in Maine.

Another is the tax bind being felt by many land-poor families in areas affected by resort and tourism-driven demand for land. Yet another is the effect on existing farms and rural industries that can be pushed off the land by higher real estate values.

Urban gentrification is yet another effect of the strong land market. Gentrification and the displacement of existing residents was perhaps the earliest social strain perceived as the Maine land market improved. Gentrification presents a conflict between generally desirable upgrading and improvement of urban neighborhoods, versus the interests of lower income people who are displaced with no place to go. The issue may not so much be the displacement as the fact that our society does so little for these people to ease their transitions.

#### 5. Political and Cultural Effects Follow Landbooms

The growing development and land subdividing industry has exercised its weight with substantial contributions to political candidates in Maine. The industry is profoundly affected by public policy and has mobilized to defend and advance its interests.

The boom has generated strong pressure and workload overloads on environmental and regulatory agencies. Enforcement has been lagging and frustration has been rising on the part of developers and citizens alike from the delays, costs, and perceived inconsistencies in the process.

A serious cultural effect is the erosion of the traditional ethos supporting public use of undeveloped land. This amenity, available to generations of Maine people, is vanishing in the face of subdividing, absentee ownership, and waterfront development in most of the areas outside of the remote wildlands.

A final effect, more subtle than the others, is the creation of a get-rich-quick atmosphere in which the principal gambling token is land. Maine has long been a host to those seeking a profit by land speculation, so this is not an entirely new cultural strain. What is new is its extent across the state and the degree to which the economy has come to depend on it.

The landboom has generated many well-publicized conflicts. Examples include the Portland Waterfront referendum, the many local conflicts over large recreational subdivisions, and the backlash against regulations in China. The backlashes against regulation have arisen because the

higher land prices increase the cost imposed on landowners by regulations.

#### 6. There Have Been Many Benefits

The state's prosperity and the accompanying land boom have brought with them many benefits. Construction employment alone has increased by almost 10,000 jobs in the past five years. Many of these jobs have gone to people formerly in lower wage, lower skill employment. The new demands for real estate have brought inflows of capital to the state that have rebuilt urban downtowns and revitalized many small town main streets. Improvements in employment and tax base have resulted. Many housing units have been upgraded.

#### 7. The Boom is Unsustainable

The landboom, like all others in the past, is not sustainable. This much is plain from past experience. In rural areas and the wildlands, the boom is not a true prosperity based upon creating new tools for building wealth. It is a one-shot boom based on the liquidation of outstanding scenic values and natural assets. The one-time profits and jobs generated by selling these lakefront subdivisions will never occur again. Once the inventory is sold, it will become clear that the prosperity has been partly temporary--based only on liquidating capital.

This unsustainability should be cause for reflection among public officials and citizens in areas of the state that are most strongly affected by the land boom today.

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## POLICY ISSUES &amp; RECOMMENDATIONS

These trends, effects, and concerns lead to a number of policy areas that need further consideration.

1. The Perverse Effects of Public Policies Should be Inventoried and Corrected.

The 40-acre exemption is the most famous example of a public policy that had effects far different from its initial intent. This has substantially been corrected. An additional example is the underfunding of state regulation and enforcement, which is now being addressed. The Growth Management legislation provides the base for filling another gap, the lack of sound local planning in many smaller towns.

The first step the State needs to take is to ensure that its policies are having the desired effects and not unintentionally making land use problems worse.

2. Undesirable Effects of the Landboom and Mitigative Measures Should be Addressed

The effects of rising land prices, gentrification, and land use change can lead to hardship for particular individuals. The state, through expanded use of devices like property tax circuit-breakers, and more effective

affordable housing efforts, can mitigate these effects to a considerable degree.

3. Land Ownership and Use should be Monitored Periodically.

Without an occasional benchmark look at landownership, use, and condition, citizens and public officials are at the mercy of bias and anecdote when conflicts arise over the facts. The state should periodically assess the state of landownership and use in the state so as to provide a sound base for understanding the significance of emerging trends.

4. Effectiveness of Current and Recommended Policies in Uncertain.

In the absence of better understanding of policy effectiveness, the Legislature and citizens have had to resolve serious issues on the basis of sheer interest group pressure, selectively edited anecdote, and impassioned advocacy. The debate over the capital gains tax on land speculation illustrated the lack of understanding quite well. Another example was the discussion of farmland preservation a few years ago. In that debate, there was contention over whether a problem in fact existed, and if it did, whether the best approach was to improve "viability", to regulate, or to purchase development rights.



Maine needs to develop the capability to resolve policy effectiveness questions like these on a more intelligent basis so that better informed political deliberations will be possible.

5. The State's Policy and Planning Structure Is Inadequate.

The state's structure of state and local land use regulation was designed for a simpler era of lower pressure levels, when the issues were simpler. The approach was to avoid planning, looking at everything on a case-by case basis. Communities would have the option to plan and zone, beyond minimum state requirements as for Shorelands.

The Growth Management legislation has raised the issue very clearly of what the relative roles of the state, the communities, and the market ought to be in dealing with these issues. Perhaps a few years of experience with the new legislation will help us reach a new consensus on these problems.

The existing structure only responds to proposals and problems. It initiates little or nothing. It therefore fails to provide for sound siting policy for the major unpopular facilities that are needed, like waste disposal facilities and powerlines. It also fails to provide for defenses against the "nibbling" away of important public

values as small developments are permitted by individual towns with no larger planning framework.

It is of course easier to identify these failures than it is to prescribe a remedy.

#### 6. The Scope and Limits of Planning Are Unclear

Maine citizens have an understandable suspicion of central control and planning. If stronger planning and regulation is pursued, citizens should be made aware that planning will have its costs too. All changes cannot be stopped; many changes will benefit some and injure others.

Our ability to foresee the future is weak, and our public capacity for making difficult decisions is also weak. Many basic factual questions needed for planning decisions cannot be confidently answered with in-place data. Those who see planning and regulation as an all-encompassing solution to social conflicts over land use will be disappointed.

## STYLIZED CONCLUSIONS:

1. The basic facts of what is happening in Maine's land market are simply not known. We have only spotty and incomplete indications of conditions and trends. Most of these come from state administrative records generated for other purposes.

It is a tremendous waste that the information available in these files is useless because it is never tabulated or summarized in meaningful ways, though much of it is already on computer systems. This is because the agencies involved feel that they do not "need" this kind of aggregated information to perform their routine tasks. Curing this situation would cost little and would yield significant benefits.

In large measure it is the speed of change which is as threatening to people as the extent of change. Without better information on both speed and extent, a balanced understanding of events will be impossible.

2. Maine has abundant land, but the perception of abundance has led citizens to take many things for granted. Maine's coastline, islands, rural lands, and wildlands have traditionally been undeveloped and open to public use. The state's slow growth meant that there was little visible

change in land use. For years, the decline of traditional land uses was the most visible sign of change. This has led to complacency about land use and public access issues.

3. In Maine the land use issue is one of quality and not one of quantity. Actual conversion of use affecting only a modest acreage each year. Likewise, changes in ownership and parcellation are not affecting large acreages. But there is a valid concern about the future implications if recent rates continue. In particular, the question of shadow conversion is taking on increased importance.

The real issue is the effect of these small changees on the visual quality, environmental quality, and the overall quality of Maine as a place to live.

4. The creation of a new industry, which sells land as a consumer commodity, represents a dramatic change in Maine's land market. This change is full of portent for the future. It creates a new potential for speed and extent of change.

5. Ownership turnover is primarily for sale to realize gains, but is also frequently motivated by some change in family circumstances like a decision to move or a death in the family.

6. In many parts of Maine, subdividing is primarily for leisure use with a very strong element of speculation. This

is clear since we often observe prompt resales of lots by early purchasers.

7. There is a huge stock of available residential lots now, far larger than needed to accomodate population growth.

8. Subdividers are using new strategies to differentiate their product from the existing mass of unsold lots. Some of these measures involve better design and more respect for water frontage. Other steps include using larger lots, which is a trend of uncertain significance.

9. Increasing out of state ownership, conversion of larger areas to exclusively recreational uses, and the growing political power of development interests raise significant social and political questions for the changing character of Maine. Clear answers to these questions are elusive, but they are undoubtedly at the root of the public nervousness about the land boom.

10. Assessing blame for the effects of the land boom has been popular, but the truth is that the ultimate blame lies with a complacent public and ineffective planning and regulatory actions. The current amount of development could be accomodated with far lower social costs, but the opportunity for wisely channeling it has largely been lost. The bumper sticker that says "Keep Maine Green-- Shoot a Developer" is a cop-out.

11. The boom can not be sustained. The real estate boom is one contributor to the state's current prosperity; when it ends, that much of the state's economic momentum will be lost.

When and how the boom will peter out cannot be foreseen. Nor can we ascertain whether it will become a more regular, recurring feature of our economy, or whether it is a unique and rare event.

12. Effective policy responses have been hampered by a lack of good analysis of the effectiveness of different policies and by a lack of awareness of the true dimensions and significance of the landboom.

13. A searching debate on larger goals is needed in Maine. There is a need to develop a common understanding of how Maine can benefit from the stronger market for its land while preserving what is essential for the future. There is a need for a better understood balance between reliance on market forces and reliance on planning and regulation.

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