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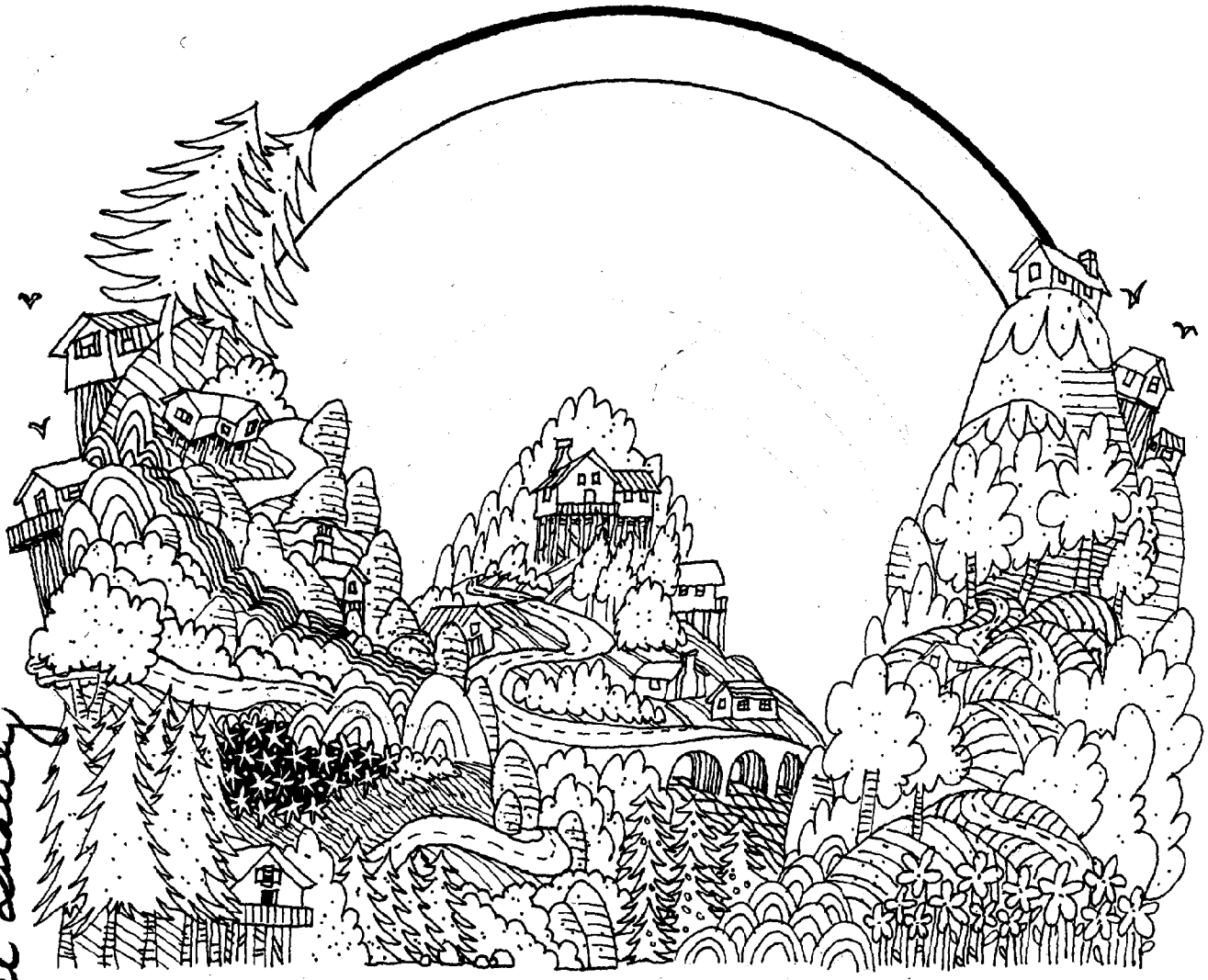

Subdividing Rural America

Impacts of Recreational Lot and Second Home Development

Prepared for CEQ.HUD.ARC
1976

Environmental Quality

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Other Leisure Home Reports

This report is one of several documents produced during the course of this study. Others include:

Subdividing Rural America: Impacts of Recreational Lot and Second Home Development, Executive Summary, available at the U.S. Government Printing Office.

Recreational Lot and Second Home Development: A Manual for Reviewing Impacts, by the American Society of Planning Officials, published by the Council on Environmental Quality, 1976, a handbook for government officials and planners to assist them in reviewing the environmental and socioeconomic impacts of recreational land development proposals.

Recreational Properties: An Analysis of the Markets for Privately Owned Recreational Lots and Leisure Homes, by Richard L. Ragatz Associates, Inc., 1974, a nationwide study of the recreational properties market, available from the National Technical Information Service, U.S. Department of Commerce, Springfield, Virginia 22161 (PB-233 148/6WU) or directly from the author at 3660 Donald Street, Eugene, Oregon 97405. A condensed version of these market data appears in the full report of the study group.

Recreational Properties in Appalachia: An Analysis of Markets for Privately Owned Recreational Lots and Leisure Homes, by Richard L. Ragatz Associates, Inc., 1974, a market study dealing specifically with recreational properties in the Appalachian states, available from the National Technical Information Service (PB-244 340).

The Subdivision of Virginia's Mountains: The Environmental Impact of Recreational Subdivisions in the Massanutten Mountain-Blue Ridge Area, Virginia, by William E. Shands, published by the Conservation Foundation, 1974, a report on the environmental impacts of recreational subdivisions in Virginia, available from the Conservation Foundation, 1717 Massachusetts Avenue, N.W., Washington, D.C. 20036.

Second Homes in Great Britain: Some Comparisons with the United States, by Richard L. Ragatz Associates, Inc., 1976, a general assessment of built structures used for seasonal-recreational purposes, available from the National Technical Information Service (PB-258 400).

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Subdividing Rural America

Impacts of Recreational Lot and Second Home Development

Prepared for the Council on Environmental Quality;
Office of Policy Development and Research,
Department of Housing and Urban Development; and
Appalachian Regional Commission

by the
American Society of Planning Officials, with contributions from the Conservation Foundation,
Urban Land Institute, and Richard L. Ragatz Associates, Inc.

1976

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PREFACE

Second home developments and recreational lot sales have concerned many people because of their potential negative environmental, economic, and social impacts and because of possible consumer fraud. Legislation has been enacted by the Federal Government and some state governments in response to consumer fraud problems, but the other impacts have often remained unregulated by any level of government.

This study, sponsored by the Council on Environmental Quality, the Department of Housing and Urban Development and the Appalachian Regional Commission, was conducted to assess the seriousness of these problems and to suggest possible remedies. The research was done by the American Society of Planning Officials with the assistance of the Urban Land Institute, the Conservation Foundation, and Richard L. Ragatz, Associates, Inc. The study has taken place over several years and has produced a series of reports.

The study concludes that there is a potential for significant adverse impacts from such developments, but these can be mostly ameliorated if developers and government officials work together in the careful planning and development of such projects. Although the energy crisis and economic conditions have substantially reduced the demand for recreational developments, there is a strong possibility that this market will pick up again. Local and state governments should strongly consider taking advantage of the current lull to pass legislation and establish procedures for dealing with the resurgence when it occurs.

This study is one in a series of land use studies jointly sponsored by CEQ and HUD in an effort to provide developers and planners with better information on which to base land use decisions.

Acting Chairman
Council on Environmental Quality

ACKNOWLEDGMENTS

This report is the result of a study funded by the President's Council on Environmental Quality (CEQ) in association with the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development (HUD), and the Appalachian Regional Commission. The contractors wish to thank especially Edwin H. Clark, II who served as CEQ's project officer, for his overall guidance and many helpful suggestions throughout the course of the project. Thanks for their assistance in reviewing draft material is also extended to CEQ Senior Staff member William Matuszeski; James Hoben, Program Manager, Division of Community Development and Management Research, Office of Policy Development and Research, HUD; Allan Kappeler, Assistant Deputy Administrator, Office of Interstate Land Sales Registration, HUD; and Orlando Riutort, Community Development Specialist, Appalachian Regional Commission.

Many people contributed to the production of this report. The American Society of Planning Officials was responsible for the overall project and final editing. David R. Mosena, Assistant Director—Research served as project director and editor. Other contributions from the ASPO Research Division were made by Frank Beal, Deputy Director; Frank Popper, Senior Research Associate; Linda Wildman, Research Associate; and Patricia McDowell, Research Assistant.

The Conservation Foundation conducted the research and prepared initial drafts for the section on environmental impacts under the staff direction of Robert Dennis, Senior Associate, with assistance from William Shands, Executive Director of the Central Atlantic Environment Center, and William Partington, Executive Director of the Environmental Information Center of the Florida Conservation Foundation. Research and initial drafts for the section on economic impacts were prepared by the Urban Land Institute under the supervision ULI Research Director Donald Priest with assistance from Edward Murray, Research Associate, and Randall Scott, Research Counsel. The market research for this study (used primarily in Chapter II) was conducted by Richard L. Ragatz Associates, Inc. Additional consultation and guidance was provided by John Noble at key points in the project.

This study is one of the staff activities authorized by the Board of Directors of the American Society of Planning Officials as part of its Sponsored Research Program. The ASPO research program is an independent research activity supported by grants and contracts and devoted to advancing public agency planning practice. Individual research reports are not reviewed for approval by the Board of Directors or by the membership of the Society.

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One U.S. family in 12 owns either a second home or a vacant recreational lot.

CHAPTER 1. EXECUTIVE SUMMARY

Recreational land development is a controversial subject. It has caused considerable debate in the press, in the Congress and state legislatures, and among local governments and concerned citizens groups across the country. Attitudes toward it vary widely. Some people see it as an opportunity to stimulate rural economies and increase local tax revenues. Others see it as a threat to the environment, fearing irreparable damage will result as woodlands, lakeshores, and coastlines are subdivided into recreational lots and second homes are constructed.

Actually, recreational land development has resulted in both positive and negative consequences in different settings and under different conditions. On the positive side, it has provided recreational opportunities for an increasingly broad segment of the American public—a place in the country to spend vacations and leisure time, a place to retire, and for some an attractive financial investment. Recreational land development has also created markets for marginally productive land, increased local tax revenues, stimulated local businesses, and provided some jobs.

Despite these important benefits, recreational land development has caused some very serious problems: consumer victimization resulting from misleading and fradulent sales tactics; environmental degradation from the development of ecologically fragile lands; and high public service costs for some rural communities.

This report presents a comprehensive analysis of recreational land development; the amount of land involved, the impacts of these developments on the communities in which they occur, and methods that governments can adopt for controlling development and avoiding negative impacts. It focuses primarily on development problems, some of which are common to all forms of land development, others which are unique to recreational development. Due to its problem focus, this report is often critical of the recreational land development industry, the products of which vary widely in quality. While there are many fine examples of high quality second home projects and resort communities scattered around the country, the impacts of shoddy recreational land development are widespread and serious. They are not, however, the fault of developers alone. Governments, which have the duty to regulate the use of our resources, and citizens, who help shape public policies and buy the industry's products must also share the responsibility for the negative impacts which have occurred.

At the time this study was begun in 1973, recreational land development was a burgeoning business. Land was being subdivided and sold faster than government could process the necessary paperwork. Since then, this industry has been hard hit by gasoline shortages and more recently by economic recession. Both lot sales and second home construction fell off sharply in 1974.

This decline in recreational land development activity, however, does not lessen the importance of the issues addressed in this report. While subdivision platting and second home construction have slowed down considerably from the early 1970s, they have by no means stopped, and consumer demands for recreational property can be expected to rise again as the economy recovers. Recreational property is a luxury item whose future depends on rising disposable incomes and mobility. Based on past trends and recent surveys of consumer intentions, the number of households owning recreational property in the U.S. could be expected to more than double by 1985 as the post World War II baby boom generation enters its thirties and swells the ranks of potential buyers.

There are preliminary indications that the market for recreational property is shifting away from the unimproved,

speculative lot segment of the market toward a user's market of improved recreational lots and second homes. Increased consumer awareness, saturation of the speculative lot market in some areas, and increased land use regulation are all contributing to this trend. While some of the worst abuses of the past may be on the way out, the range of issues posed by continued recreational land development in rural areas still requires the exercise of much greater responsibility in managing such developments than has occurred to date. Hopefully, this report will provide both a stimulous and a focus for increased public action.

SUMMARY CONCLUSIONS

Recreational land development is occurring throughout the U.S. in response to consumer demands for speculative real estate investments, and for second homes (and to some extent permanent homes) for their owner's use and enjoyment. These projects tend to be located in rural areas where they have a potential for creating significant environmental, economic, and social impacts. The extent to which these impacts are beneficial or adverse depends largely on the care with which projects are planned and developed. Since the adverse effects can be quite serious, both public officials with responsibility for project approvals and the developers themselves must take steps to ensure that project plans and implementation programs are consistent with local conditions and needs, and moreover, to the greatest extent possible, that they enhance the quality of the environment and the well being of host communities.

Recreational land development has a high potential for causing serious environmental problems due to its frequent lack of or inadequacy of basic site improvements, and its tendency to locate in sensitive environmental areas. Ground and surface water pollution from improper disposal of sewage, and erosion and siltation from runoff pose the most serious environmental problems. Other threats to the environment include destruction of natural areas and wildlife habitats, increased solid waste and litter, and air pollution.

The economic effects of recreational land development on local governments are likely to be positive in the initial years of project development as property taxes exceed public service costs. Fiscal impacts can become negative over time, however, if substantial permanent occupancy occurs in these projects (especially by families with school age children), or if local governments must install or make substantial improvements in project facilities such as roads and utility systems. Effects of development on local economies are positive to the extent that new jobs are created and community income increases from developer and property owner expenditures made in the local economy.

As home construction and occupancy progresses in recreational subdivisions, the traditional lifestyles and cultures of rural communities begin to change in response to the changing population mix and economic base. Changes may also occur in local political structures to the extent that recreational property owners become involved in community affairs. Local attitudes on the merits of these social changes differ widely. But the social impact causing the greatest controversy has been consumer victimization, in spite of the host of state and federal land sales laws adopted in recent years. The full disclosure technique on which most land sales laws are based has not proven adequate as a means of stopping these abuses.

The major negative impacts of recreational land development can be traced to the lack or inadequacy of local land use and development regulations, and to a lesser extent state regulations. Recreational land development pressures have been heaviest in rural areas where land use controls have traditionally been the weakest. The lack of professional staff and financial resources necessary to regulate rapid increases in large scale development has also been a major problem. Emerging state laws aimed at protecting critical environmental areas such as wetlands and coastal zones can help resolve conflicts between recreational land development and sensitive environmental lands, but they have yet to be a major force in controlling development.

Most of the problems caused by recreational land development have been dealt with before in previously urbanizing areas, and existing tools and techniques for regulating the quality, location, quantity and timing of development offer sufficient methods of avoiding the potential negative effects of these projects. Development standards should be set at levels appropriate for the scale and density of development, and the natural capacities of the site. Recreational land development should adhere to the same generally accepted development standards required of conventional first home subdivisions of similar scale and density. Basic site improvements should be designed to accommodate peak occupancy, and should be in place when they are needed by project residents, either through initial installation by the developer, or assured through binding financial guarantees that they will be installed as needed. Minor variations from accepted development practices in response to market preferences or unique environmental conditions may be appropriate if

they pose no threat to public health and safety and environmental quality.

The burden and responsibility for setting standards and regulating these developments rests primarily with local governments. For some governments, review and strengthing of existing regulations is in order; for others, which do not yet regulate development, a major effort is required to draft land use controls. For both, the regulations and standards should be reviewed with a sensitivity to concerns for critical environmental areas, appropriateness to the scale and density of development, as well as the natural carrying capacities of the site, and the degree to which they stimulate better and more imaginative site design and construction rather than only making traditional designs more expensive. Flexible development controls such as PUD ordinances, environmental performance standards, and impact assessments should be used to permit greater responsiveness to unique site conditions.

In many local communities, regulating land use effectively will overtax available resources, and they will look to states for more help. State land use planning programs should identify areas suitable and unsuitable for recreational land development and channel financial and technical aid to those local areas most in need of assistance. States should also increase their efforts to protect critical environmental areas of greater than local concern to prevent unique natural resources from being preempted by development.

The federal government should also provided needed support by taking full advantage of its existing legislative mandates and enacting land use legislation as needed to provide additional financial and technical assistance. Finally, both state and federal governments should take steps to strengthen existing consumer protection legislation by requiring financial guarantees that promised improvements will be installed.

DEFINITIONS

Prior to the recreational land boom in the 1960s, many if not most of the second homes in the U.S. were built on individual, scattered lots in traditional recreational areas outside platted subdivisions—the simple hunting cabin in the Maine woods or the lake cottage in Minnesota. Public facilities seldom existed, lots were usually small, and most of the dwellings were not originally designed for permanent, year-round occupancy.

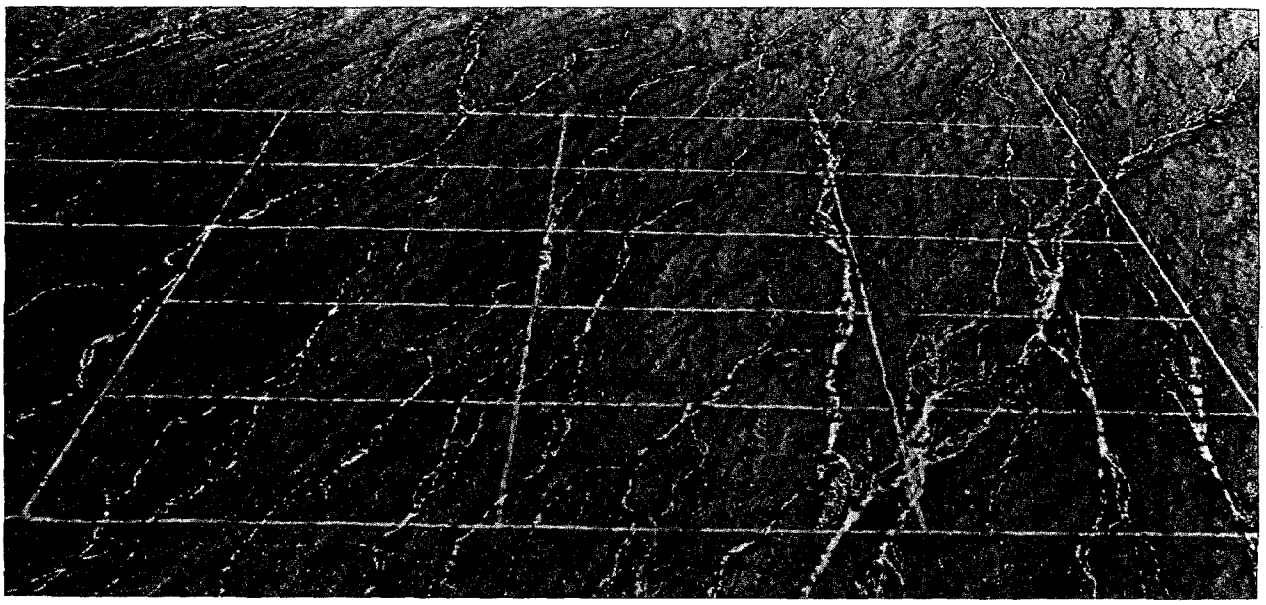
For most people, the subject of second homes still suggests these traditional images of scattered mountain A-frames and lakeside cottages. This scattered lot development is still occurring today, but the mass market has shifted to new forms of recreational land development.

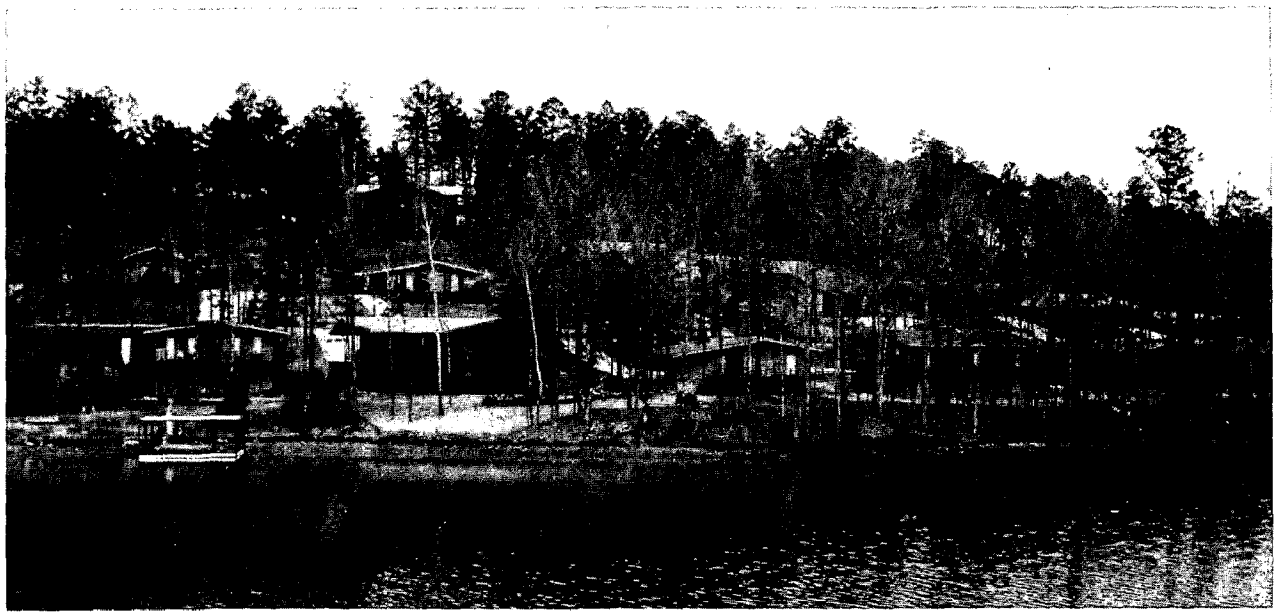
As commonly used today, the term "recreational land development" refers to a range of development types marketed ostensibly for recreational use, although they are not necessarily so used. These developments range widely in size and quality, from unimproved raw land subdivisions to resort developments with condominiums, single-family homes, and a wide variety of recreational amenities. Other peripheral types of projects often labeled as recreational land development include subdivisions with lots sold specifically for camping or recreational vehicle use, club campgrounds under single ownership, and theme park-second home complexes.

This report distinguishes among three major types of development (although some individual projects may include characteristics from more than one category): unimproved recreational subdivisions, improved second home projects, and high-amenity resort communities. Most of the recreational land development which has occured in the U.S. falls into the first two categories, and is the primary focus of this report.

Unimproved recreational subdivisions. These projects are basically land sales operations in which the developer typically subdivides the property into one-fourth or one-

An estimated 10 million recreational lots have been subdivided in the U.S. to date, many of which are in unimproved recreational subdivisions with few basic improvements or facilities such as this project in Arizona.





Improved second home and resort developments are similar in many respects to typical suburban developments, and frequently include recreational amenities such as swimming clubs, golf courses, or as in this project, an artificial lake.

half acre lots (often with little or no regard for their adequacy as actual home sites), installs access roads as necessary to market the property (frequently only graded dirt roads), and sells off the lots as fast as possible. Much of this property is sold sight unseen through the mail to buyers primarily interested in land speculation. If these projects are ever to be actually developed, the individual lot owners or the local community must provide the necessary improvements such as water and sewer systems and paved roads. It is common for these projects to end up with little actual development, but with very confused patterns of property ownership as buyers default on payments or property taxes.

Improved second home projects. These projects include some basic site improvements. Recreational facilities may also be included, and the projects are often sited in areas with important natural amenities such as lake or river frontage. Lot sizes are still typically one acre or less, but more care tends to be taken in site design and layout. While the developer's primary objective is still to sell lots, installing basic site improvements lays the groundwork for a real community and buyers are more likely to be interested in eventually building homes and using their land, although speculation remains fairly common. The locations of these projects are more dependent upon good highway access and relative proximity to metropolitan areas due to the greater emphasis on a users market.

High-amenity resort communities. The planning and construction in these developments are highly sophisticated and, although far fewer in number, many are considered models of design excellence. Developers often invest millions of dollars in basic site improvements and recreational amenities (swimmining pools, tennis courts, golf courses, and club houses), as well as developer-built housing, such as resort condominiums. Aimed primarily at higher income families, some of these projects approach the scale of new towns, and development is more likely to be carefully controlled through deed restrictions and architectural controls. The location of such developments is often governed as much by the outstanding natural amentities of the site as the location of the buyers market.

STUDY METHODS AND DATA LIMITATIONS

The information used in this report has come from several primary and secondary sources: first, an extensive review of the literature; second, a series of personal field interviews in 14 states* with government officials, developers, environmental groups, and concerned citizens; third, three national surveys conducted for this study (one of homeowners; one of recreational land development companies, builders, and manufacturers; and one of local planning agencies in rural communities experiencing recreational land development); and fourth, an analysis of the registered filings of 3,900 recreational subdivisions recorded with HUD's Office of Interstate Land Sales Registration (OILSR).

Even with this data collection effort, still remarkably little is known about many aspects of these developments. The available data used in this report have limitations resulting from the widely different markets involved (ranging from raw lot sales to high density recreational communities), the fragmentation among data sources, the lack of standardization in definitions and data collection, and difficulties in maintaining current information. Although these limitations make it difficult to draw national generalizations in some cases, the information collected in this report still presents the most comprehensive picture of the recreational properties market and its impacts available to date.

* Field interviews were conducted in Arizona, California, Colorado, Florida, Georgia, Michigan, New Mexico, North Carolina, Oregon, Texas, Vermont, Virginia, Washington, and Wisconsin.

MAJOR FINDINGS

RECREATIONAL PROPERTIES MARKET**

1. At least 10 million recreational lots have been subdivided in the U.S., and HUD's Office of Interstate Land Sales Registration (OILSR) includes subdivision filings from every state except North Dakota and Rhode Island.

- Recreational subdivisions registered with OILSR are most heavily concentrated in the Southeast and Southwest (see Figure I).
- Two states (Florida and Texas) contained almost half of the 3.5 million recreational lots registered with OILSR in 1974.
- Five more states (New Mexico, Arizona, California, Colorado, and Pennsylvania) contained another quarter of these lots.

2. Over 3.5 million second homes had been constructed in the U.S. by 1973.

- The highest concentrations of second homes occur in the Great Lakes Region, the South, and New England (see Figure II).
- In 1970, approximately one-third of the second homes in the U.S. were located in Michigan, New York, Texas, Wisconsin, and California.

3. Recreational properties are used in three major ways—as speculative investments, for seasonal occupancy, and for permanent occupancy.

- Research to date indicates that between one-third and one-half of all recreational lots are bought primarily as speculative investments.
- Where second homes are constructed on recreational lots, most are occupied on a seasonal basis—typically between two and three months per year.
- There is a tendency for second homes to be converted to permanent use. Although few national data exist, some local surveys of second home owners report that as many as half intend to move into their second homes on a permanent basis at some point in the future. In addition, recreation lots are also being purchased initially for use as permanent home sites.

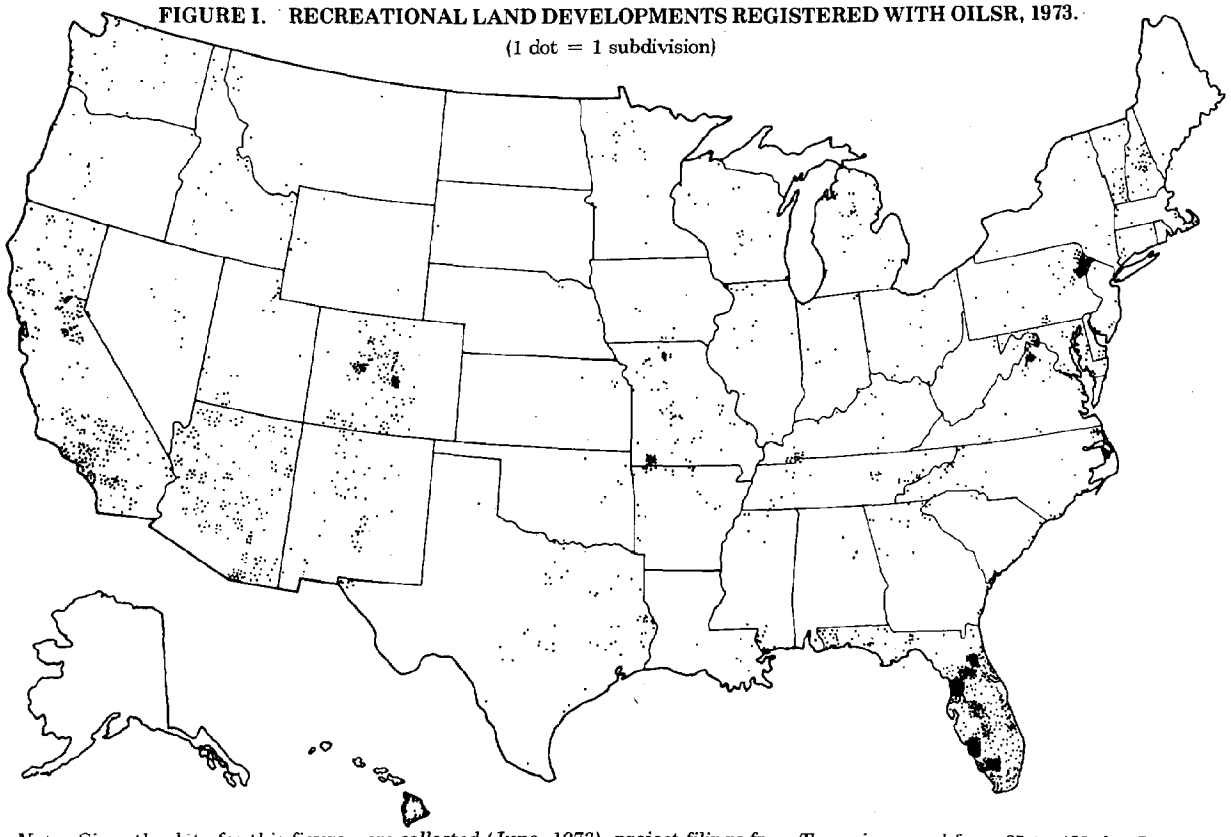
4. Speculation in recreational lots tends to be most highly concentrated in unimproved recreational subdivisions. Consumers who plan on using their property themselves tend to purchase lots in subdivisions with more improvements and amenities.

5. Recreational subdivision generally have fewer basic site improvements than conventional, first home sub-

** Few studies to date have attempted to distinguish among different types of recreational land development, therefore much of the data presented in these findings can only appear in aggregate form rather than being related to specific project types.

FIGURE I. RECREATIONAL LAND DEVELOPMENTS REGISTERED WITH OILSR, 1973.

(1 dot = 1 subdivision)



Note: Since the data for this figure were collected (June, 1973), project filings from Texas increased from 65 to 463, by January, 1974, giving it four-fifths as many recreational subdivisions as Florida.

Source: U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973.

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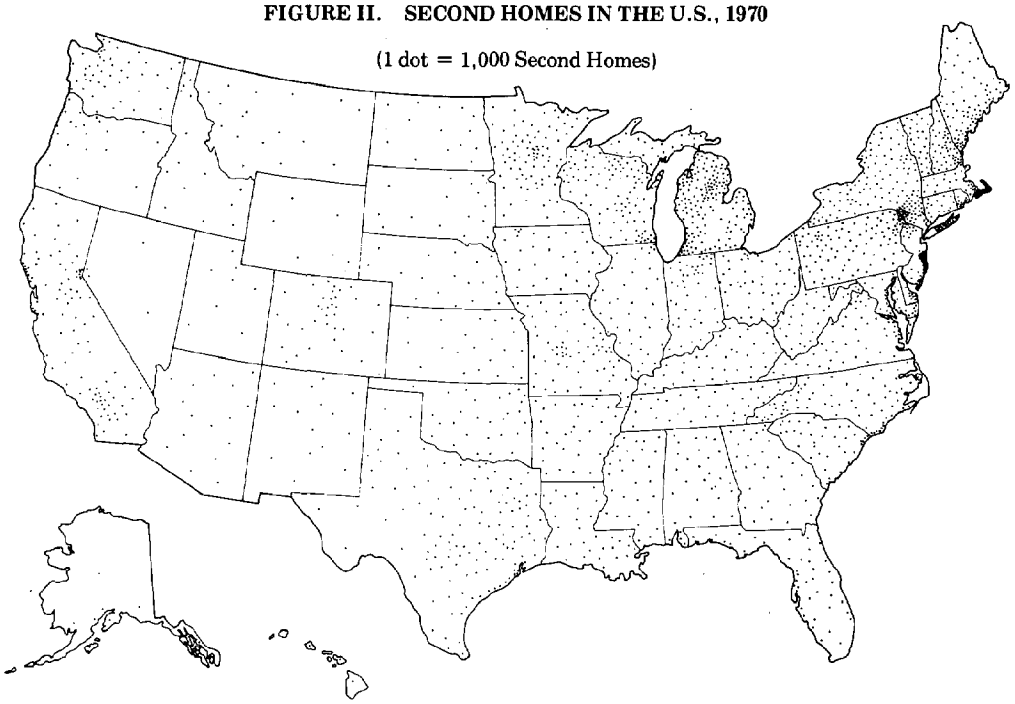
FIGURE II. SECOND HOMES IN THE U.S., 1970

(1 dot = 1,000 Second Homes)



Source: U.S. Department of Commerce, Bureau of the Census, *U.S. Census of Housing, 1970 Detailed Housing Characteristics.* (Washington: Government Printing Office, 1972.)

divisions, but are often similar in design and layout (see Figure III).

- Two-thirds of the projects surveyed at OILSR had no central sewage systems, and one-third had no central water systems. Many contained only dirt roads.
- The size of most recreational land developments is relatively large. Recreational subdivisions filed with OILSR average 1,000 acres each.
- Typical lot sizes range from one-fourth acre to one acre. At full buildout, the densities of these subdivisions are as high as metropolitan suburbs.

6. Owning recreational property is no longer a luxury limited to upper-income families.

- One U.S. family in 12 owns a piece of recreational property—either a vacant recreational lot or a second home.
- Todays typical second home owners are white, middle-class families whose incomes and educations are only slightly higher than the national averages (see Figure IV).
- Three-fourths of all second home owners live in metropolitan areas.

7. Unimproved recreational subdivisions are, in many cases, resulting in extensive premature subdivision of land (i.e., homesites subdivided and sold with no foreseeable demand for residential use). Many of these speculative subdivisions stand little chance of ever becoming viable communities.

- Heavy front-end investments are poured into mass marketing and advertising schemes, rather than into the basic site improvements necessary for housing construction and occupancy.
- Since both the land sales firms and the lot buyers are primarily interested in maximizing returns on their investments, neither has much incentive to improve the land, and often the firm does not even expect to sell all the lots.
- These speculative subdivisions preclude alternative land uses and dictate patterns of growth for years to come. They lock up large parcels of land by fragmenting and scattering ownership, making any future reassembly of the land legally difficult and economically prohibitive.

8. At the other extreme, large scale second home projects and resort communities tend to have an urbanizing effect on rural areas as homes are constructed and public service demands increase (depending on their scale, level of improvements, and growth rates).

- The relative scale of recreational land development is often massive in comparison to existing rural development, and can result in substantial primary and secondary population growth over time.
- Most second home owners are urbanites and tend to demand increasingly urban levels of public services.
- The tendency for some recreational properties to become permanently occupied further reinforces this urbanization process.

ENVIRONMENTAL IMPACTS

1. Most environmental impacts caused by recreational land development are no different in kind from those of other conventional subdivisions of similar size, density, and levels of improvement. Their environmental effects may be more serious, however, due to their lack or inadequacy of basic site improvements and their tendency to be located on sites which are environmentally fragile, of special public concern due to their unique natural features, or in areas which lack the natural capacity necessary to sustain intensive development.

- Because of their tendency to locate in more sensitive environmental areas, recreational subdivisions result in environmental impacts which are more difficult to ameliorate.
- Recreational subdivisions are often built to lower standards than conventional subdivisions (e.g., septic tanks on small lots, private wells, dirt roads, etc.), resulting in more serious environmental damage as home construction and occupancy occur.
- Two of the most common environmental impacts caused by lower development standards are ground and surface water pollution from septic tanks (especially in areas adjacent to lakes and streams), and erosion and siltation from runoff generated by dirt roads and bare construction sites.
- Other environmental impacts which have resulted from recreational development include air pollution (especially from heavy automobile traffic in mountainous areas), increased solid waste and litter, the destruction of fish and wildlife habitats, increased flooding and flood damage due to increased runoff from impervious surfaces and floodplain construction, and aesthetic blight.

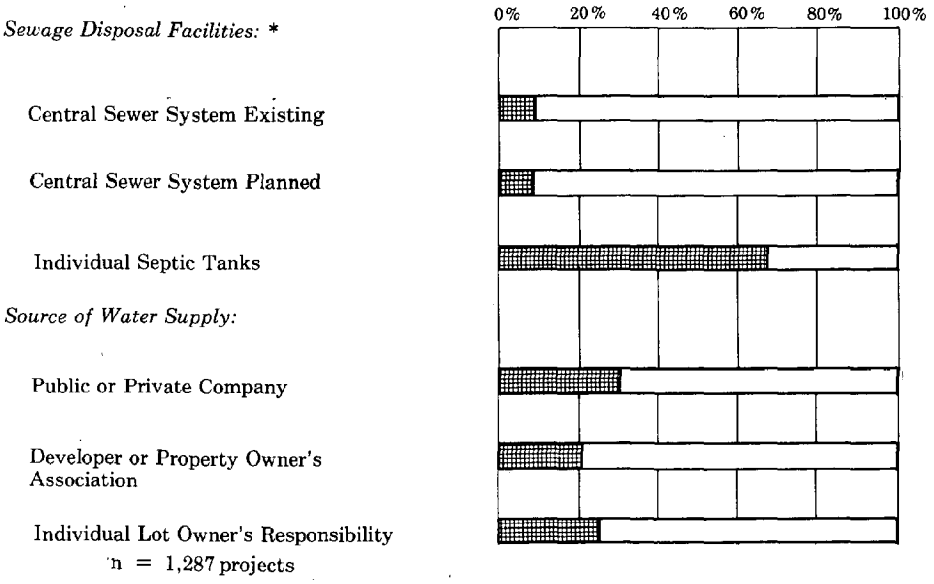
2. Although unimproved recreational subdivisions can be designed to minimize potential environmental problems, those designed to maximize short run returns from lot sales are often platted as simple gridiron projects which show little sensitivity for the topography or other natural features of the landscape.

- Serious erosion and lake and stream siltation have been caused in many such projects due to the grading of dirt roads on steep slopes and across natural drainage courses.
- Homesites platted on excessive slopes have often caused erosion and siltation when developed.
- Other environmental impacts in unimproved projects have been less serious to date because of their lower level of development activity, buildout, and occupancy. The potential for serious environmental damage, however, is high where initial site design is poor and projects lack basic improvements in water supply and sewage disposal systems.

3. Generalizations on environmental impacts in improved second home projects and resort communities are more difficult to make since they vary widely from project to project depending on a variety of factors including:

- The natural characteristics of each individual site, such as topography, soils, groundwater, wild-

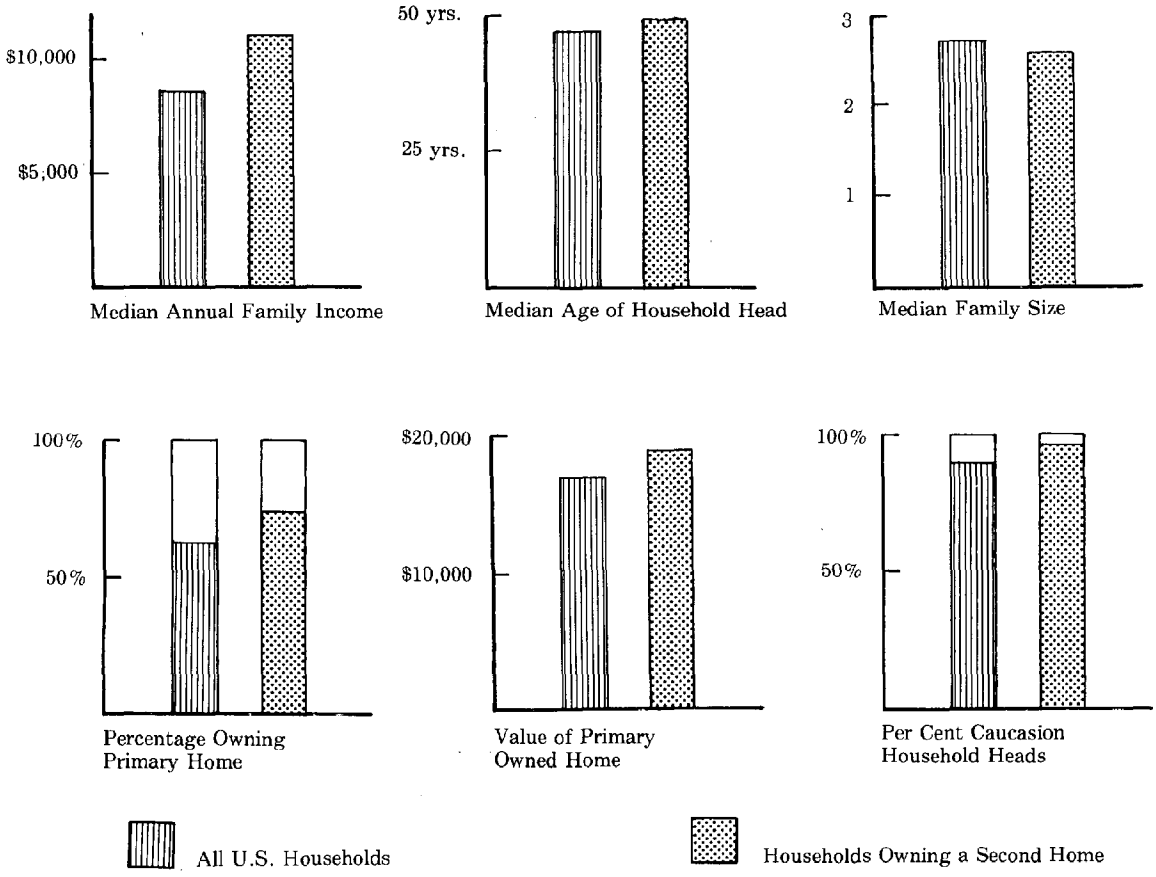
FIGURE III. SELECTED SITE IMPROVEMENTS IN RECREATIONAL LAND DEVELOPMENTS REGISTERED WITH OILSR, 1973



* These categories are not mutually exclusive; some projects contain both central sewer systems and some septic tanks. Missing data in some files account for totals of less than 100 per cent.

Source: U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973.

FIGURE IV. SOCIO-ECONOMIC COMPARISONS OF HOUSEHOLDS OWNING SECOND HOMES WITH ALL U.S. HOUSEHOLDS, 1970.



Sources:

Date for Households Owning Second Homes: U.S. Department of Commerce, Bureau of the Census, Public Use Sample of Basic Records from the 1970 Census, State Samples.

Data for All U.S. Households: U.S. Department of Commerce, Bureau of the Census, *Metropolitan Housing Characteristics, United States and Regions, 1970.* Report No. HC (2)-1. (Washington: Government Printing Office, 1972.) Tables A-3, A-7, and A-8; and U.S. Department of Commerce, Bureau of the Census, *Detailed Housing Characteristics, United States Summary, 1970.* Report No. HC (1)-B1. (Washington: Government Printing Office, 1972. Tables 29, 31, and 54.

life, and unique natural features.

- The physical characteristics of each project including size, density, site design, and especially the level of improvements (water and sewer systems, roads, etc.).
- The land development techniques and construction practices used by the developer.
- The adequacy of land development regulations and their administration and enforcement by local and state governments.

4. Considerable recreational land development has been located adjacent to or is surrounded by publicly-owned lands (e.g., national parks and national forests), resulting in a variety of problems.

- In some parts of the country, recreational land development is in competition with public land acquisition programs, outbidding and preempting some unique natural resource areas planned for inclusion in the public lands system.
- Fire dangers have increased on public lands as a result of adjacent population growth in recreational subdivisions.
- Adjacent recreational subdivisions have increased opportunities for unrestricted access onto public lands, making environmental management difficult.
- Other impacts on public lands have included increased litter and roadside garbage dumping, increased traffic, increased hunting pressures, and overuse of some public recreational facilities.

ECONOMIC IMPACTS

1. Recreational land development can stimulate local economies through increased tax revenues and developer

and consumer spending. Like environmental impacts, however, the net outcome varies from case to case depending on a wide range of factors, including:

- The characteristics of the local economy such as its size, economic diversification, and taxation policies.
- The characteristics of the project including its size, level of improvements, extent of recreational amenities, and the market prices of lots and homes.
- The extent of home construction and permanent occupancy which occurs in the project.
- The level of sophistication of planning and fiscal management practiced by local governments.

2. Net fiscal impacts on local government are positive in the early life of most projects. The increases in tax revenues generated by development usually exceed the increased costs of providing public services during the initial years, for several reasons.

- Most recreational subdivisions have few homes built in them to date, and therefore have yet to make major public service demands on local governments.
- While second homes are taxed at the same rates as first homes, the large majority of second homes are still seasonally occupied, and therefore place few burdens on local public school systems, which generally consume as much as half or more of local tax revenues.
- Because some local governments either ignore many of the service demands of second home owners, or do not have the capacity to provide them, many recreational subdivisions go without the services which would normally be expected in suburban developments of similar size and density.

3. Over time, negative fiscal impacts can result from recreational land development if public service demands or major capital expenditures necessitated by these projects outstrip the tax revenues they generate.

- Fiscal impacts may become negative if substantial permanent occupancy by families with school age children occurs in recreational subdivisions.
- Negative fiscal impacts can also occur if development necessitates any major, unexpected capital expenditures by local governments, such as improving an access road to a project, or expanding a sewage treatment plant to facilitate a new recreational subdivision.
- Fiscal impacts can also become negative when recreational subdivisions (especially remote ones) are only sparcely populated, and the costs of providing public services over long distances to a few residences exceeds the total tax revenues generated by these projects.

4. Communities have tried to reduce negative fiscal impacts by various methods.

- Standard facilities requirements (commonly used with conventional subdivisions) for roads, water supply, and sewage disposal systems have usually been successful in reducing subsequent public investments for such facilities.
- Some communities have encouraged privately owned and maintained facilities (usually by property owners associations) rather than accepting public responsibility for future maintenance and operation. This approach can lead to problems, however, if property owners associations collapse and local government has to step in.
- A few communities have tried to avoid certain public service costs by restricting permanent occupancy, but experience to date indicates that this approach is administratively impractical and difficult to enforce.

5. The impacts of recreational land development on the private economic sector can be both positive and negative.

- A major benefit is the increase in community income which occurs to the extent that expenditures

Second home construction can be an important source of employment for local contractors and builders.

made by developers and property owners are made in the local economy. Studies have shown that between one-third and three-fourths of total development and user expenditures may accrue to the local area, depending primarily on the levels of project improvements and amenities, the extent of home construction and occupancy, and the availability of goods and services in the local community. Unimproved subdivisions generate relatively little community income compared to improved second home projects and resort communities since development activity, home construction, and occupancy are minimal.

- New job opportunities may also be created, either directly in the construction and operation of projects, or indirectly in local businesses serving projects and their residents. At the same time, some old jobs, usually agriculturally related, may be displaced.

- In some communities, the creation of new jobs from recreational land development has attracted job seekers from outside the local area, creating competition for the new jobs which are available, and also generating secondary population growth for which public services must be provided by local government.

- Recreational land development has created markets for the sale of marginal farm, grazing, and timber lands in many parts of the country. On the other hand (although not well documented), development has caused upward pressures on land values, housing costs, and tax assessments pricing some native rural families out of farming and local housing markets.

SOCIAL IMPACTS

1. As home construction and occupancy in recreational subdivisions occurs, traditional rural cultures and lifestyles change. Service oriented tourist economies begin to replace agricultural economies as subdivisions and second homes replace farms and woodlands. These social changes are accentuated by the fact that the newcomers are generally urbanites with attitudes and lifestyles which are in marked contrast to those found in most rural communities. Local attitudes toward these social changes vary widely.

- Some local residents view recreational land development and its resulting population growth as a cultural as well as an economic asset. They welcome the stimulus of change—the influx of new people with lifestyles and attitudes different from their own.

- Others regret the gradual erosion of traditional rural culture, but accept it as the inevitable price of economic growth.

- Still others consider recreational land development a form of exploitation and colonization by a wealthier urban class. In some parts of the country where second home development has been extensive, local residents strongly resent the countryside becoming a vacation suburb for middle-income families from the cities.

2. Other social impacts which have concerned local residents are increased crowding and traffic, increased crime, and restricted access to public recreational facilities.

3. Recreational property owners may become important political forces in rural communities, depending largely upon their occupancy patterns.

- Families using their second homes seasonally seldom become involved in local community affairs. Second home developments have been called "communities of limited liability" where residents come to rest and relax, taking little interest in local rural problems which do not directly affect them.

- When recreational land development results in permanent population growth, the political effects can be substantial in sparcely populated rural areas. The tendency for these newcomers to take an active part in local affairs is accentuated by the fact that they generally have higher educations, higher incomes, and more free time.

4. Many second homeowners share a common attitude referred to by some as the "gangplank syndrome." Having moved to an area to enjoy its natural beauty and rural atmosphere, they are anxious to keep it that way, and close the door on further growth. In rural communities adverse to more recreational development, these individuals have often been instrumental in shaping local growth policies. In other cases, especially where local residents still wish to capitalize on land development, this "we've got ours" attitude to some second home owners is deeply resented.

5. Consumer victimization in recreational land sales has been a serious national issue for over 10 years, and it remains an important social issue today. Thousands of consumers have been the victims of high-pressure sales tactics, deceptive and fraudulent advertising practices, and broken promises.

- Consumer victimization has been far more widespread and serious in the unimproved lot sales business than in other sectors of this industry.

- During 1973 at the peak of the recreational land development boom, OILSR received 1,500 letters per month from consumers, over half of which were complaints against land sales firms. Most consumers complained about the failure of developers to deliver on promised improvments, deceptive sales practices, and the poor investment potential of the property.

- Many recreational lot buyers have been dissatisfied with their purchases. Some surveys have reported that as many as half of the responding lot buyers were disappointed.

- The investment potential of many unimproved recreational lots has been poor, partly due to the fact that the original lot prices were so inflated with sales and promotion costs. Resale experiences have been

dismal for many consumers, and some have failed even to recoup their original investments.

REGULATION OF DEVELOPMENT

1. The major responsibility for controlling the location and substantive quality of recreational land development rests with local governments, but on the whole, they have not been effective in exercising this responsibility.

- Recreational land development pressures have been the greatest in rural areas where local land use controls have historically been the weakest.
- Many local governments had no zoning or subdivision regulations at all when the recreational land development boom hit in the mid-1960s. Consequently, hundreds of recreational subdivisions have been platted and sold across the country without being subject to any public development standards or review.
- Most local land use controls in rural communities were never designed to regulate large scale development, and are inadequate to do the job.
- Administration and enforcement of land use controls in remote rural areas are often weak. Professional staff are scarce and budgets are small.
- Many local communities failed to anticipate the scale or density of encroaching recreational land development until too late to respond effectively to it. Others have resisted land use controls until development impacts have reached crisis proportions forcing them into action.

2. Recreational land development is not a phenomenon requiring a totally new regulatory approach. Traditional land use control techniques commonly used in urbanized areas have been successful in preventing the major negative environmental and economic impacts of recreational land development, although they will not necessarily induce high quality developments designed with sensitivity to their environment.

- The major negative impacts of recreational land development on local communities have resulted primarily from the total lack or inadequacy of local land development regulations, as well as poor administration.
- In communities which have regulated development, conventional techniques such as zoning, ordinances, subdivision regulations, facilities requirements, and building and health codes have proven adequate tools for preventing most negative environmental and economic impacts.
- Local development regulations have not, however, been effective in resolving conflicts over location between recreational land development and critical environmental areas of greater than local concern. Protecting natural resources such as coastal wetlands from development impacts has generally required state or federal initiatives.

3. Most communities have applied the same development standards to recreational subdivisions and second homes as they have to permanent home developments, although some communities have granted variances from improvement standards for streets, curbs and gutter, storm drainage systems, sidewalks, and street lighting. Standards affecting public health more directly (e.g., water suply and sewage disposal requirements) have not been as frequently modified, although enforcement practices vary widely.

4. Many recreational lots and second homes existed before local regulations were adopted and do not meet current development and construction standards. Government's response to the development and use of these properties has varied.

- In most cases, home construction on substandard recreational lots has been permitted without adherence to current standards.
- In other cases, compromises have been made, usually for side-yard and setback requirements. Health codes regulating water supply and sewage disposal systems have been compromised less often, making many small recreational lots essentially unbuildable.
- Few rural communities have any regulations requiring second homes to meet current code requirements when they are converted to permanent use.

5. State governments have strengthened their role in land use controls in recent years, affecting recreational land development in two ways.

- A few states have passed laws requiring local governments to adopt land use and development regulations, often with provisions for state intervention if local governments fail to act (e.g., California and Oregon). Also, some states, such as Vermont, Maine, and Florida have set up their own review and approval procedures for certain developments, which have included recreational land developments. Both of these approaches have helped to close the gaps in local regulations which have allowed development to go unchecked in many parts of the country.
- Emerging state laws aimed at protecting wetlands, coastal zones, shorelines, mountains, scenic rivers, floodplains, and other critical environmental areas are helping to protect environmentally sensitive lands which are often under heavy development pressure from recreational subdivisions and second homes. Such legislation reduces the area in which recreational land development can operate without public scrutiny, and helps to protect remaining natural areas which recreational subdivisions could preempt or despoil.

6. This emerging body of state land use and critical area legislation has set important precedents and resulted in better recreational land development in some areas. But state programs vary considerably. Many contain administrative loopholes, minimal standards, and weak enforcement provisions. In short, the expanded state role in land

use controls is still too new to offer any national panacea for inadequacies at the local level. The bulk of the responsibility for regulating the quality of recreational land development still rests in the hands of local government.

7. Over 40 states have some form of consumer protection legislation regulating land sales. Their quality varies widely from state to state, and only a few (e.g., California, New York, and Michigan) are considered tough enough to offer consumers any significant protection. In many states these laws often hinder good recreational land developers, add to the cost of land and housing, and yet allow many unscrupulous firms to continue operating.

8. The federal response to recreational land development has been essentially restricted to the field of consumer protection through disclosure, primarily through the Interstate Land Sales Full Disclosure Act administered by HUD.

- Federal (and state) land sales laws have been unable to wipe out consumer victimization. They have relied almost exclusively on the full disclosure technique, which has no direct effect on the quality of the product itself, and puts the burden on consumers to read and evaluate detailed property reports presented by developers. Many consumers do not bother to read this information, and many of those who do cannot understand it.
- The marketing and advertising practices of land sales firms are extremely persuasive and difficult to regulate and police. This is especially true of the verbal claims made by salesmen.
- Existing land sales laws have created an illusion of widespread consumer protection, when in fact, consumer victimization continues to be a problem. Some consumers still think a property report is a federal certification of a project.
- Federal (and state) agencies administering land sales laws have not had the staff and budget resources necessary to get the job done.

9. Beyond consumer protection, the federal government's effect on recreational land development has been limited and indirect. Some federal laws such as the National Environmental Policy Act, the Coastal Zone Management Act, and the Water Pollution Control Act could have important influences on development in the future, depending on how they are further interpreted, administered, and enforced.

RECOMMENDATIONS

The issues raised by recreational land development are as broad and varied as the subject of urbanization itself. Most of these issues have already been dealt with in urbanized areas, and their solutions may usually be found in the application of existing methods and techniques for regulating the quality, location, quantity and timing of land development. Controlling these variables will encourage good recreational land development of lasting value, while helping communities avoid the negative impacts which many have already experienced.

The key ingredients of development quality are the adequacy of basic site improvements such as water and sewer systems, roads and drainage systems, site design, and construction standards. Adequate project facilities lessen the extent of environmental impacts as well as the potential for negative fiscal impacts on local governments. Construction of adequate project facilities also provides a greater stimulous to the local economy. Adequate development standards will drastically reduce premature recreational subdivisions. Controlling development quality is also the surest form of consumer protection. Simply informing consumers of product deficiencies has proven inadequate as a means of protection. Only through assurances that the products themselves are fit will consumers be truely protected.

The location of new recreational land development must also be carefully evaluated to prevent the loss of unique environmental areas which should be preserved in their natural state. To avoid environmental damage, sites must be chosen which have the natural capacity to support development at the intensity proposed. Present and future public service delivery costs are also a function of site locations. And choosing appropriate development sites can further protect consumers from such things as flooding and other natural hazards, as well as assuring them of buildable homesites.

Regulating the quantity and timing of development provides a further means of avoiding negative impacts. The scale of development (measured in dwelling units or projected population) should be sensitive to the resource capabilities of the land to avoid overloading natural systems such as the groundwater supply, and the timing of large projects should be in phase with local government's ability to provide public services and capital improvements.

The following recommendations focus on the major roles and responsibilities of different levels of government in regulating recreational land development. For some jurisdications, new development pressures may only require modification of existing regulations, but for many others

where few or inadequate development controls are in effect, major efforts will be necessary including the hiring of professional staff to plan for growth and administer the necessary controls. Some of the costs of regulating recreational land development will be passed on to recreational property buyers themselves. Others will inevitably be shared by the general public. These costs of managing growth, however, should far outweigh the negative consequences of uncontrolled recreational land development.

LOCAL GOVERNMENTS

In most states, local governments still have the bulk of the authority for regulating land use, but many of them have not fully exercised their responsibility to do so.

1. Local governments in rural areas which do not yet regulate land development should move quickly to draft land development regulations, accepting the experiences of others without waiting for a local crisis to occur.

- They should establish on-going planning processes to guide the orderly growth of their communities, designating areas most suitable for recreational subdivisions and areas worthy of preservation due to their natural, scientific, historical, or archaeological significance.
- The land use controls adopted should reflect the best emerging techniques from urban and suburban development experience including planned unit development and site plan review procedures, environmental and fiscal impact analysis, and environmental performance controls.
- Sensitive environmental areas such as hillsides, wetlands, and shorelines should be governed by regulations designed to minimize environmental impacts during and after construction. These regulations should prescribe performance standards and preventive techniques governing such things as erosion and runoff control, removal of vegetation, density reductions on excessive slopes, and buffer zones and setback requirements for lakes, streams, and other water bodies.
- Cluster techniques should be encouraged or required in sensitive environmental areas permitting substantial portions of development sites to be left in undisturbed, natural open space.
- Development proposals should be carefully reviewed to ensure that projects do not block or inhibit access to public recreational areas and public lands.

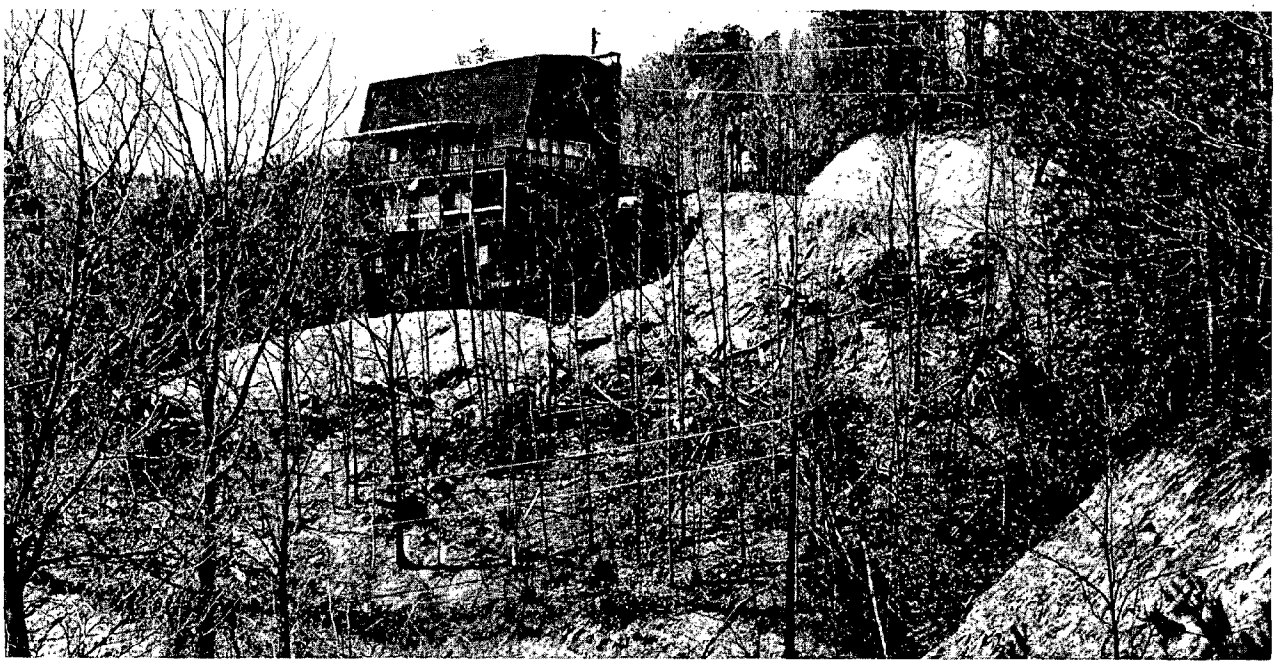
2. Where development regulations already exist, they should be carefully reviewed to determine their adequacy to deal with large scale recreational projects. Obsolete ordinances should be amended or redrafted. Loopholes which permit subdivisions to be created without being officially reviewed and approved (such as through successive lot splitting) should be closed.

3. Standards for recreational land development should be appropriate for the scale and density of that development, and the natural carrying capacities of the site. In essence this means that recreational subdivisions and second homes should adhere to the same generally accepted development standards required for conventional first home subdivisions of similar scale and density.

- Septic tanks should not be considered acceptable as a permanent means of sewage disposal in high density subdivisions. Where central sewer systems are not feasibile, density limits should be set low enough to guarantee that septic tanks pose no threat to ground or surface water quality. (Actual density standards will vary from place to place depending on soil suitability, ground water conditions, etc.)
- Where septic tanks are permitted, evidence of adequate site capability (lot size/soil conditions) should be provided on a lot-by-lot basis to prevent the platting of any unbuildable lots.
- Separation requirements between private wells and septic tanks should not be compromised. Rural health codes should be reviewed for their adequacy to deal with large scale, high density subdivisions. Health code enforcment (which is extremely lax in some rural areas) should be stepped up with routine inspections of development sites.
- Project facilities (e.g., water supply and sewage disposal systems) should be designed to accommodate peak loads at full occupancy. Even though most second homes are only occupied on a seasonal basis, projects can be fully occupied during peak recreational seasons, and facilities must have the capacity to service them during these periods of peak demand.
- Variances, if granted, from conventional design standards (for such improvements as roads and drainage systems) should be based solely on sound engineering design and environmental performance criteria depending on the density and scale of the project and the natural characteristics of the site. Development standards should not be reduced on the grounds that project facilities will be privately owned and maintained by the developer or a property owners association.
- Variances from other conventional subdivision improvement requirements (e.g., street lighting, sidewalks, curbs and gutters) may be appropriate at low densities to reduce development costs and maintain rural character. Decisions on such variances, however, should also be based on performance criteria and the needs of project residents, and may be equally appropriate for first home developments under similar conditions.

4. Local governments should take steps to ensure that basic site improvements are in place when they are needed by the residents.

- Governments should plan for and approve recreational land development on the assumption that full buildout and permanent occupancy may occur over



Local land development regulations should include controls designed to minimize environmental damage due to erosion and runoff from bare construction sites, especially on steep terrain.

time, rather than permitting the subdivision of unimproved land on the assumption that no one will ever live in these projects.

- Experience has shown that the safest procedure to ensure the installation of facilities when needed is to require initial installation by the developer. Where buildout is predicted to occur over many years, projects should be developed in phases. Using building and occupancy permits, local officials should restrict home construction to development phases in which adequate facilities are being installed.

- In lieu of initial installation, local governments should require developers to provide adequate financial guarantees that the facilities will, in fact, be installed as needed, using such devices as performance bonds or escrow accounts. If facilities are not installed initially or guaranteed by the developer, local governments may ultimately have to accept responsibility for providing these improvements. While this responsibility can legally be placed on individual property owners or their associations through clauses in deeds, such clauses may be impractical or even impossible to enforce when the facilities are actually needed.

- No subdivision plat should be approved, building permit issued, or lot sold until after the existence of a water supply adequate to support full buildout and permanent occupancy has been certified. The adequacy of proposed sewage disposal methods should also be certified before any subdivision plat is approved.

- Wherever possible, local governments should guide the location of development into areas where they have the existing or planned capacity to provide the necessary public services.

5. Steps should also be taken to reduce environmental problems in existing recreational subdivisions.

- Governments should take immediate steps in vacant or partially developed subdivisions to control erosion and runoff from substandard road beds and cleared construction sites.

- In communities where substandard recreational lots predate local subdivision regulations, the issuance of building permits should be contingent upon full compliance with current water supply and sewage disposal requirements. Unfortunately, such a policy will leave some recreational lot owners with unbuildable homesites unless central water and sewage systems are installed.

- In communities where a substantial number of vacant recreational subdivisions already exist, further development plans should be closely monitored to alert local officials to the need for public facilities and services well before the actual need arises.

- Monitoring programs should be set up to routinely check the performance of septic tanks in existing projects.

6. Local governments should take steps to ensure that recreational land development is an economic asset rather than a liability to their communities.

- Local governments should study the fiscal consequences of proposed projects, using this information to negotiate project plans with developers (e.g.,

dwelling unit mix, bedrooms and floor areas per dwelling unit, etc.). Fiscal information can also be used to plan for future capital improvements to meet public service demands as they arise. Where development pressures overtax the capacity of local government to undertake the necessary studies, application fees should be used to cover the costs of obtaining outside technical assistance.

- Development regulations should require project facilities to meet all current standards for public dedication when initially constructed or else require that they be brought up to public standards at the property owner's expense before dedication is accepted.
- Project approvals can incorporate conditions which ensure that whenever major associated public improvements are required by development (such as improving an access road to a remote subdivision), the developer will be assessed fees covering these costs to the extent that such improvements are directly necessitated by the project.
- Local officials should encourage developers to establish spending and hiring policies in favor of the local economy to the extent feasible.

STATE GOVERNMENTS

State governments have two important roles to play in regulating recreational land development. First, they should assist in the strengthening of planning and land use controls at the local level, and see that gaps in local regulations are, in fact, closed. It is unrealistic to expect all rural governments to develop adequate regulatory systems without outside assistance, and in some cases some prodding. Many local governments do not have adequate staff to plan for and regulate large scale land development, nor the financial resources necessary to hire these skills. There is also strong political resistance to land use planning and controls in many rural areas.

Second, state governments should initiate controls over critical environmental areas of greater than local concern. Because many of these areas span more than one local jurisdiction, and because regional and state interests in the use of these lands may conflict with local interests, local regulations alone are not adequate to protect many critical areas.

1. State governments should enact legislation mandating local governments to adopt the necessary ordinances to plan for and regulate land use within their jurisdictions.

- Local land use regulations should be required to meet minimum statewide standards for project design and review procedures. State agencies should be designated to intervene in the review and approval process where local governments fail to act within specified time periods.
- Adequate technical and financial assistance should be made available by states to local governments which do not have the necessary resources to plan and regulate development on their own.
- Where regional planning agencies and Local Development Districts (in the Appalachian States) exist, states should take full advantage of these existing staff resources in providing technical planning assistance to local governments.

Development regulations which do not require that adequate utility and road improvements to be installed or guaranteed in recreational subdivisions can result in future economic problems for local governments and property owners.

2. In addition to strengthening local planning and land use controls, state governments should enact stronger legislation protecting critical environmental areas including wetlands, shorelines, coastlines, mountains, and other environmentally fragile lands.

- Statewide land use plans should identify areas suitable and unsuitable for recreational land development, including criteria for guiding the location of development. These guidelines should be designed to avoid conflicts between development and prime agricultural lands, critical environmental areas, and lands needed for the expansion of public recreational facilities such as state parks.

- Priorities for designating critical environmental areas should take into account existing or potential development pressures to ensure that critical areas are not preempted by subdivisions.

- Environmental impact statement procedures should be applied to private developments in critical environmental areas.

- States should set up ongoing data systems which monitor trends in both rural land subdivision activity and second home construction.

3. Existing state policies and programs for acquiring public lands such as parks, recreational areas, and wildlife refuges should be reviewed in light of shifting recreational land development pressures.

- Priorities for such programs should be adjusted and implementation speeded up as necessary to prevent the preemption of areas which, due to their location and natural features, would better serve the recreation needs of the general public. The recent economic slowdown in the recreational properties market offers some excellent opportunities to acquire natural areas for preservation and public use at reduced costs.

- The accessibility to existing public recreational areas such as lakeshores and coastlines should be reviewed and the necessary steps taken (e.g., acquisition, easement) to guarantee that public access into these areas is not restricted or hindered by private development.

4. State governments should strengthen existing land sales legislation in order to improve consumer protection.

- State land sales laws should be amended where necessary to prohbit the advertising or sale of any lot or dwelling unit until financial guarantees (e.g., performance bonds, escrow funds) are in force ensuring that promised improvements and facilities will be constructed.

- Cooling off periods in which consumers may reconsider sales terms should be extended to 14 days.

- Developers should be required to substantiate claims of resale land values or be restricted from making them. Developers should also be required to disclose the success records of any resale programs which they operate.

FEDERAL GOVERNMENT

The federal government has several important roles to play in encouraging high quality recreational land development, including providing financial incentives and assistance for state and local land use planning and critical area protection, and strengthening consumer protection measures.

1. The federal government should provide a major impetus in strenthening state and local planning and development controls.

- The federal government should take full advantage of its existing legislative mandates (e.g., HUD 701 programs, Section 208 planning requirements, coastal zone management, etc.) to encourage adequate land management through existing federal funding programs to state and local agencies.

- Congress should enact additional legislation as needed to provide financial aid to state and local governments for land use planning and management.

2. Steps should be taken by the federal government to reduce the negative impacts and management conflicts between public lands and recreational development on adjacent private lands.

- Any future federal land use legislation should include provisions requiring the coordination of land use plans and development controls between federal agencies managing public lands (e.g., the U.S. Forest Service, the National Park Service) and state and local units of government with authority over adjacent private lands.

- Federal agencies managing public lands should be more discriminating in their granting of special use permits and land trades with private developers, considering the full range of potential impacts of private development on public lands.

3. Federal policies and programs for open space protection and public acquisition should be reviewed and adjusted in light of existing and potential land development pressures to avoid the preemption of lands needed to meet the recreational needs of the general public in the years to come.

4. The federal government should take further steps to strengthen existing consumer protection legislation in land sales.

- Regulations enforced by HUD's Office of Interstate Land Sales Registration under the Interstate Land Sales Full Disclosure Act should be amended to include the provisions recommended above for strengthing state land sales laws.

- In addition to the further tightening of advertising regulations administered by OILSR, the Federal Trade Commission should more aggressively exercise its full authority to prosecute unscrupulous land sales firms which persist in making false and misleading advertising claims.

CHAPTER 2

A NATIONAL OVERVIEW OF RECREATIONAL LAND DEVELOPMENT

The private ownership of land and housing purely for recreational use had long been a luxury restricted to the wealthy until during the 1950s and increasingly in the 1960s when a number of factors came into play which brought the ownership of recreational property within reach of a massive middle income market. Increasingly higher levels of disposable income, increasing amounts of vacation and leisure time, improved mobility through better highways (especially the Interstate Highway System) and widespread automobile ownership, nationwide advertising campaigns, and high-pressure sales techniques all were major factors in creating an unprecedented recreational land development boom during the late 1960s and extending through 1973 when hard hit by economic recession. (The country experienced a similar but smaller land sales boom during the 1920s in Florida and to a lesser extent in California .)

Prior to the 1960s, most recreational property occurred as individually scattered lots and second homes, but today's recreational land development is almost synonymous with large-scale subdivisions similar in design to most conventional suburban subdivisions, although typically with fewer improvements and facilities. In spite of its "recreational" label, much of this property has been marketed to consumers interested in speculative investments rather than vacation or permanent homesites.

This chapter presents a quantitative overview of recreational land development in the U.S.--the extent of development, its location, rate of growth, physical characteristics, and how this property is being used. It also includes a brief discussion of the industry itself, and the factors which caused the growth of the recreational properties market and will shape its future. The chapter is divided into two sections, one focusing on the land (recreational lots); the other focusing on the housing (second homes). Wherever possible the data presented here are related to the three project types defined in Chapter 1 (unimproved recreational subdivisions, improved second home projects, and resort communities). However, since no previous attempt has been made to classify recreational land development by project types, much of this discussion must focus on the industry as a whole.

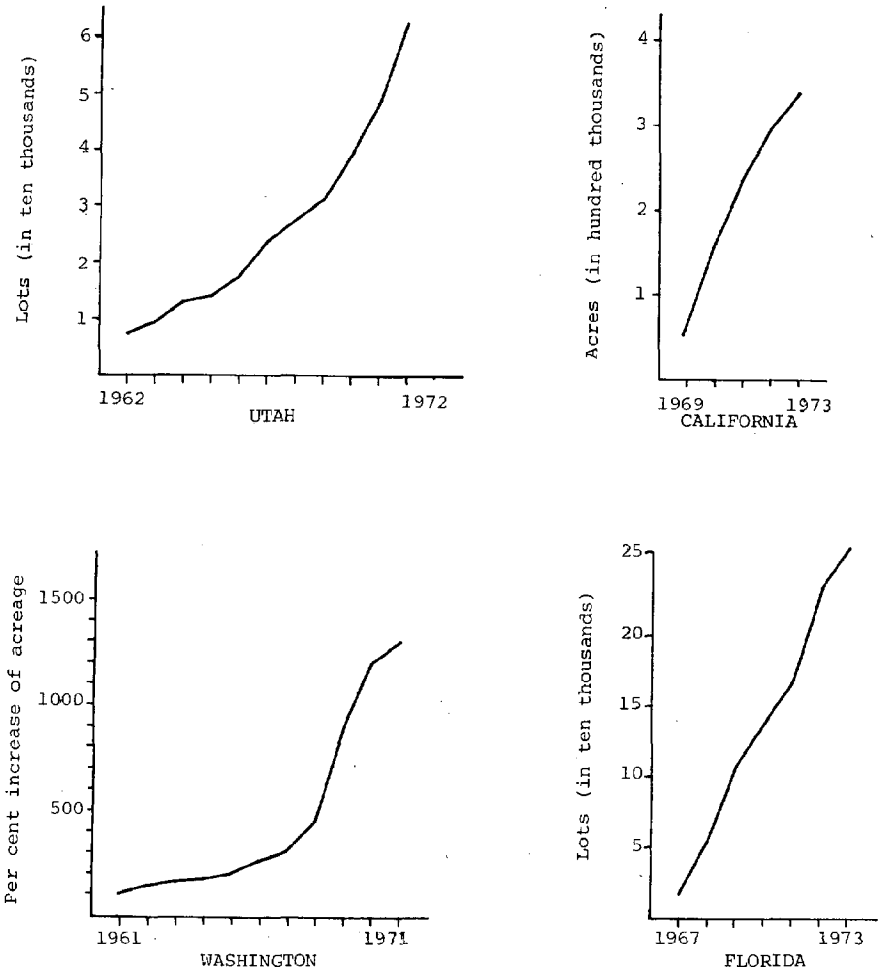
National Stock of Recreational Lots

The best available data indicate that there are at least 10 million subdivided recreational lots in the U.S. today, and possibly many more. This figure is based on several estimates. For example, since its formation in 1969, developers have registered 3,900 recreational subdivisions with HUD's Office of Interstate Land Sales Registration (OILSR), accounting for 3,375,821 recreational lots covering 7,146,229 acres of land as of January, 1974.[1] Lots registered with OILSR account for only a fraction of the total recreational lots in the country since a substantial amount of subdivision activity occurred prior to 1969. OILSR officials estimate that only about 40 per cent of the current recreational subdivisions subject to the Interstate Land Sales Full Disclosure Act have been registered.[2] Comparisons of OILSR data with a recent study in Utah show that OILSR filings represent only 14 per cent of the projects and 24 per cent of the recreational lots in that state.[3]

According to estimates derived from a sample survey of 7,190 U.S. households conducted for this study, some 2.3 million families own a recreational lot.[4] If lots sold account for only one-third to one-half of all the lots subdivided, as some industry surveys indicate, the total number subdivided would amount to between 4.5 and 7 million lots.[5]

Another estimate can be derived from industry data. A 1973 survey conducted by the American Land Development Association (ALDA) reported that the responding recreational land development companies had subdivided an average of over 2,400 lots each.[6] ALDA estimates that there were approximately 10,000 recreational land sales and development firms in the country in 1973.[7] If each had subdivided 2,000 lots, the total national stock of recreational lots would

Figure 1. Selected State Growth Trends in Recreational Land Development



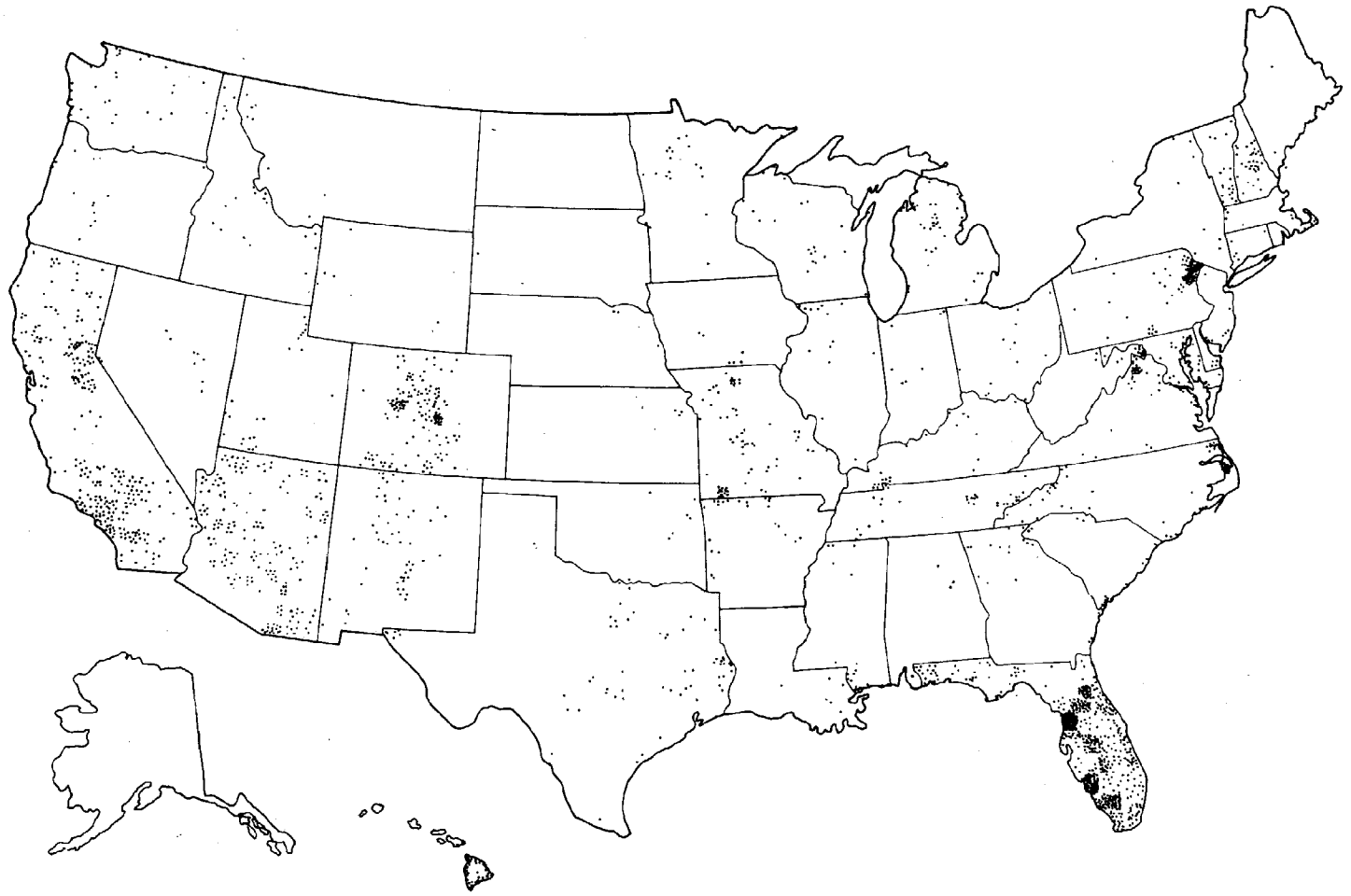
Sources: Utah-Cumulative totals of lots in recreational subdivisions since 1962, as determined by the Utah Real Estate Division. Workman, John P., Donald W. MacPherson, Darwin B. Nielsen, James J. Kennedy, A Taxpayer's Problem-Recreational Subdivisions in Utah. (Logan: Utah State University Press, 1973).

California-Cumulative totals of acres in "land projects" registered with the California Department of Real Estate since the fiscal year 1968-69. California law defines "land projects" as subdivisions of 50 or more parcels in lightly populated areas (less than 1,500 registered voters within two miles of the project). Obtained through correspondence with Raymond M. Dabler, Assistant Commissioner, State of California Department of Real Estate.

Washington-Interagency Committee for Outdoor Recreation, Second Homes in Washington, Summary Report. (Pullman: Cooperative Extension Service, College of Agriculture, Washington State University, 1971).

Florida-Cumulative totals of lots in unimproved and improved subdivisions registered with the Division of Florida Land Sales since 1967. Florida law defines "unimproved acreage" as land with no improvement whatsoever, including land which may be under water and inaccessible except by plane or boat. "Improved Acreage" refers to land which has roads traversable by conventional automobile, and drainage. Obtained through correspondence with William E. Sanborn, Investigator, State of Florida Department of Business Regulation, Division of Florida Land Sales.

Figure 2. Recreational Land Developments Registered with OILSR, 1973
(1 dot = 1 subdivision)



Source: U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973.

Note: Since the data for this figure were collected (June, 1973), project filings from Texas increased from 65 to 463, by January, 1974, giving it four-fifths as many recreational subdivisions as Florida.

exceed 20 million. This estimate is probably much too high since respondents to the ALDA survey did not represent many of the very smallest firms in the industry.

Finally, as early as 1966 there were over 14 million vacant, single family lots in the U.S. according to the 1967 Census of Governments.[8] Although the Census did not distinguish between recreational lots and primary home lots, it did report that half the vacant lots were outside of Standard Metropolitan Statistical Areas.

The extent of recreational land development seems proportionately much greater when viewed from a local rather than a national perspective. In many counties and even some states, there have already been enough recreational lots subdivided to accommodate more than double the existing permanent population. For example, in 1971 Nevada County, California, had enough recreational lots to house three times its existing population.[9] While the population of Box Elder County, Utah declined by 940 between 1962 and 1972, more than 58,000 acres of land in the county were subdivided into recreational lots during the same period.[10] In 1972, Summit County, Colorado, with a population of 3,743, had almost twice as many recreational lots as existing residents.[11] And a recent study from Arizona reports that there were enough vacant lots in remote subdivisions in the unincorporated areas of that state to accommodate more than double its 1974 population.[12]

Number of Recreational Lots Subdivided Annually

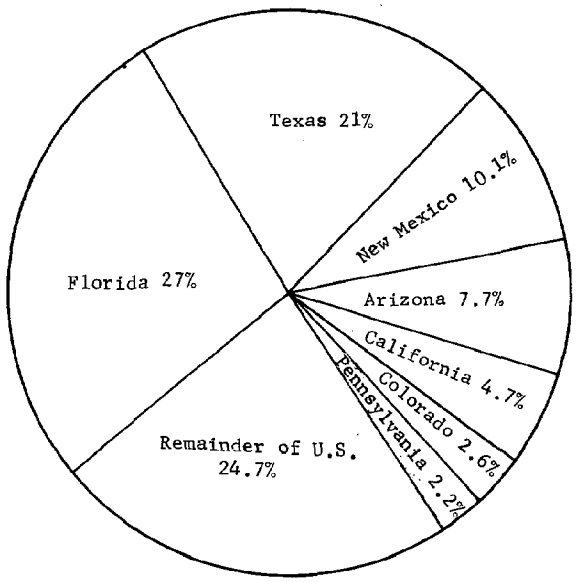
Recreational land development activity was heaviest during the late 1960s and early 1970s. Data on lot sales trends are not available on a national basis, however, it appears that development activity grew steadily during this period. In annual membership surveys conducted by the National Association of Real Estate Boards, an average of 83.5 per cent of the respondents stated that the volume of transfers of recreational land were the same or higher every year between 1963 and 1972.[13] In 1971, the year which some observers consider near the peak of the recreational land boom, ALDA estimated that some 650,000 recreational lots were sold.[14] Figure 1 presents four selected state examples of recent trends showing cumulative growth in recreational lots over time. (These data do not reflect the recent slump in the recreational land market.)

National Distribution of Recreational Lots

The distribution of recreational subdivisions is highly concentrated in several states as shown in Figure 2. Ten states contained nearly two-thirds (65 per cent) of all recreational subdivisions filed with OILSR as of January, 1974 (Florida, Texas, Arizona, California, Colorado, Missouri, Pennsylvania, North Carolina, Virginia, and Michigan). Only North Dakota and Rhode Island had no recreational subdivisions registered with OILSR.[15]

The distribution of recreational lots is more highly concentrated than subdivisions, since recreational subdivisions in the South and Southwest tend to be larger than those in other parts of the country. Florida and Texas contain only one-fourth (26 per cent) of all recreational subdivisions filed with OILSR, but contain nearly half (48 per cent) of all recreational lots filed. Seven states (Florida, Texas, New Mexico, Arizona, California, Colorado, and Pennsylvania) contain three-fourths (75.3 per cent) of all recreational lots filed with OILSR (as shown in Figure 3), accounting for 82.3 per cent of

Figure 3: Distribution of Recreational Lots Registered with OILSR, January, 1974



Source: U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, January, 1974.

Table 1. Size of Recreational Lots Reported by Respondents in ALDA Surveys, 1972 and 1973

Size of Lots	Per Cent of Lots	
	1972	1973
Less than 1/4 acre	16.5	26.0
1/4 to .9 acre	50.5	42.0
1 acre to 4.9 acres	22.2	19.0
5 acres or more	7.5	6.0
Undivided interests	3.3	7.0
	100.0	100.0
	n = 1,073,554	n = 798,188

Source: American Land Development Association, The Land Industry Survey, 1972, and The Land Industry Survey, 1973, (Washington: American Land Development Association, 1972, 1973), n.p.

Table 2. Average Lot Prices in Recreational Land Projects Reported by Respondents in Housing Data Bureau Survey, 1971

Average Price	Per Cent of Respondents
Less than $2,000	4.0
$2,000 to $3,999	12.0
$4,000 to $5,999	24.0
$6,000 to $7,999	27.0
$8,000 to $9,999	13.0
$10,000 to $13,999	12.0
$14,000 or more	8.0
	100.0
	n = 120

Source: Housing Data Bureau, Inc. Recreation Land and Leisure Housing Report, Vol. 3, No. 8 (May 8, 1972).

all the acreage in recreational subdivisions on file. (Appendix A presents the number of recreational lots, subdivisions, and acres filed with OILSR for each of the 50 states.)

Characteristics of Recreational Land Developments

Lot and Project Sizes. Today's recreational lots range in size from less than one-fourth acre to five acres or more. Typical lot sizes are one acre or less as shown by the ALDA survey data in Table 1. A survey of Urban Land Institute (ULI) members developing recreational property found that over half (56.8 per cent) of the lots were less than one acre; 16 per cent were less than one-fourth acre; and 17.6 per cent were over five acres.[16] A 1967 survey of second homes in northern New England also reported that over half the lots surveyed were less than one acre.[17]

Recreational subdivisions vary widely in total size from as few as 20 acres to more than 10,000 acres. Two-thirds of the projects reported in the ALDA survey were less than 1,000 acres in size while 27 per cent were between 1,000 and 5,000 acres. One-fourth of the projects (26 per cent) were less than 100 acres.[18] In the ULI survey, almost half (46.2 per cent) of the projects were 1,000 acres or larger. The mean project size was 1,970.8 acres, and half the projects contained 1,000 lots or more.[19] The mean size of the 3,900 projects filed with OILSR was 1,832 acres, and they contained an average of 865 lots each.[20]

Lot Prices. Recreational lot prices vary depending on their location, the level of physical improvements in the project, and the quality and type of recreational amenities available. Lake and seaside lots are in the greatest demand and command some of the highest prices. Lots with good views and lots in highly developed resort communities also sell for a premium. The ALDA survey reported average selling prices for recreational lots in 1972 at $6,548, ranging from a low of $300 to a high of $125,000.[21] A 1971 survey conducted by the Housing Data Bureau, Inc. found half the lots priced between $4,000 and $8,000 as shown in Table 2.

Basic Site Improvements. Site improvements such as water and sewer systems, and roads, vary from project to project depending on local land use regulations and the developer's own marketing objectives. While most recreational subdivisions are designed at typical suburban densities, the majority do not have suburban levels of improvements. Data collected on 1,287 recreational projects registered with OILSR reveal the general status of site improvements as shown in Figure 4.

Individual septic tanks are the predominate means of sewage disposal in recreational subdivisions. Over two-thirds (69.8 per cent) of the subdivisions surveyed used septic tanks as the only means of sewage disposal, while less than 10 per cent had sewer systems. (Another 8.5 per cent reported plans to install sewer systems in the future.) Projects in New England reported septic

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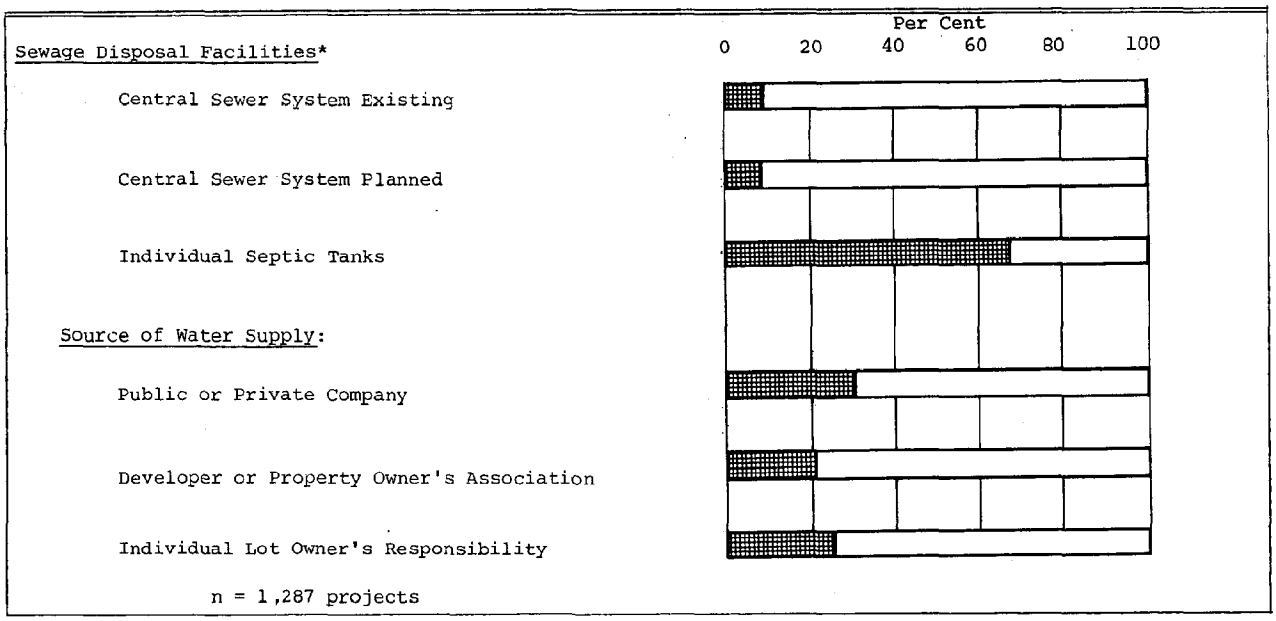
Figure 4. Per Cent of Recreational Land Developments Containing Selected Site Improvements, Registered with OILSR, June, 1973



*These categories are not mutually exclusive; some projects contain both central sewer systems and some septic tanks. Missing data in some files account for totals of less than 100 per cent.

Source: U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973.

tanks most frequently (87.7 per cent), while the lowest use of septic tanks occurred in the Middle and South Atlantic states (65.7 and 65.0 per cent respectively). At the time of filing with OILSR, less than half the projects had been approved for septic tanks by a public authority.[22]

Central water systems were more common than sewer systems, yet private wells were the only source of water for recreational lots in almost one-third (29.6 per cent) of the projects. (Another 5.6 per cent of the projects reported that some unstated portion of their water would be supplied by private wells.) The use of private wells could be even higher, since 6.3 per cent of the projects reported that no provisions for water had been made, leaving the responsibility for water supply up to each individual lot owner. Private wells were most common as the sole source of water in New England, where over half (54.8 per cent) ported them. In the remaining projects, water was supplied through some form of central system operated by the developer, a private company, or a public authority. In only one-third (35.3 per cent) of the projects had a health authority issued a report on water quality from private wells at the time the project was filed with OILSR.[23]

An indication of road quality can be inferred from the proportion of projects in which the roads are to be dedicated to a public authority. Private roads are usually developed to lower standards than roads slated for public dedication. In only 18.2 per cent of the projects were the roads accepted for dedication by a public authority. Another 27.7 per cent of the projects reported that all roads would be dedicated to a public authority some time in the future (subject to public acceptance). In one-third (32.8 per cent) of the projects no roads had been dedicated and no plans had been made to ever do so.

No arrangements were made for solid waste collection in 37.5 per cent of the projects filed with OILSR. In another one-third of the projects (33.9 per cent) garbage collection was available through private companies.[24] In only 6.7 per cent of the projects was a municipality or public authority designated as responsible for garbage collection.

The mean distance from recreational subdivisions to the nearest fire station was 10.6 miles, however, the data did not indicate whether or not

the nearest fire station would, in fact, provide services to a project. In some cases, as with U.S. Forest Service fire stations, they may not. Projects were located farther away from health facilities. The national mean distance from recreational projects to the nearest general hospital was 22 miles.

Data on site improvements are also available from several industry surveys. Table 3 presents data on available utilities from two ALDA membership surveys. A 1972 Housing Data Bureau Survey of 120 recreational land developments reported community water systems in two-thirds of them and community sewer systems in one-fourth of them. Seventy per cent of the projects had paved roads.[25]

Future Maintenance Responsibilities. Responsibilities for the maintenance and upkeep of the facilities in recreational land developments fall on various parties, depending on the types of improvements and other considerations. Septic tanks and private wells are the responsibilities of individual lot owners. Community water and sewer systems must be managed and maintained by some other authority, either by the developers themselves (if they remain involved in the project) or by a property owners' association. In most unimproved recreational subdivisions, developers are involved during the initial stages of site development and lot sales. Many developers have sold out within two years. In more improved second home and resort projects, especially where recreational facilities and housing are included in the initial offering, developers are likely to remain involved in projects longer and to carry more maintenance responsibilities during this period.

OILSR filings included information on maintenance responsibilities for internal road systems in recreational subdivisions as follows: a public authority had accepted responsibility in 20.8 per cent of the projects; the developer in 26.7 per cent; a property owners' association in 20.2 per cent; and each individual lot owner in 11.7 per cent of the projects. (Maintenance responsibilities could not be determined from the data in the remaining 20.6 per cent of the projects.)

Recreational Amenities. Two types of recreational amenities may be found in these projects--natural and man-made. The large majority of recreational subdivisions filed with OILSR contained no recreational facilities to speak of, as shown in Table 4. In many cases, of course, the natural setting may be recreational amenity enough.

Table 3. Availability of Utilities in Recreational Land Developments Reported by Respondents in ALDA Surveys, 1972 and 1973

Utility	Per Cent of Projects	
	1972	1973
Central Water	49.5	56.0
Central Sewer	28.8	42.0
Electricity	76.0	88.0
Telephone	63.8	80.0
Cable TV	3.3	12.0
Natural Gas	8.3	17.0
Street Lights	n.a.	24.0
Septic Tank	n.a.	31.0
Trash and Garbage Pickup	n.a.	45.0
Yard Maintenance	n.a.	18.0
Paved Streets	n.a.	44.0
	n = 487	n = 333

Source: American Land Development Association, The Land Industry Survey, 1972, and The Land Industry Survey, 1973, (Washington: American Land Development Association, 1972, 1973), n.p.

Almost all recreational facilities in these projects are reserved for the exclusive use of the property owners and their guests. In only 2.8 per cent of the OILSR projects were all recreational facilities open to the public, while in 2.6 per cent of the projects selected recreational facilities were open to the public.

Improvement Guarantees. In the majority of cases, the developer is taken at his word that facilities will be installed as promised. Usually, no formal guarantee is offered that the improvements will ever be completed. Developers answering the ULI survey reported that water systems were guaranteed by improvement bonds in 30.3 per cent of the projects, sewer systems in 22.5 per cent, streets in 28.1 per cent, and recreational improvements in only 10.7 per cent.[26] Only 1.5 per cent of the 1,287 projects surveyed at OILSR provided any guarantees that promised facilities would be constructed.[27]

Use of Recreational Lots

Speculation. Most recreational lots are bought for one of two reasons--for use as a second or permanent homesite or for investment. Some recreational lot buyers have both motives in mind, how-

Table 4

Per Cent of Recreational Land Developments With Recreational Amenities (Summary Results from Five Surveys)

Recreational Amenities	(1) OILSR Filings n=1,287		(2) California Filings n-361	(3) ALDA Survey n=333	(4) ULI Survey n=178		(5) Housing Data Bureau Survey n=120
	Existing	Planned	Existing	Existing	Existing	Planned	Existing
Golf Course	9.6	8.1	20.5	22	28.1	14.6	39
Club House Facilities	13.4	13.5	24.1	25	24.7	15.2	63
Swimming Pool	16.2	10.8	9.1	45	40.0	21.9	66
Lake or Other Waterfront	18.3	5.9	13.6	47	55.1	8.4	n.a.
Tennis	n.a.	n.a.	n.a.	33	36.5	22.5	54
Horseback Riding	n.a.	n.a.	n.a.	30	34.8	16.9	37*
Marina	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32
Skiing Facilities	n.a.	n.a.	n.a.	17	23.6	6.7	15

*Riding Stables

Sources: (1) U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, (Unpublished material collected from the files, June, 1973).

(2) California State Department of Real Estate, "Land Project-Type Subdivisions Filed Between October 1969 and June, 1973," (Unpublished material obtained from the Department, Sacramento, California, 1973).

(3) American Land Development Association, The Land Industry: 1973, Washington, American Land Development Association, 1973, n.p.

(4) "Survey of Recreational Land Developers and Their Projects," (Unpublished survey conducted for this study by Richard L. Ragatz and the Urban Land Institute, Washington, 1973, n.p.).

(5) Housing Data Bureau, Recreational Land and Leisure Housing Report, Vol. 3, No. 8, May, 1972.

ever, one of them is usually the predominate factor in their purchase decision. Most recreational lots are currently vacant, awaiting appreciation or home construction.

In the national survey of 7,190 families conducted for this study, over one-third (38.2 per cent) of the respondents who owned vacant recreational lots said they bought them as investments rather than for use as homesites.[28] Other surveys have reported different results. As shown in Table 5, almost one-third of the respondents to a 1972 California Survey checked "speculative gain" as their reason for purchasing a recreational lot. A 1971 survey of recreational lot buyers in Georgia also reported investment as the primary reason for buying a recreational lot--39.4 per cent of all respondents checked "investment" first.[29] In a survey of recreational projects in Washington, one-fourth of the developers said that 60 or more per cent of their buyers purchased recreational lots as investments. Another third (37 per cent) of the respondents said that between 30 and 60 per cent of their buyers purchased for investment.[30]

Speculative lot buying appears to occur more in unimproved recreational subdivisions than in more improved projects. In the ULI survey (where improvement levels were higher than reported in the OILSR data) developers responded that less than one-fifth (18.3 per cent) of their lot buyers were motivated primarily by investment opportunities.[31] However, three-fourths (75.6 per cent) of the respondents listed "investment" as the second most important factor influencing their customers.

Homesites. Only a small percentage of recreational lots have been developed as homesites to date. In general, the buildout rate--the ratio of lots with homes on them to the total number of subdivided lots in a project--is very low.[32] Industry sources estimate that each year housing starts occur on approximately two per cent of the recreational lots sold.[33] Another industry observer states, "At most recreational developments the ratio of houses built to lots sold is as low as five per cent."[34] These buildout estimates do not reflect the efforts in recent years of many larger developers to increase their buildout rates by getting into housing construction themselves. During the last couple of years, lot sales have declined slightly as a percentage of total sales dollars, while housing sales by developers have risen.[35]

Table 5. Reasons for Purchase of Recreational Lots as Reported by Respondents in Northeastern California Survey, 1972

Reasons for Purchase	Per Cent of Respondents
Speculative gain	31.0
Future recreational use	22.0
Permanent retirement use	12.0
Capital gains	11.0
Occasional retirement site	9.0
Immediate recreational use	9.0
Purchased for estate (heirs)	5.0
Other	1.0
	100.0
	n = 564

Source: Warren E. Johnston, "Remote Recreational Subdivisions in Northeastern California" (unpublished material obtained from the author, Department of Agricultural Economics, University of California, Davis, 1972).

Reports on low buildout rates in recreational subdivisions come from other sources as well. One California district attorney stated, "Over the past ten years in Nevada County (population 26,346), permits have been given to subdividers for the sale of 19,317 lots. Yet only 319 homes were built during that same time."[36] A California study released in 1971, stated:

> In 24 recreational subdivisions that include a total of 107,000 lots, 3,240 homes have been built since the lots were first offered for sale in 1960. This is an average buildout rate of 0.3% per year; it would take 150 years to fill half of the lots if past trends continue into the future.[37]

In 1971, the Pennsylvania Vacation Land Developers Association surveyed buildout rates in 26 Pennsylvania projects which contained 25,000 lots, of which 18,000 had been sold. The overall buildout rate was 20.6 per cent. Of the four projects which were 10 or more years old, 25.6 per cent of the lots which had been sold had houses on them, producing an annual buildout rate of 2.5 per cent or less.[38]

Results from the 1973 ALDA survey showed that 32,151 homes had been constructed on 190,300 lots sold since the projects had been opened. These figures produced an overall buildout rate for lots sold at 16.7 per cent, but did not indicate the annual rate.[39] The overall rate was 12.7 per cent when all of the unsold subdivided lots were in-

cluded. ALDA's 1972 survey reported an overall buildout rate of only seven per cent.[40]

Low buildout rates in recreational subdivisions are caused by several factors. One major cause is the fact that many lot owners buy for investment and never intend to use the property in the first place. Developers responding to the ULI survey stated that the buildout was low most often because "the buyer only bought for investment purposes." The next most frequent response (29.7 per cent) was that buyers could not afford to build homes on their recreational lots.[41] Many of the lots are bought on installment contracts which take as long as 10 years to pay off. Since the title to the land does not usually transfer to the lot buyer until the last installment is paid, home construction must wait until the buyer finishes paying for the property.

A North Carolina study found that the majority of lot owners (54.8 per cent) made improvements in their property within 24 months of purchase.[42] The report added:

> If the property remains vacant more than three years after acquisition, the probability of its being converted to residential use in any given succeeding year diminished sharply. Households who are most likely to improve vacant property were those who acquired the property for a permanent residence rather than for recreation or investment, and households whose heads were younger, had graduated from college, and were employed in a profession.[43]

Another survey reported that only two to five per cent of the purchasers built on their lots within two years.[44] The Siskiyou County, California survey reported that 10.6 per cent of the respondents intended to build a home on their recreational lot within three years of the survey. Another 13.7 per cent intended to wait nine years or more, and almost half (49.8 per cent) stated that they had no intentions of ever building. Another 10.3 per cent of the respondents planned to use a mobile home on their lot, while 6.6 per cent said they would use their lots for camping.[45]

Other Uses of Recreational Lots. Some recreational lots are used for camping. They are either bought specifically for that purpose, or are used for camping until the buyer can afford to build a second home. Here, camping is referred to primarily as tent camping or camping with some form of recreational vehicle, which includes everything from pickup trucks with camping units on the back to $25,000 motor homes.

Interest in camping has boomed in recent years. The U.S. Forest Service estimated that about 40 million people went camping in 1971.[46] The production of recreational vehicles (RVs), especially motor homes, has increased dramatically from an estimated 80,300 shipments in 1962 to 747,500 by 1972. (These included travel trailers, truck campers, camping trailers, motor homes, and pickup covers.) Motor home production alone increased 84 per cent, from 57,200 units in 1971 to 116,800 units in 1972.[47] The Recreational Vehicle Institute estimates that there are nearly 4.5 million RVs now used in the U.S., costing an average of $8,651 each.

The majority of these RVs and other campers use the more than half million campgrounds in the United States today.[48] However, some of them use recreational lots, where temporary shelters such as tents and RVs are allowed. Over half the developers responding to the ULI survey, however, did not permit temporary shelters such as mobile homes, recreational vehicles, or tents to be used on recreational lots. Approximately one-fourth (24.7 per cent) of the developers permitted the use of recreational vehicles on all lots, and 22.5 per cent permitted tent camping on all lots. In some instances, recreational vehicles and tents were allowed only in designated areas (16.3 and 14.6 per cent of the respondents respectively).[49] In almost every case mobile homes were prohibited more often than recreational vehicles or tents.

In some cases land has been subdivided into recreational lots specifically designated for camping use. Some of these lots are managed in the form of a club, while others are fee-simple lots sold for camping only. One club concept is called the multiple-ownership club. Here, the customer is offered a share in the membership of a development which entitles him to visitation rights to any camping site within the project. Another camping club arrangement is the "exclusive use rights club," a nonprofit corporation. Here the club member buys the rights to the exclusive use of a particular camp site. Use rights are assigned for each site on a long-term basis. When some predesignated percentage of the sites have been assigned, the developer may turn the ownership of the entire operation

over to the club. A few recreational subdivisions sell lots out-right for the express purpose of camping. These campground "clubs" operate like condominiums. Each member receives fee-simple ownership of a camping site as well as communal ownership of common facilities.

National Stock of Second Homes

Dwelling units used as second homes are much less plentiful than recreational lots. Based on a survey conducted for this study, approximately 3.5 million households owned second homes in 1973, or 5.1 per cent of all U.S. households.[50] Of these, 202,290 households were estimated to own resort condominium units.

The U.S. Census reported slightly over 2.1 million second homes in 1970 with nearly 2.9 million households reporting second home ownership.[51] Assuming steady growth in second home ownership during the late 1960s, other surveys suggest that the Census figures may understate the true figures. A study done by the University of Michigan Survey Research Center in 1964 reported 2.35 million households owning second homes.[52] And in a survey conducted by the American Telephone and Telegraph Company, 2.97 million households were reported to own second homes in 1965.[53]

Number of Second Homes Built Annually

Estimates of annual second home construction range from 75,000 to 250,000 units. The actual figure was probably around 150,000 units prior to the economic recession in 1974.

No one keeps records of annual additions to the nation's second home stock. However, as in the case of recreational lots, industry estimates are available. Some estimates from the early 1960s are higher than others as recent as 1970. Some 100,000 second homes were reported under construction annually in the early 1960s.[54] In 1969, the National Association of Home Builders (NAHB) estimated that 130,000 second homes were built that year.[55] In 1972, NAHB estimated that 95,000 second homes were constructed.[56]

Nationally, second homes account for approximately 3.1 per cent of the total U.S. housing stock (although these Census figures are considered somewhat low).[57] In some rural areas, however, the percentage is considerably higher. In Maine, almost one-fifth (18.5 per cent) of all housing units are second homes; in Vermont, 16.5 per cent; and in New Hampshire, 15.6 per cent. At the county and township level second homes can account for even greater proportions of total housing units. According to the 1970 Census, second homes accounted for over half the total housing units in 28 counties, and over one-third of the dwelling units in 88 counties.[58]

National Distribution of Second Homes

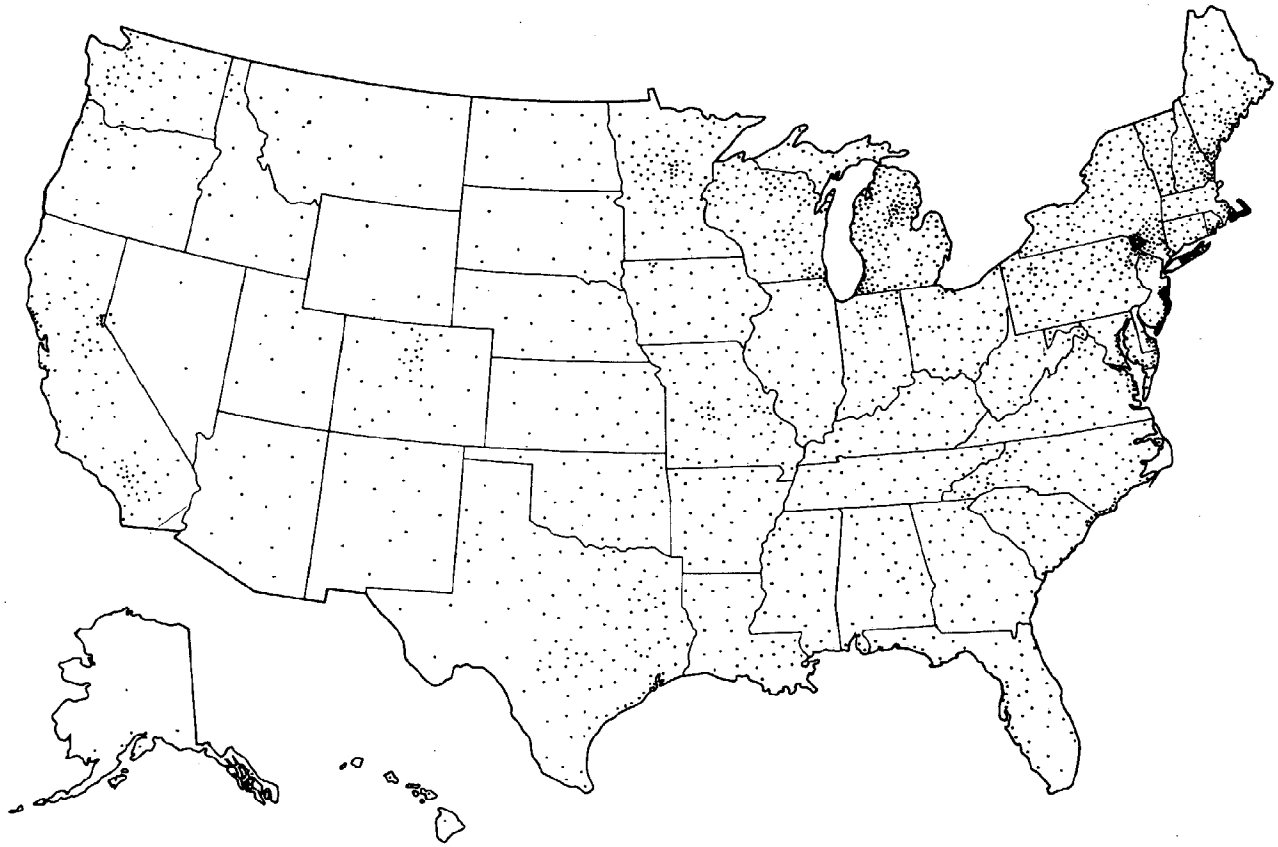
Second homes are more evenly distributed around the country than recreational lots, but many of them are still concentrated in a few subregions as shown in Figure 5. In 1970, almost one-third (32.6 per cent) of the second homes in the U.S. were located in Michigan, New York, Texas, Wisconsin, and California, in that order. Michigan had the most second homes in 1970 with 8.8 per cent of the total national stock, followed by New York with 8.5 per cent. Five more states added to these account for half of the second homes in the country--Pennsylvania, Minnesota, Maine, North Carolina, and Missouri. Hawaii reported the fewest with only 3,053.[59] (Appendix B presents the number of second homes by state, as a percentage of total second homes in the U.S., and as a percentage of total housing units in each state. Appendix C presents the number of households owning second homes by state as a percentage of total households per state and as a percentage of total households owning second homes.)

There are no data which indicate what proportion of these second homes are located in recreational land developments versus on individual, scattered lots outside of subdivisions.

Shifts in the Distribution of Second Homes

Since 1950 the national distribution of second homes has shifted, with the South showing the largest proportional gains as indicated in Table 6. The South contained only 16.4 per cent of the nation's second home stock in 1950. By 1970, 29.4 per cent of the nation's second homes were located in the South.[60] Of the 20 states containing the most second homes in 1950, only six increased their share of the total by 1970. On the other hand, all but five of the remaining 30 states showed increases in their share of the total by 1970.

Figure 5. Second Homes in the U.S., 1970
(1 dot - 1,000 second homes)



Source: U.S. Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970 Detailed Housing Characteristics. (Washington: Government Printing Office, 1972).

Table 6. Distribution of Second Homes in the United States by Region, 1950, 1960, and 1970

Region	Per Cent of Total Second Homes in United States		
	1950[1]	1960[2]	1970[3]
Northeast	42.7	36.8	26.0
New England	15.6	13.2	10.3
Middle Atlantic	27.1	23.6	15.7
North Central	27.8	27.7	31.1
East North Central	20.8	19.1	19.6
West North Central	7.0	8.6	11.5
South	16.4	22.0	29.4
South Atlantic	8.4	11.5	13.4
East South Atlantic	2.1	3.5	5.9
West South Atlantic	5.9	7.0	10.1
West	13.1	13.5	13.5
Mountain	4.2	4.5	5.5
Pacific	8.9	9.0	8.0

[1]The 1950 count of second homes was derived from the United States Bureau of the Census category called, "Seasonal Vacant Dwelling Units."

[2]The 1960 count of second homes was derived from the United States Bureau of the Census categories called, "Units Held for Occasional Use" minus those "Vacant for Migratory Workers," plus "Other Seasonal Vacant Units."

[3]The 1970 count of second homes was derived from the United States Bureau of the Census categories called "Rural Seasonal Vacant" plus "Other Rural Vacant."

Sources: United States Department of Commmerce, Bureau of the Census (1) U.S. Census of Housing, 1970, Detailed Housing Characteristics, U.S. Summary (Washington: Government Printing Office, 1972), Final Report HC(1)-B-1, Table 32. (2) U.S. Census of Housing, 1960, States and Small Areas, U.S. Summary (Washington: Government Printing Office, 1963), Final Report HC(1)-1, Table 3. (3) U.S. Census of Housing: 1950, U.S. Summary (Washington: Government Printing Office, 1953), Final Report H-A1, Table 17.

Many second homes predate the recreational lot boom of the 1960s. The 1967 Census study reported that almost half (48.4 per cent) of the nation's second homes were built before 1950. One-fourth were built during the 1950s, while the remaining one-fourth were built in the 1960s. The highest percentages of older second homes were reported in the Northeastern and North Central states.[61] (Appendix D presents shifts in the distribution of second homes for each state from 1950-1970.)

Factors Influencing the Location of Second Homes

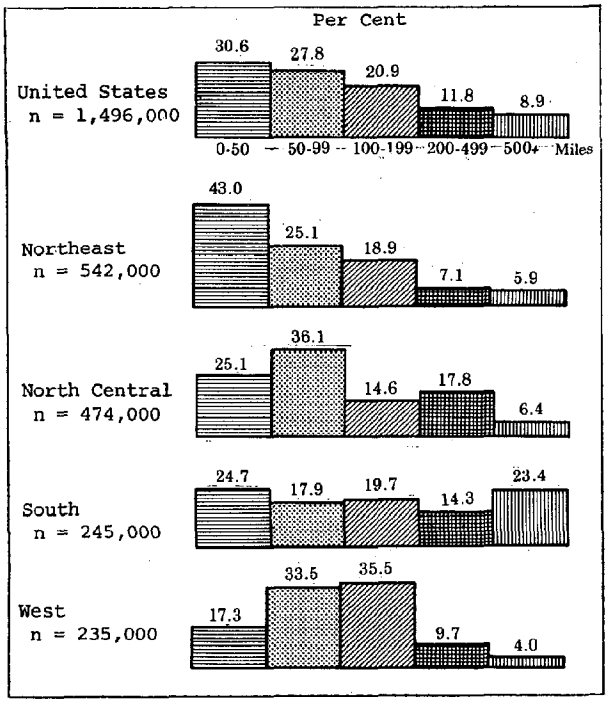
Accessibility from the owner's primary residence and the natural amenities at second home sites are two major factors influencing second home locations.

Distance Between Second and Primary Homes. Accessibility is a key factor in the consumer's choice of a second home location. Second home owners in a 1970 Minnesota survey ranked accessibility as the first, and the natural site amenities as the second most important factors in choosing their home locations.[62] Since most people commute to their second homes by automobile, site locations are very much a function of that commuting distance. As shown in Figure 6 the majority of second homes are located within 100 miles of their owner's primary homes. The number of second homes decreases sharply at commuting distances above 200 miles.

These distances vary in different parts of the country. Second homes are located closer to their owner's primary homes in the Northeast, and furthest in the South and West. Among a few higher income groups there is an increasing tendency to commute to second homes by air, encouraging greater flexibility in locations.

Natural Amenities in Second Home Areas. The natural amenities of the second home site and/or

Figure 6. Distances Between Second Homes and Their Owners' Primary Homes



Source: U.S. Department of Commerce, Bureau of the Census, Second Homes in the United States, (Washington: U.S. Government Printing Office, 1969), Current Housing Reports, Series H-121, No. 16.

the surrounding region are another major factor determining where second homes occur. A survey of second home owners in New England ranked the "qualities of the site" as the most important factor influencing the buyer's choice, as shown in Table 7. Water appears to be the biggest natural attraction to second home owners. The New England survey reported that 86.3 per cent of the respondents had direct access to a body of water from their second home.[63] A study in Michigan reported that over 55 per cent of the second homes sampled were located on an inland lake, 24 per cent were located on the Great Lakes, and another 10 per cent were located on a river or stream.[64] The report stated that "89 per cent of the vacation homes examined in this study are located on or within a five minute walk of some body of water." A consumer survey of 1,000 New York apartment dwellers reported over two-thirds (67.7 per cent) of the respondents stating a preference for waterfront locations.[65] Another 18.5 per cent wanted a second home in the mountains, while 11.5 per cent preferred an old farm house in the country. Mountain locations for second home developments are attractive to second home development, especially if they include a ski resort. And, having a national park for a backyard also appeals to many second home buyers. A survey in Washington discussed the importance of adjacent or nearby public lands as a factor influencing second home locations:

> It appears that while many developments provide more elaborate facilities such as club houses and golf courses, most people purchasing lots in vacation home developments seem to like being close to "nature" with forested sites, views, lakes, rivers, and beaches. There is also a desire to be near the vast and varied holdings of the state and federal governments.[66]

Although millions of acres of barren desert have been subdivided into recreational lots, very few people seem to want a second home in the desert. A consumer survey conducted by the Building Products Guide asked potential buyers where they would prefer their second homes to be located. Only five per cent chose a desert environment. Lake, mountain, and seashore locations were most popular.[67]

Characteristics of Second Homes

Type. Second homes cover a wide range of housing types and architectural styles--everything from

Table 7. Reasons for Choice of Second Home Sites Reported by Respondents in Northern New England Vacation Home Survey, 1966

Reasons for Choice	Per Cent of Respondents[1]
Qualities of the site	74.1
Bodies of water	51.5
Scenic view	44.5
Seclusion	29.8
Woodlands	26.3
Topography	17.3
Regional attractions	43.6
Proximity to home	20.8
Relatives nearby	14.5
Expense	11.0
Cultural attractions	10.1
Proximity to shopping	1.8
	n = 544

[1]Total responses exceed 100 per cent since some respondents gave more than one reason for their choices.

Source: United States Department of the Interior, Bureau of Outdoor Recreation, Northern New England Vacation Home Study, 1966 (Washington: Government Printing Office), 1967), p. 6.

small, one-room hunting cabins to do-it-yourself A-frames; from modern, conventionally built homes to resort condominiums. They exhibit a wider range of freedom in architectural style than most primary homes. Still, approximately half the second homes being built today are conventionally built houses.[68] Prefabricated housing--precut, modular, and manufactured units--also account for an increasing share of today's second home construction. In the ULI survey, 12.4 per cent of the projects included prefabricated or manufactured housing; 7.9 per cent contained mobile homes.[69] Approximately 10 per cent of the mobile homes manufactured each year--50,000 units--are used as second homes.[70] However, the proportion of all second homes which are mobile homes is probably higher, since some mobile homes end up as second homes after being used for several years as primary homes.

Resort condominium units are capturing an increasing share of the second home market. The national household survey conducted for this study found that approximately 6 per cent of the second home owners responding owned resort condominiums.[71] Certain types of condominiums which offer rental programs operated by a management company must register with the Securities and Exchange Commission. As of January 1973, 43 out of an estimated 700 condominium projects with securities aspects had registered with the SEC.[72]

Only 3.9 per cent of the 1,287 projects surveyed at OILSR contained condominium units at the time of registration. The highest regional concentrations of condominiums in recreational land developments registered with OILSR were found in New England, the South Atlantic states, and in the Pacific states.[73] Over one-fifth of the respondents to the ULI survey stated that they included condominium units in their projects, while 5 per cent of them developed condominium projects exclusively.[74]

Size and Facilities. About half of today's second homes are conventional houses, although in the past small cottages and cabins, seldom winterized and generally inadequate for year-round occupancy, were more common. A 1965 survey of second home owners reported that one-third of the respondents owned A-frames, one-third owned cabins, about 10 per cent referred to their second homes as chalets, and 10 per cent were modern, conventional homes.[75] Respondents to an ASPO survey of rural planning agencies reported that 58 per cent of their jurisdictions contained older second homes which did not meet current housing standards.[76] Over half the respondents to the 1967 Census study of second homes referred to their units as "vacation cottages."[77]

The 1967 Census study reported that almost half of the second homes surveyed (43 per cent) were between 500 and 1,000 square feet in size. Over one-fourth were less than 500 square feet, and the remaining fourth were more than 1,000 square feet.[78] Only one-third (36.4 per cent) of the existing second homes in the country had five or more rooms. This is considerably less than the national norm for conventional housing (the 1970 Census of Housing reported that 60.7 per cent of all the housing units in the country had five or more rooms), and while 17.7 per cent of all second homes had two rooms or less, only 5.5 per cent of all houses in the U.S. in 1970 were this small.[79] Since the sample surveyed represents all second homes built over time, the data are weighted by older, smaller units and do not reflect the true proportion of more modern second homes being built today.

The 1967 Census study reported several other statistics on second homes.[80] Some 14 per cent of the units had no heat, while only 22.3 per cent had central heating. Almost all had some type of kitchen facilities (97.4 per cent), and most of them had electricity (91.1 per cent). Over half (58.3 per cent) had plumbing. Another survey of second home facilities in 1966 reported that 97 per cent had electricity, 95 per cent had plumbing, 67 per cent had some form of heating unit, and 65 per cent were insulated for year-round use.[81]

Cost. Second home costs vary as much as their architectural styles. Today, some do-it-yourself prefab structures run as low as $1,500, while many conventionally built second homes are priced in the $30,000 to $40,000 range. The 1967 Census study reported the median market value of second homes (including lots) at only $7,800.[82] Almost two-thirds (65 per cent) were valued at less than $10,000, while only 12.3 per cent were valued at $20,000 or more. Median values were highest in the South ($9,700), reflecting the fact that the highest proportion of recent second home construction has occurred there. A more recent study in Wisconsin re-

ported the median value of second homes surveyed at $13,000. Still, some 40 per cent of the units surveyed were valued at less than $10,000.[83] In a 1971 survey of recreational land projects (see Table 8), 42 per cent of the developers reported the average selling price of new second homes in their projects was over $30,000, exclusive of the land. Only 24 per cent reported average prices of less than $20,000. Prices of condominiums were even higher; 64 per cent of the respondents reported the average price of a condominium unit above $30,000.

Table 8. Average Prices of Single Family Second Homes and Resort Condominiums Built in Recreational Land Developments, 1971

Average Prices	Per Cent of Respondents n = 120	
	Single Family Second Homes	Condominiums
Less than $10,000	4.0	.0
$10,000 to $19,999	20.0	7.0
$20,000 to $29,999	34.0	29.0
$30,000 to $39,999	18.0	35.0
$40,000 to $49,999	14.0	26.0
$50,000 or more	10.0	3.0
	100.0	100.0

Source: Housing Data Bureau, Recreational Land and Leisure Housing Report, Vol. 3, No. 8 (May 8, 1972).

Use of Second Homes

Speculative gain has been a major factor influencing many consumers' decisions to purchase recreational lots, but most people tend to buy second homes for their own immediate use and enjoyment during leisure time. In some cases, second homes are converted into permanent, year-round residences, often when their owners retire, or when sold to other families in the primary home market.

Occupancy Rates. The typical second home is used two or three months a year. Occupancy rates for second homes--the number of days they are occupied per year--vary according to season, depending on such factors as the distance between the owner's second and primary home, vacation and employment cycles, and seasonal recreational activities available at the second home site. The 1967 Census study found that almost all second homes (92 per cent) were used sometime during the year and that the median duration of occupancy in 1966 was 53 days as shown in Table 9. Regional variations ranged from a low of 47 days in the West to a high of 59 days in the Northeast. Over one-fourth of the respondents (28.3 per cent) occupied their second homes for less than 30 days during the year, while another fourth (24.8 per cent) occupied them 90 days or more per year. A more recent survey in Vermont found that most second homes were annually used 30 days or more, while a few were used over 120 days. The most typical use was between two and three months.[84] Other local studies conducted in Minnesota and Wisconsin also reported that second homes were occupied approximately 50 days per year.[85]

Seasonal Occupancy. Seasonal occupancy of second homes varies according to such factors as recreational opportunities available at different times of the year, the times when families traditionally take their vacations, and the climate. Most second homes are used intensively during one particular

Table 9. Duration of Second Home Occupancy by Region of the United States, 1966

Duration of Occupancy	Per Cent of Second Homes				
	United States N = 1,496,000	Northeast n = 542,000	North Central n = 474,000	South n = 245,000	West n = 235,000
Less than 30 days	28.3	23.7	31.4	36.1	26.1
30 to 59 days	29.0	26.8	29.2	18.8	42.5
60 to 89 days	17.9	24.3	16.5	9.4	13.3
90 to 179 days	19.3	18.7	21.0	20.9	16.1
180 days or longer	5.5	6.5	1.9	14.8	2.0
	100.0	100.0	100.0	100.0	100.0
Median days occupancy	53.0	59.0	49.0	52.0	47.0

Source: United States Department of Commerce, Bureau of the Census, Second Homes in the United States (Washington: Government Printing Office, 1969), Current Housing Reports, Series H-121, No. 16.

season and sit vacant during the rest of the year. In much of the country, summer is the peak season. A Wisconsin survey reported peak second home occupancy in July and August and lowest use in December and March.[86] The 1967 Census study reported that almost two-thirds (61.2 per cent) of the respondents used their second homes only during certain seasons of the year. In the South and the West, however, where the climate is less of a factor, over half of the respondents used their second homes occasionally throughout the year rather than only during one particular season.

Rentals. A few second homes are rented during portions of the year, increasing the duration of their occupancy. The Northern New England second home survey found that 17.6 per cent of the units surveyed were rented sometime during the year.[87] The 1967 Census study reported that only 6.8 per cent of all second homes in the country were rented.[88] However, rental rates can run much higher where a variety of recreational activities are possible during different seasons of the year. A survey of second homes in Sevier County, Tennessee (a popular summer recreational area which also includes a winter ski resort), found that a fourth of the units were rented sometime during the year.[89]

Second home use could be expected to increase as transportation facilities are improved and leisure time increases. The renting and communal ownership of second homes, especially condominium units with rental management programs in "four-season" recreation areas, will also tend to increase overall second home occupancy, making it less seasonal and more constant throughout the year. Many new condominium units built in second home projects are being offered with a rental-management plan which permits their owners to use the property as they wish during one season, while a management entity handles maintenance and rental of the unit during other seasons. In some cases, rentals are handled through a rental pool arrangement operated by a central agency.

Conversion of Second Homes to Permanent Homes. Over time, some second homes are converted into permanent residences. Retirees moving into their second homes on a year-round basis account for many such conversions. Other second homes are converted to permanent use by successive owners in the market for permanent housing. And as industries move into the suburbs and commuting patterns extend further into the hinterlands, some people are finding it possible to convert their second homes to permanent use while remaining fully employed in their current jobs.

Converting second homes to permanent use has been going on for years. A 1959 report by ASPO stated that ". . . in metropolitan areas, some summer cottages are being converted to year-round residences; and areas platted for summer cottage development have become full-scale residential developments."[90] A 1957 article in the Milwaukee Journal stated that:

> The summer cottage is gradually vanishing in Southern Wisconsin. Almost none are being built on the small lakes near Milwaukee. Many of the existing cottages are being converted for year-round living.[91]

A recent study in the Two Rivers region of Vermont found that some townships had experienced conversion factors as high as 34 per cent per year.[92] In Warren County, Virginia, over 20 per cent of the 1,500 homes in recreational subdivisions are now permanently occupied, and full-time occupancy appears to be increasing.[93] Three-fourths (76 per cent) of the planning agencies responding to the ASPO survey conducted for this study had dwelling units in their jurisdictions which were originally built as second homes, but are now permanently occupied.[94] Many respondents to the survey said that second homes had a strong tendency to become first homes over time:

> . . . . experience has shown that second homes tend to become first homes sooner or later.
>
> . . . many second homes have been sold to other families for first homes.
>
> . . . there is no such thing as a second home subdivision. It may be designed that way, but in a short time it is permanent. . . .[95]

Also, some lots and housing in recreational land developments are never intended for use as recreational property, but instead are marketed to first home buyers. One development visited during field work for this study was selling approximately 20 per cent of its housing to consumers in the first home market.[96] Designing recreational land developments with mixtures of housing which appeal to both second and primary home markets is likely to become more common if the second home business continues to

decline. A recent trade journal article advised resort condominium developers to locate their projects no more than 150 miles from prospective owners' jobs and primary homes, citing the importance of locating resort developments in areas of primary housing demand in the event that second home sales fail.[97] This strategy is encouraged by families already opting for longer commuting times to live year-round in second home developments. One second home project in Pike County, Pennsylvania, reports running two commuter buses daily to New York City for its permanent residents, a distance of almost 100 miles each way.[98]

In a few cases, recreational lots are serving as low-income housing sites for rural families, further increasing the extent of permanent occupancy in recreational land developments. In Warren County, Virginia, for example, lower income families have bought lots in inexpensive recreational subdivisions, either building their own homes or using mobile homes. In Deschutes County, Oregon, some permanent service employees of one resort development were reported living in mobile homes in less expensive recreational subdivisions nearby.

The conversion of second homes to permanent use is likely to continue well into the future, however the extent of these conversions is highly tenuous, depending on such factors as future energy and transportation costs, job opportunities, and the availability of public services in rural areas. Intentions to convert recreational property to permanent use appear fairly common, though. A 1970 survey in Green County, New York, reported that more than half (58 per cent) of the nonresident land owners in the county planned to become permanent residents, most of them at retirement.[99] In Vermont, a 1972 survey reported that 45 per cent of the second home owners interviewed planned to become permanent residents.[100] And in the North Carolina survey, 10.6 per cent of the respondents stated that one of their reasons for purchasing a recreational lot was for future use as a retirement homesite.[101]

Characteristics of Recreational Land Developers

The American Land Development Association, the trade association for recreational land developers, had a 1973 membership of 740 developers. ALDA estimated in 1973 that there were approximately 10,000 companies subdividing recreational land and developing second home projects.[102] These companies ranged from small "mom and pop" operations subdividing and selling off their own farms and ranches to large, publicly-owned corporations. In 1971, 21 of the 200 largest corporations in the U.S. were involved in recreational land development, including Mobil, Standard, Shell, and Gulf Oil, Scott Paper, ITT, Union Camp, Weyerhaeuser, Bendix, Swift, and Chrysler Corporation.[103] Most recreational land firms, however, are privately owned according to the results of two ALDA surveys shown in Table 10.

The majority of recreational land firms have limited their activity to developing a single project at one time. Out of 1,509 land development companies registered with OILSR, over three-fourths (83.4 per cent) had only one recreational subdivision under way, and only 2.5 per cent had five or more projects.[104] The 1973 ALDA survey reported that their average member was developing two or three recreational projects.

As previously mentioned, most recreational land developers sell only land, not housing. Respondents to the 1973 ALDA survey reported that 80 per cent of their income was derived from land sales, 10 per cent from housing sales, and 10 per cent from other sources.[105] Land sales have offered higher rates of return on the developer's investment in the past, as

Table 10. Ownership Status of Recreational Land Companies, Reported by Respondents in ALDA Surveys, 1972 and 1973

Ownership Status	Per Cent of Respondents	
	1972	1973
Publicly owned	14.2	13.0
Privately owned	64.2	67.0
Subsidiary of public company	17.2	17.0
Subsidiary of private company	4.4	3.0
	100.0	100.0
	n = 148	n = 123

Source: American Land Development Association, The Land Industry Survey, 1972, and The Land Industry Survey, 1973, (Washington: American Land Development Association, 1972, 1973), n.p.

Table 11. Most Profitable Forms of Recreational Property Reported by Respondents to the ULI Survey of Recreational Land Developers, 1973

Type of Property	Per Cent of Respondents
Unimproved lot sales subdivision	42.9
Improved recreational home subdivision	27.6
Resort condominium	9.0
Management of resort operations	1.3
High amenity second home communities	11.5
None have been profitable	3.8
Other	3.9
	100.0
	n = 156

Source: "Survey of Recreational Land Developers and Their Projects," (Unpublished survey conducted by Richard L. Ragatz and the Urban Land Institute, Washington: 1973), n.p.

Table 12. Gross Dollar Volume of Land Sales in Recreational Land Developments, Reported by Respondents in ALDA Surveys, 1972 and 1973

Selected Characteristics	Gross Sales	
	1972	1973
Reported low sales	$15,000	$18,000
Reported high sales	$38,917,000	$29,600,000
Average sales	$ 3,341,850	$ 3,183,150
Total sales	$411,297,404	$373,160,605
	n = 124	n = 115

Source: American Land Development Association, The Land Industry Survey, 1973 (Washington: American Land Development Association, 1972, 1973), n.p.

well as requiring much less front-end capital than housing construction and the necessary related improvements. Almost half (42.9 per cent) of the developers responding to the ULI survey reported that the sale of unimproved recreational lots was their most profitable activity, with improved lots ranking second, as shown in Table 11.

In 1971, an estimated 650,000 recreational lots were sold in the U.S. at a total price of approximately $5.5 billion.[106] Gross sales volumes per firm were averaging around $2 to $3 million in the early 1970s, as shown in Table 12. The developers responding to the ULI survey reported average gross sales for 1973 at $2.7 million.[107]

Most recreational land development firms have been in business a relatively short while, as shown in Table 13. Almost half of those firms answering the ULI survey had been involved in recreational land development less than five years. The majority of these (62.7 per cent) deal exclusively in recreational land development. Less than one-fourth (22.8 per cent) of the respondents were also engaged in suburban subdivision development.

Factors Influencing The Growth of Recreational Land Development

The growth of recreational land development during the 1960s and early 1970s resulted from a combination of factors including increased affluence among consumers, increased leisure time, increased mobility, and heavy advertising and mass marketing techniques employed by the industry.

Increased Affluence. Probably the most important factor influencing the growth of the recreational land market was the increased affluence of the American consumer. Between 1950 and 1970 median family incomes in the U.S. (measured in constant 1970 dollars) nearly doubled, from $5,601 to $9,867.[108] The percentage of families earning between $10,000 and $15,000 increased from 20.7 per cent in 1960 to 27.9 per cent in 1970. During the same period, the percentage of families earning more than $15,000 a year increased from 10.2 per cent to 23.7 per cent. In 1950, only 14.2 per cent of all families earned more than $10,000 per year.

Increased ease of financing during the 1960s and early 1970s also facilitated rapid second home development. As land values increased (especially where the supply was limited such as along sea coasts), credit became easier to obtain and down payments grew smaller, putting "recreational land financing within the reach of a much larger segment of the population."[109]

Increased Leisure Time. Leisure time has also increased over the last two decades, through more frequent and longer vacations, increased longevity, and earlier retirements, thereby making second home ownership more attractive. In 1940, only 25 per cent of all wage agreements provided for paid vaca-

Table 13. Number of Years Which Developers Have Been Active in Recreational Land Development

Type of Land Development	Per Cent of Respondents by Number of Years				
	Less than 5 years	5 to 14 years	15 to 24 years	25 or more years	Total
Land development of any type	37.8	43.6	10.9	7.7	100.0
Unimproved lot sales subdivisions	42.6	45.5	5.0	6.9	100.0
Improved second home subdivisions	55.3	35.3	5.9	3.5	100.0
High amenity second home communities	59.4	31.9	8.7	-	100.0
Condominium development	82.5	17.5	-	-	100.0

Source: "Survey of Recreational Land Developers and Their Projects" (Unpublished survey conducted by Richard L. Ragatz and the Urban Land Institute, Washington: 1973), n.p.

tions. Today, over 90 per cent of them do.[110] In 1940 the maximum paid vacation was about one week long, and the average number of paid holidays approximately two per year. Today, paid vacations average 2.2 weeks per year (an increase of 20 per cent since 1960 alone), and paid holidays average 10 per year.[111] The actual work week has not gone down very much since 1940, declining only 6.5 hours, from 46.1 hours in 1945 to 39.6 hours in 1970.[112] But work weeks have become more concentrated. In the late 1960s the four-day, 40-hour work week came into vogue.[113] Longevity and paid retirements have also increased over the last two decades. Life expectancy at birth was 62.9 years in 1940 and 70.8 years in 1970.[114] In addition, retired people have had more money to spend than ever before in history. Private pensions, deferred profit-sharing plans, and Social Security benefits have all increased since 1950. While the number of people receiving Social Security benefits almost doubled between 1960 and 1970, the amount of those disbursements tripled to some $31,000,000 in 1970. In addition the number of private pension and deferred profit-sharing plans more than tripled between 1950 and 1970.[115]

Increased Mobility. Improved transportation facilities have been one of the most important factors making growth in recreational land development possible, providing the two-thirds of the nation's population living in metropolitan areas with efficient highway access to the countryside. Between 1950 and 1970 over 400,000 miles of municipal and rural highways were added to the nation's road system. More importantly, the Interstate Highway System, now more than 75 per cent complete with over 30,000 miles in operation, has provided urbanites with high speed access into the countryside, drastically reducing driving times to recreation areas.[116] In 1950, 59 per cent of all U.S. families owned an automobile; in 1970, that number had increased to 82 per cent.[117] The number of registered passenger cars increased from over 40,000,000 in 1950 to over 89,000,000 in 1970. Although much less important than automobile travel, increased air travel to recreational land developments has made them even more accessible. The number of public and private airports increased from 6,881 in 1960 to 11,261 in 1970. Passenger miles on scheduled air carriers increased from slightly over one million in 1950 to 13.1 million in 1970.[118] And the number of civil aircraft increased by over 50 per cent between 1950 and 1970.

Consumer Demand. The combination of a growing national interest in recreation of all kinds coupled with increased consumer spending power and the historical American desire to own land created an explosive market by the mid 1960s. The national interest in outdoor recreation has increased markedly over the last several years. Total visits to National Parks increased from 33.2 million in 1950 to over 200.5 million in 1971.[119] Similar unprecedented trends in visits to state parks also occurred be-

tween 1950 and 1970, increasing from 11.2 million visits in 1950 to 39 million in 1970.[120]

Millions of recreational lot buyers were also motivated by "investment potential," following Will Rogers' advice: "Buy land; they ain't making any more." During the 1960s, land values approximately doubled while the value of common stocks rose by only 18 per cent.[121] A recent Gallup Poll conducted for the National Association of Realtors reported that 9 out of 10 respondents considered real estate a good investment.[122]

Many people also bought recreational property to use for fun--to escape the city and relax a bit closer to nature. Today, over two-thirds of the U.S. population lives in metropolitan areas. As crime, pollution, traffic congestion, and noise have increased, many city dwellers have found second homes a welcome retreat from the daily stress of urban living. A public opinion survey conducted by the President's Commission on Population Growth and the American Future reported that 34 per cent of the respondents wanted to live in the open country, while another 30 per cent wanted to live in a small town or city. Only 14 per cent preferred either a large city or a suburb.[123]

Marketing. All of the above factors combined to produce a ready market for the sale of recreational lots and second homes. In response, developers and land merchants sprung up overnight to tap this market, offering a wide range of products and prices to meet every taste and pocketbook. Massive nationwide advertising campaigns helped to sell much recreational land. Billboards, magazines, newspapers, radio and TV commercials, direct mailings, visits, free dinners complete with slide shows, prizes and so on, all played their part in enticing millions of consumers into buying recreational property.

High-pressure sales techniques also played a major role in increasing the consumption of recreational land. Sales campaigns have frequently been labeled "hard sell," especially in unimproved projects where the land may not easily sell itself. Another factor which has encouraged the "hard sell" in the recreational land industry has been the tremendous incentives placed on salesmen. According to one survey, over three-fourths (76 per cent) of the salesmen in the industry are paid strictly on a commission basis.[124] Of the remainder, all but 10 per cent receive some portion of their earnings in the form of commissions.

The Future Market For Recreational Land

There will always be some market for recreational property, but the extent and size of that market is difficult to predict. Growth projections were prepared for this study based on past trends and recent surveys of consumer purchase intentions, indicating that the national stock of recreational lots and second homes could double by 1985.[125] (See Appendix E) However, gasoline shortages followed by general economic recession have caused a major decline in recreational land development activity since early 1974, leaving serious doubts about whether future rates of growth will come near past levels when and if this industry recovers from its current economic slump. While the ranks of potential second home buyers will swell over the next few years as the post war baby boom generation enters its thirties, the prospects of continued high energy costs and mortgage interest rates threaten to curtail demand further in the future. Consumer preferences are another major unknown. Recreational property is a luxury item whose future depends on continually rising disposable incomes and consumer preferences on how that income is spent.

The rising costs of energy may also affect the future location of recreational land development. For example, just as suburban developers have gone back and sought out undeveloped, skipped over parcels within the urban fringe, recreational land developers may seek locations closer and with more convenient access to the cities. Energy costs alone, however, do not necessarily mean a reduction in demand for recreational property. Consumers will still be able to choose how to allocate their energy dollars. For example, some people may choose to increase their use of mass transit and car pooling arrangements to commute to work, saving energy dollars for weekend commutes to their second homes. Or rather than owning two homes, rising energy costs may encourage apartment living in cities coupled with second home ownership. Some developers also suggest that increased energy costs will curtail vacation travel in favor of spending an entire vacation in a second home.[126] Energy costs may have other effects on the second home business as well. If heating fuel becomes scarce or too expensive, the

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Table 14. Future Demand for Recreational Properties as Estimated by Recreational Land Developers

Recreational Property	Per Cent of Respondents by Estimation of Future Demand			
	Will Increase	Will Remain the Same	Will Decrease	Total
Unimproved lots in recreational subdivisions	44.8	17.5	37.7	100.0
Improved lots in recreational subdivisions	74.0	22.7	3.3	100.0
Lots in high amenity second home communities	80.7	12.9	6.4	100.0
Resort condominiums	84.3	9.6	6.1	100.0

Source: "Survey of Recreational Land Developers and Their Projects," Unpublished survey conducted by Richard L. Ragatz and the Urban Land Institute (Washington: 1973), n.p.

hundreds of thousands of recreational lots already subdivided in the South and Southwest may become more attractive as future homesites.

In spite of the energy and economic issues facing the industry, other forces also indicate major changes may be on the way. Even before the energy crisis in 1974, changing consumer demands, increased government regulation, and the unethical public image of the industry were all beginning to cause an increase in the proportion of improved recreational properties and housing in relation to unimproved recreational lots offered by developers. Recreational land developers responding to the ULI survey reported that the unimproved lot sales segment of the industry was by far the most competitive sector, as compared with second home and resort condominium projects.[127] Asked to predict future demands for various types of recreational property, the developers responded that demands for unimproved recreational lots would decrease substantially while demands for improved recreational lots, lots in high amenity second home communities, and resort condominiums would increase as shown in Table 14. Half of the developers (50.3 per cent) responding to the survey reported that they had no plans to expand the unimproved recreational lot portion of their businesses as shown in Table 15. On the other hand, over half (52.6 per cent) did intend to expand their operations in improved recreational lots, and 41.5 per cent intended to expand their activities in the resort condominium field.

New concepts of owning recreational property may play an increasingly important role in the future of recreational land development industry. Among the innovations which have been tried are time sharing, undivided interest, and rental and exchange programs. Rather than buying a second home with exclusive occupany rights, time sharing options

Table 15. Developers' Plans for Future Expansion in Selected Types of Recreational Land Developments

Type of Recreational Land Development	Per Cent of Respondents by Plans to Expand			
	No	Yes	Uncertain	Total
Unimproved lots in recreational subdivisions	50.3	32.2	17.5	100.0
Improved lots in recreational subdivisions	25.8	52.6	21.6	100.0
High amenity second home communities	34.5	37.4	28.1	100.0
Resort condominiums	28.1	41.5	30.4	100.0

Source: "Survey of Recreational Land Developers and Their Projects," Unpublished survey conducted by Richard L. Ragatz and the Urban Land Institute (Washington: 1973), n.p.

permit consumers to purchase a "time-share" of a dwelling unit at less than full cost, sharing fee simple ownership with several families. Such arrangements would permit a single dwelling unit to be more intensively used than the average second home, but would require a fairly sophisticated management operation. The undivided interest concept is a common ownership arrangement which has been tried in camping developments. It allows many families to purchase undivided shares of a single piece of property, which may include recreational facilities reserved for the use of all shareholders. Developers have also experimented with rental and exchange programs, operating rental pools for condominium owners which include advertising, maintenance, and other services. So far, such shared arrangements for second home use have had little impact on the market, but they may become increasingly attractive as increased energy and housing costs restrict the market for second home ownership.

NOTES

1. U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, January, 1974. The Office of Interstate Land Sales Registration (OILSR) was established in August, 1969 within the U.S. Department of Housing and Urban Development, to administer the Interstate Land Sales Full Disclosure Act of 1968. Under the Act, companies offering 50 or more unimproved lots for sale or lease through the mails or by means of interstate commerce under a common promotional sales plan, must file a Statement of Record with OILSR and provide all prospective buyers with a Property Report covering 20 or more points of information about the project. HUD has the authority to take several types of legal action for noncompliance or inadequate compliance with the regulations. Property Reports for any project may be obtained from HUD for a fee of $2.50 each by writing HUD/OILSR, 451 Seventh St. S.W. Washington, D.C. 20410, and including the name of the developer, the development, and the location of the subdivision.

2. Interview with Alan Kappeler, Assistant Deputy Administrator, Office of Interstate Land Sales Registration, U.S. Department of Housing and Urban Development, May 2, 1974. There are several reasons for extensive nonfiling with OILSR. First, filing was not required until the federal law (the Interstate Land Sales Full Disclosure Act) went into effect in 1969. In addition, the law exempts some projects from filing (such as those with less than 50 lots or where all lots are 5 acres or more in size). Finally, noncompliance with the law is still common.

3. John P. Workman, Donald W. MacPherson, Darwin B. Nielsen, and James J. Kennedy, A Taxpayer's Problem - Recreational Subdivisions in Utah, (Logan, Utah: Utah State University Press, 1974), p. 3. OILSR data for January, 1974 show 45 projects in Utah containing 15,257 recreational lots. Workman's study in Utah reports that between 1962 and 1972, 334 recreational subdivisions containing 62,716 were developed.

4. Unpublished survey conducted for this study by the Opinion Research Corporation, Princeton, N.J., using a stratified sample of 7,190 U.S. households, October, 1973. The survey found that 3.4 per cent of all households own a vacant recreational lot. The total number of U.S. households was obtained from the U.S. Department of Commerce, Bureau of the Census, Demongraphic Projections for the United States, (Washington: Government Printing Office, 1973). Current Population Reports, Series P-25, No.476, Tables 7 and E, pp. 25-26.

5. American Land Development Association, The Land Industry Survey, 1973, (Washington: American Land Development Association, 1973), n.p.

6. Ibid. The 123 companies responding to the ALDA survey subdivided 297,283 lots.

7. Interview with Gary Terry, Executive Vice President, American Land Development Association, Washington, D.C., July 10, 1973.

8. U.S. Department of Commerce, Bureau of the Census, Census of Governments, 1967 Taxable Property Values, (Washington: Government Printing Office, 1968), Volume II, Table 6. The 1972 Census of Governments did not collect vacant lot data except for selected urban counties. See U.S. Department of Commerce, Bureau of the Census, 1972 Census of Governments, Taxable Property Values and Assessment - Sales Price Ratios, (Washington: Government Printing Office, 1973), Volume 2, Part I, Table 9.

9. Lyle E. Harrell, "Tour of Subdivisions in Lassen and Madera Counties," Unpublished paper, Josephine County Planning Department, Grants Pass, Oregon, 1971, p. 1.

10. John P. Workman, et. al., A Taxpayer's Problem - Recreational Subdivisions in Utah, op. cit., p. 4.

11. Dr. Wilbert J. Ulman, Mountain Recreational Communities and Land Use: The Summit County Experience, (Denver: Colorado Land Use Commission, December, 1973), p. 39 and 57.

12. Arizona Office of Economic Planning and Development, Planning Division, Arizona's Remote Subdivisions: An Inventory, (Phoenix: Office of the Governor, State of Arizona, January, 1975), p. 1.

13. National Association of Real Estate Boards, The Real Estate Market, (Washington: National Association of Real Estate Boards, annual survey).

14. "Leisure Boom: Biggest Ever and Still Growing," U.S. News and World Report, (April 17, 1972), p. 45.

15. U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files January, 1974. These recreational land projects include both registered projects and projects which filed for and received exemptions under the provisions of the Interstate Land Sales Full Disclosure Act.

16. "Survey of Recreational Land Developers and Their Projects," Unpublished survey conducted for this study by Richard L. Ragatz and the Urban Land Institute, (Washington, 1973), n.p. This survey used a mailing list of land developers combined from: (1) companies which had registered recreational land projects with HUD's Office of Interstate Land Sales Registration; (2) subscribers to Housing Data Bureau, Inc. services which include Recreation Land and Leisure Housing Report, P.O. Box 97, Los Altos, California 94022; and (3) members of the Urban Land Institute active in the recreational land development field. The sample size was 1,800 and the usable response rate was 9.7 per cent.

17. U.S. Department of the Interior, Bureau of Outdoor Recreation, Northern New England Vacation Home Study: 1966, (Washington: Government Printing Office, 1967), p. 18.

18. American Land Development Association, The Land Industry Survey 1973, op. cit.

19. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

20. U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, January, 1974.

21. American Land Development Association, The Land Industry Survey, 1973, op. cit.

22. It was not possible to determine from OILSR data whether public health approval of septic tanks was a blanket approval for the whole project or a specific approval of each individual lot.

23. It was not possible to determine from OILSR data whether the public health report on water quality had approved the water supply or not--only that a report had been issued.

24. The OILSR data did not indicate whether arrangements had already been made with a particular collection company or simply were available at the individual lot owner's option.

25. Housing Data Bureau, Inc., Recreation Land and Leisure Housing Report, Volume 3, No. 8, May 8, 1972.

26. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

27. U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973.

28. Unpublished survey conducted for this study by the Opinion Research Corporation, Princeton, N.J., op. cit.

29. John Hanmaker, "An Investigation of the Organized Second Home Community Market in Georgia to Determine If Property Owners Receive or Will Receive the Facilities for Which They Pay," Unpublished Ph.D. dissertation, Georgia State University, Atlanta, 1971, p. 187.

30. Carolyn Feiss, Second Homes in Washington, (Olympia: State of Washington, Washington Interagency Committee for Outdoor Recreation, 1971), p. 19.

31. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

32. A word of caution about terminology is important here. The low buildout rate provides some indication of the high degree of speculation in the recreational lot market. But a careful distinction must be drawn between overall buildout rates--the total number of houses as a per cent of total lots subdivided to date--versus annual buildout rates, which indicate the number of houses built each year compared to the total number of lots. Industry surveys and other studies often confuse these two figures. In addition, many of them do not distinguish between the number of houses constructed as a percentage of all lots subdivided. This, too, is an important distinction, since many recreational lots have been subdivided but have not been sold.

33. Gary Terry, "New Techniques in Recreational Land Development," Vacation Housing and Recreation Land Development, (Ann Arbor: Industrial Development Division, Institute for Science and Technology, the University of Michigan, 1973), p. 43.

34. Stanley Snider, "Is System Building the Best Answer for Your Shelter Program?" Developers World, (July-August, 1973), p. 12.

35. Housing Data Bureau, Recreation Land and Leisure Housing Reports, Volume 3, No. 21 (December, 1972), p. 5.

36. Robert Cahn, "There's No Such Thing as a Free Lunch," Christian Science Monitor, (January 17, 1973), p. 11.

37. State of California, The Resources Agency, Department of Soil Conservation, Environmental Impact of Urbanization on the Foothill and Mountainous Lands of California (Sacramento: State of California, 1971), p. 17.

38. Pennsylvania Vacation Land Developers Association, "Study Findings: Buildout Rate for Pocono Projects," (East Stroudsberg, Pennsylvania: Pennsylvania Vacation Land Developers Association, 1971), n.p.

39. American Land Development Association, The Land Industry Survey, 1973, op. cit.

40. American Land Development Association, Land Industry Survey, 1972, op. cit.

41. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

42. Raymond Burby, Household Decision Process in the Purchase and Use of Reservoir Recreation Land (Chapel Hill: University of North Carolina, Water Resources Research Institute, 1971), p. 61.

43. Ibid.

44. Carolyn Feiss, Second Homes in Washington, op. cit.

45. T.E. Dickinson and W.E. Johnston, "An Evaluation of Owner's Expectation of Building Within Remote Rural Subdivisions: Impacts on the Rural Community," (Unpublished paper presented by the Joint Annual Meetings of the American Canadian and Western Agricultural Economics Associations, Edmonton, Alberta, August 1973), n.p.

46. American Land Development Association, "Campers are a New Breed of Pioneer," American Land, Volume 2, No. 2, (May 1973), p. 14.

47. Recreational Vehicle Institute, Recreational Vehicles Facts and Trends, Des Plaines, Illinois: Recreational Vehicle Institute, 1973, p. 19.

48. Ibid.

49. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

50. Unpublished survey conducted for this study by the Opinion Research Corporation, Princeton, N.J., op. cit. The 1973 Census figure of 67,430,000 U.S. households was used as the basis for this estimate.

51. U.S. Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970, Detailed Housing Characteristics (Washington: Government Printing Office, 1972), Final Report HC (1), Appendix A-1 and Appendix B-7.

The physical count of second homes used in this study was taken from the U.S. Census of Housing Category "rural vacant-seasonal" housing units. Excluded from this category are: (1) second homes in urban areas, and (2) rural vacant farm units, both of which are not considered within the scope of this study. Included in this category are other types of housing units such as: dwellings for loggers, migrant laborers, etc. While these latter housing types represent an overcount of the true number of second homes, the problem could not be eliminated from the available data. Rural housing units are all units outside of places with populations of 2,500 or more and their immediately surrounding hinterlands. Seasonal vacant units are "intended for occupancy during only certain seasons of the year. Included are units intended for recreational use such as beach cottages and hunting cabins, and vacant units held for herders, loggers, migratory labor, etc." Households owning second homes were derived from U.S. Department of Commerce, U.S. Census of Housing, 1970, Detailed Housing Characteristics, (Washington: Government Printing Office, 1972), Final Report HC (1)-B1-52.

52. John B. Lansing, Eva Mueller and Nancy Barth, Residential Location and Urban Mobility, (Ann Arbor, Michigan: Survey Research Center, Institute for Social Research, University of Michigan, 1964).

53. American Telephone and Telegraph Company, "Survey of 9,231 Bell System Telephone Users," (Unpublished survey conducted by the Company New York: 1965).

54. "Second Home Trends Broaden Components Market," Wood and Wood Products XLVII (July, 1971), p. 34; and "A New Look at Vacation Homes," Journal of Home Building, (June, 1973), p. 160.

55. National Association of Home Builders, Profile of the Builder and His Industry, (Washington: National Association of Home Builders, 1970), p. 183.

56. "The Land Rush for Country Homes," Business Week (January 15, 1972), p. 76.

57. The 1970 Census reported 68,418,094 total housing units in the U.S. and 2,143,434 second homes. U.S. Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970, Detailed Housing Characteristics, (Washington: Government Printing Office, 1972), Final Report; HC (1)-B1-52, Table 32. Figures for second homes were obtained by combining the two Census categories--"Rural Seasonal Vacant" and "Other Rural Vacant."

58. Ibid.

59. Ibid.

60. These distributional changes among Census regions should only be considered rough approximations since the definition of second homes changed each time the Census was taken. The definitions which were used to tally second homes are described in Table 6.

61. U.S. Department of Commerce, Bureau of the Census, Second Homes in the United States, op. cit.

62. John Borchert, Minnesota's Lakeshore: Resources, Development, Policy Needs, (Minneapolis, Minnesota: University of Minnesota, Department of Geography, 1970), p. 35.

63. U.S. Department of the Interior, Northern New England Vacation Home Study, 1966, op. cit., p. 7.

64. Larry Tombaugh, "Factors Influencing Vacation Home Locations," Journal of Leisure Research, Vol. 2, No. 1 (Winter, 1970), p. 56.

65. Aluminum Company of America, "Vacation Home Interest Among Tenants of New York City Apartments," (Pittsburgh: Unpublished survey conducted by the Company, 1966), p. 23.

66. Carolyn Feiss, Second Homes in Washington, op. cit., p. 16.

67. Building Products Guide, "From Dreams to Realities," (Los Altos, California: Hudson Publishing Company, 1972), n.p.

68. American Land Development Association, The Land Industry Survey 1973, op. cit., and "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit. The ALDA Survey Reported 52 per cent; the ULI Survey 48.9 per cent.

69. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

70. Interview with Ron Jones, Mobile Home Manufacturers' Association, Washington, D.C., July 9, 1973.

71. Unpublished survey conducted for this study by the Opinion Research Corporation, Princeton, N.J., op. cit.

72. "Securities Aspects, Registration Requirements of Resort Condos and Rental Pools Explained," Apartment Construction News, (April, 1973).

73. U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973. This figure far underestimates the true total since the South Atlantic states do not include data from Florida, and the Pacific states do not include data from California.

74. "Survey of Recreational Land Developers and Their Projects," Richard L. Ragatz and the Urban Land Institute, op. cit.

75. Stanley Works, "Survey of Dealers, Builders, and Manufacturers of Vacation Homes," (New Britain, Connecticut: Unpublished study conducted by the company, 1965), n.p.

76. American Society of Planning Officials, "Survey on Recreational Land Development," Unpublished survey on local land use and development regulations affecting recreational land developments, conducted by the American Society of Planning Officials, 1973. Mail survey of 534 local and regional planning agencies consisting of: (1) subscribers to ASPO's Planning Advisory Service; and (2) planning commissions in counties with three or more recreational land subdivisions registered with HUD's Office of Interstate Land Sales Registration. The usable response rate was 17 per cent.

77. U.S. Department of Commerce, Bureau of the Census, Second Homes in the United States, op. cit.

78. Ibid.

79. U.S. Department of Commerce, Bureau of the Census, Second Homes in the United States, op. cit.; and United States Department of Commerce, Bureau of the Census, U.S. Census of Housing: 1970, General Housing Characteristics, United States Summary, (Washington: Government Printing Office, 1972), Final Report HC (1)-A1, Table 4.

80. U.S. Department of Commerce, Bureau of the Census, Second Homes in the United States, op. cit.

81. "Survey of Builders, Dealers, and Manufacturers of Vacation Homes," "Survey of Developers of Vacation Home Communities," and "Survey of NAHB Members Who Participate in the Vacation Home Market," (New York: Unpublished surveys conducted by Richard L. Ragatz, Ithaca, 1966), n.p.

82. U.S. Department of Commerce, Bureau of the Census, Second Homes in the United States, op. cit.

83. Wisconsin Survey Research Laboratory, "Second Home Survey," (Madison: University of Wisconsin, Wisconsin Survey Research Laboratory, 1971).

84. Malcolm Bevins, "Seasonal Home Ownership in Vermont," (Burlington: University of Vermont, Department of Agricultural Economics, 1972), p. 5.

85. John Borchert, Minnesota's Lakeshore: Resources, Development, Policy Needs, (Minneapolis: University of Minnesota, Department of Geography, 1970), p. 20, and, Brian J. Thorsen, Rollin B. Cooper, Sydney D. Stanifoeth, and Rudolph A. Christiansen, "Wisconsin Second Home Ownership; Wisconsin Residents," (Madison: University of Wisconsin, Recreation Resources Center and Department of Agricultural Economics, 1973), p. 15.

86. Brian J. Thorsen, et al., "Wisconsin Second Home Ownership," op. cit.

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93. William E. Shands, The Subdivision of Virginia's Mountains, (Washington: Central Atlantic Environment Center, February, 1974), p. 32.

94. American Society of Planning Officials, "Survey of Recreational Land Development," op. cit.

95. Ibid.

96. Interview with officials of the Del Web Corporation, Massanutten Development Company, Harrisonburg, Virginia, April, 1973.

97. "The Resort Puzzle," House and Home, Vol. 44, No. 3, September 1973, p. 93.

98. Interview with Tom Shepstone, Director of Planning, Wayne County Planning Commission, Homesdale, Pennsylvania, March 1972.

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100. Vacation Home Survey of the Two Rivers Region, 1973-74, op. cit., p. 2.

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104. U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, June, 1973.

105. American Land Development Association, The Land Industry Survey, 1973, op. cit.

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such as leaving as much of the natural vegative cover undisturbed as possible, providing catchment basins for silt, and promptly seeding bare soil. Other construction activities, like building an artificial lake or increasing impervious surfaces by paving roads, create lasting and unavoidable environmental changes which may affect the watershed or permanently alter the hydrology of an area.

Use Impacts. The environmental impacts resulting from the use of recreational subdivisions must also be considered, even though they may not all be readily apparent at the time a project is proposed. User impacts are more varied and spread out over more time than construction impacts. In general they are functions of project density and occupancy rates, the quality of project facilities, the future maintenance of those facilities, and the quality of services such as solid waste collection. For example, increased seepage from aging septic tanks in some second home developments has polluted adjacent lake waters. Elsewhere increased hunting and fishing activities have reduced wildlife and fish populations, and the accumulation of solid waste in some second home areas has also been a serious problem. Many of these user impacts can be mitigated through proper management of recreation resources and the provision of adequate public services.

The scale and character of development also has important implications for environmental impacts from use. A 20-unit condominium may have less impact than 20 single-family units on the same site, but more than 10 single-family units. The environmental impacts of a 100-acre recreational subdivision may be minor compared to a large scale project like ITT's Palm Coast, a recreational development with a projected population of 750,000 located in Flagler County, Florida.[2]

Off-Site Impacts. Most environmental effects of development can be felt far beyond the boundaries of projects themselves. In order to get a complete picture of the effects of development, off-site or "down stream" impacts must be taken into consideration. For example, the end results of runoff and erosion are often most critical down stream where siltation occurs. Contamination of ground water from faulty septic systems can be discovered in adjacent lakes and streams and even neighboring wells. Regional hydrological changes can result from increased impervious surfaces in a project covering only a portion of the watershed.

Cumulative Impacts. The cumulative effects of development should also be considered. Analyzing environmental impacts exclusively on a project-by-project basis can obscure the cumulative effects many subdivisions can have on an entire region. For instance, the environmental effects of recreational subdivisions in Warren County, Virginia, can only be determined by monitoring the combined impacts of the 90 recreational subdivisions which have been developed there on the environmental resources of the whole region.

Unique Environmental Considerations

While the environmental impacts of recreational subdivisions are very similar to those of conventional first home subdivisions, there are several characteristics unique to recreational land developments which have a direct bearing on their impacts such as their tendancy to have lower improvement standards, their attraction to more sensitive natural areas, and their slower buildout rates and seasonal occupancy patterns.

Lower Improvement Standards. Although recreational subdivisions appear similar to conventional first home subdivisions, they are often constructed to significantly lower standards. For example, septic tanks are widely considered inadequate for sewage disposal. The Community Builders Handbook, a well known land development text, states:

> A public sanitary sewer system to serve the site is the best solution to the sewage disposal problem. . . . Only as a last resort should you ever consider an on-lot system which means individual septic tanks or cesspools.[3]

And a U.S. Public Health Service publication supports this advice:

> Because they [septic tanks] frequently fail due to adverse soil conditions, with surfacing of partly treated sewage, severe health hazards often result. . . . Even under the most favorable conditions, some degree of failure will be experienced. . . . Subdivision regulations should generally prohibit septic tanks.[4]

Yet over two-thirds of the recreational subdivisions registered with OILSR list septic tanks as the only available means of sewage disposal.

Other substandard development practices in recreational subdivisions increase the likelihood of environmental problems. Water supplies frequently come from individual, on-site wells sharing the lot with a septic tank. Roads are often private and developed to lower than public standards, increasing problems with erosion and siltation.

Locations in Critical Environmental Areas. The unique locations of many recreational subdivisions--in remote areas of high natural beauty--increase the potential for environmental conflicts between man and nature. Furthermore, a majority of the existing second homes in the country are located on or near some body of water, increasing the potential for water pollution. In Virginia, the State Division of Planning has designated Massanutten Mountain as a critical environmental area, yet that unique natural feature is surrounded by more than 100 recreational subdivisions.[5]

Urbanizing Influence of Recreational Subdivisions. The 3,900 recreational subdivisions surveyed in OILSR's files averaged 1,000 acres each with average lot sizes of less than one acre. At this scale and lot density, such developments can amount to a form of substantial urbanization. In most rural communities, one large or several smaller projects can account for more growth than has occurred in the entire history of the area. Flagler County, Florida, with a current population of 4,454, will be substantially urbanized by the Palm Coast recreational development mentioned earlier if the projected 1990 population of 750,000 materializes.

In recreational areas relatively close to metropolitan regions (e.g., 50 miles), continued pressures for urban sprawl and outward migration can increase the urbanizing effects from recreational subdivisions in rural areas, especially as more industries and jobs move to the suburbs and the permanent occupancy of second homes becomes more feasible. Officials of still rural Warren County, Virginia foresee the urbanization of that county as inevitable as more and more permanent homes are constructed on recreational lots and second homes are converted to permanent use.[6]

Specific Environmental Impacts

Individual cases of environmental damage resulting from recreational land development are abundant, but each one is the result of a combination of various localized conditions as discussed above. Studies on the environmental impacts of development are therefore limited by the particular set of constraints of each situation. Recognizing these limitations, this section surveys a range of the development impacts which have occurred in different environmental settings around the country in order to provide an overview of the different types of problems experienced by communities to date. Many of these problems could have been avoided or minimized through improved development practices and local land use controls. Others unavoidably resulted from the decisions to permit development to occur in the first place.

Local Water Supplies. Ensuring adequate water supplies for recreational subdivisions can be a problem not only in arid regions, but also in temperate regions of the country. The case of Shenandoah Shores, a recreational subdivision in Warren County, Virginia, provides a good example.[7] Begun in 1959 as a second home project which is gradually becoming permanently occupied, Shenandoah Shores featured a central water system, which, as lot buyers later discovered, violated State Health Department regulations. Finally condemned by the Health Department in 1968, the Shenandoah Shores water system was taken over by the property owners' association and brought up to state standards. But problems continued. In 1968 two wells were sufficient to support the system; today a third well is being drilled in order to satisfy rising demands for water within the project as a result of increased buildout, the conversion of second homes permanent occupancy, and competition for available ground water from other new developments in the region. One well which produced a continual flow of 60 gallons per minute in 1968 today pumps dry in 18 hours; and because of inadequate sewage treatment in the project the entire water supply, which depends upon wells, now requires chlorination at the rate of 1/4 ounce per 1,000 gallons. In 1968 no such treatment was necessary. Local officials now suggest that county water and sewer

service is the only long-run answer for Shenandoah Shores and neighboring recreational subdivisions.

In arid regions of the West the problem of adequate local water supplies is tougher, and has become a major consumer issue. Surface and related subsurface water in the West is formally appropriated by state governments and allocated to specific users. Prior allocations or rights have legal precedence over new demands. It is thus surprising that 100,000-acre ranches, considered marginal for cattle due to a lack of water are now being subdivided into small homesites. As a result, many of the streams on the eastern slope of the Rockies are already over-appropriated, and the Colorado state government has begun to deny well permits to lot owners in at least one county.[8]

Regional Water Supplies and Groundwater Resources. Second home developments can have major impacts on regional water resources as well. In some areas, such impacts are already severe, and the threat of future crisis looms in others.

The heavily developed area in Florida north of Tampa along the Gulf Coast is experiencing a depression of the water level in local aquifers as a result of excessive groundwater withdrawals.[9] The lowered surface in the aquifer reduced pressures in public water systems, allowed saltwater intrusion, and forced communities to declare building moratoriums. These problems are further aggravated by the construction of so-called "Venetian Canals." Designed to provide lot owners with boat access to bay and ocean, these canals bring saltwater far inland, and often introduce it directly into the aquifer.[10]

Saltwater encroachment into Tampa and St. Petersburg well fields as much as 40 years ago forced those communities to import water from other areas which are now hard pressed to supply their own local needs. As a result of recent retirement and second home development in Pasco County, Florida saltwater chlorides have intruded inland, sometimes as much as several miles. The U.S. Public Health Service recommends that chlorides not exceed 250 milligrams per liter (mg/L) in public water supplies, yet that concentration now exists in some deep, inland wells and increases to 16,000 mg/L only 100 feet from shore.

Pinellas County, further along this coast, also depends on well fields for its water; wells which in Hillsbourough and Pasco Counties are now showing depressions in the water level of the Floridan aquifer by as much as 15 feet. Pasco County adopted a resolution to limit withdrawals of water by outsiders to 500,000 gallons a day. But at the likely rate of 150 gallons per person per day, this amount of water would only serve 3,333 people--0.5 per cent of the 1973 population of Pinellas County (648,741).

Faced with major water shortages, Pinellas County has imposed a moratorium on building in order to have time to work out possible solutions. The severity of the water shortage was not accepted by commercial interests such as the Pinellas County Contractors and Builders Association, which quickly announced its opposition to the building moratorium. Nevertheless, home owners have been notified of a surcharge for water use in excess of their previous consumption, and persons applying for exemptions are faced with stiff penalties for supplying misinformation. An unexpected side effect of all these actions has been an increase in advertising urging still more people to buy land in Pasco County, where such restrictions on construction and water consumption do not exist.

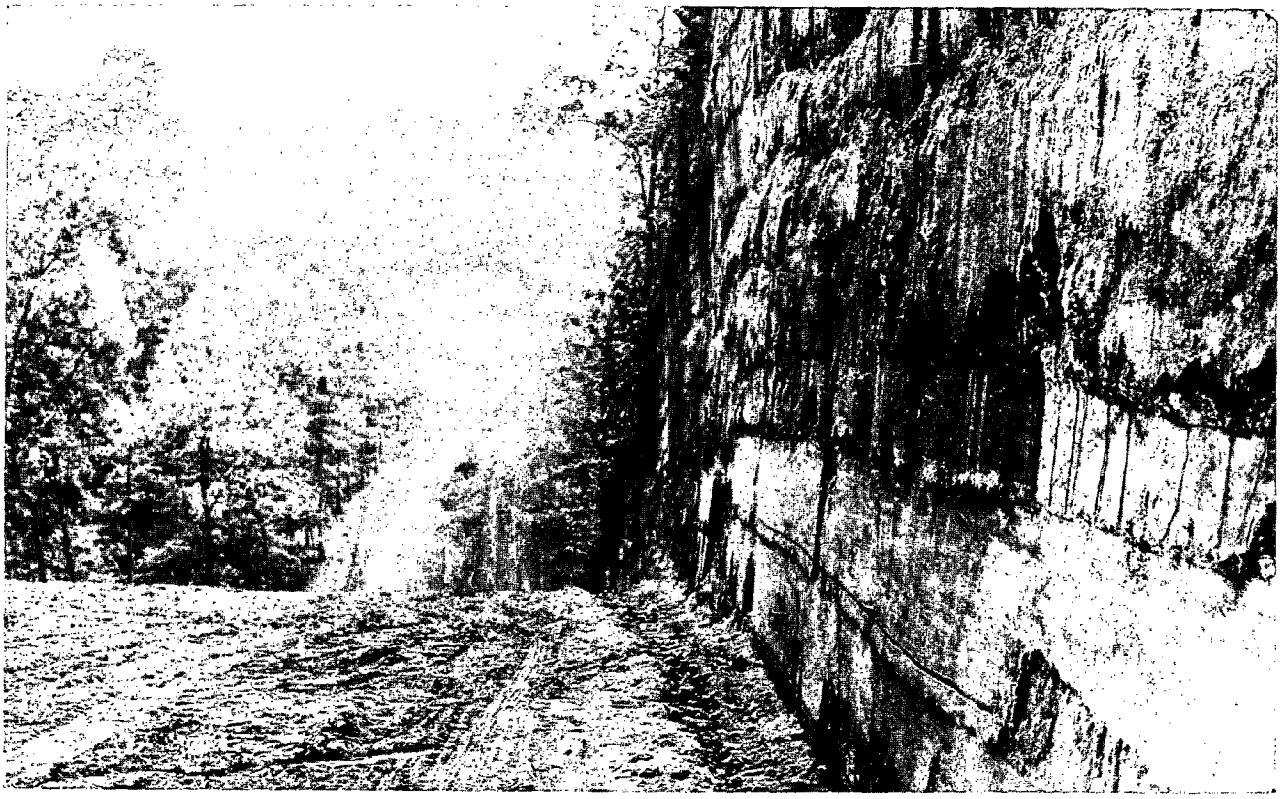
Groundwater problems exist elsewhere than coastal areas. For example, groundwater "mining" is common in the Southwest. Water levels in the Ogalla formation in eastern New Mexico have been declining since the 1940s. There the leisure industry in general and second homes in particular have contributed much to such situations by using large amounts of water to maintain golf courses and lawns.[11]

Regional water problems created by recreational development in the Rocky Mountains are particularly complex. In most areas, all surface waters were long ago legally appropriated for agricultural, commercial, and community use, with nothing left over to support additional residential development. Since the well fields of new subdivisions borrow from springs and other contributors to surface flow, someone downstream suffers the loss of allocated water. Conflicts between second home and agricultural water needs in New Mexico have led to near violence along Fernando de Taos Creek and to tighter state controls over water allocations in the Hondo and Rio Grande River Basins.[12] To avoid physical or

legal confrontations, developers may now purchase existing rights, usually from agricultural holdings, and convert them to domestic use, thus threatening a basic shift in local economies without any public determination that such shifts are desirable.

Water Quality. Poorly engineered septic fields in recreational subdivisions have harmed the quality of both ground and surface water resources. Evidence is scattered nationwide, ranging from the Virginia case of Shenandoah Shores cited earlier to occurrences of "yellow snow" at a Taos County, New Mexico ski development as a result of sewage seeps from condominiums and lodges on the mountainside.[13] The State Engineer's Office in Colorado reports that 25 per cent of the wells tested in Jefferson County show pollution from improperly treated sewage; in this case nitrate readings run close to 40 mg/L (the maximum safe level for a human baby) and there are high coliform counts as well.[14] High bacteria counts have been recorded for two years from a 1300 foot well (1200 feet of which is cased) in Orange County, Florida.[15] Potential problems of this sort are extremely widespread since two-thirds of all recreational subdivisions use septic tanks for sewage disposal.

Except for sediment loading, the impact of second homes on the quality of flowing streams is



Road construction in recreational subdivisions is a common cause of environmental problems. Steep grades and vertical cuts in this project invite heavy erosion.

difficult to define because of the variety and distribution of other potential pollution sources. But there are reports such as the case of a once intermittent stream on Virginia's Massanutten Mountain that is now flowing full time with septic field effluent from a second home complex.[16]

Along the Florida coastal area discussed above, second home developments have clearly had an impact on water quality. Sewage effluent from plants in varying stages of treatment is often discharged into streams, lakes, bays, lagoons, canals, or other slow-moving bodies of surface water. These waters become overenriched, resulting in rampant growth of water weeds, fish kills, algal blooms, foul odors, dark coloration, destruction of native wetland plants, reduction of desirable wildlife, and a shift to less desirable or "trash" species. Less obvious is the accumulation of organic debris ("crud") from sewage discharge, and the high counts of bacteria that may themselves be dangerous to people, fish and other wildlife.

A test of water quality at 80 private home sites on 41 water bodies in West Florida was sponsored by the Environmental Information Center and conducted by the University of South Florida. In addition to testing for coliform, samples taken near the bottom were tested for Clostridium perfringens (or C. Welchii), a causative agent for gas gangrene. Both coliform and C. perfringens are indicators of fecal contamination. High counts of both organisms, substantially exceeding the maximum permissible under state and county health and water pollution laws, were found in the large majority of cases. According to the study director, many of the bodies of water sampled could cause epidemics of various sewage-derived diseases, were they not so repulsive to potential boaters and swimmers.[17]

Inadequate sewage treatment by septic systems almost invariably degrades lakes, particularly in areas of high density and where second homes are being converted to permanent residences. A 1968 study, for example, showed that 125 defective disposal facilities contributed as much phosphorus to Cormorant Lake, Minnesota, as came from natural sources.[18] And the effects of septic tank leeching over 10 years changed Cochran Lake in northern Wisconsin from a pristine lake to a "300-acre algal pond."[19]

Erosion from leisure developments during construction phases is another major contributor to water quality problems and is compounded by storm water runoff. The usual result of such pollution in both natural and artificial lakes is the rapid accumulation of silt and sometimes septic muck on the lake bottom. Such siltation along with accelerated eutrophication of the lake is the result of mineral or nutrient enrichment of the lake water which accelerates plant growth and can turn the lake into a swamp.

Artificial Lake Developments. Many second home developments include man-made impoundments designed for fishing, water sports, and scenic effects. Such artificial lakes are easily polluted and should be constructed and managed with special care. According to the U.S. Geological Survey, "real estate lakes, because of their nature and manner of creation, are more susceptible to eutrophication than are most natural lakes."[20] The size of the watershed is a crucial factor in providing a cleansing water flow necessary for a healthy lake environment. Many artificial lakes with limited watersheds turn out to be too small to absorb the effects of adjacent land development such as siltation from runoff and erosion. A North Carolina study determined that the watershed must be at least five times the area of the lake itself, with the ratio rising to 20:1 in the Virginia Piedmont, and probably climbing much higher in less humid areas.[21]

Sedimentation resulting from construction and shore erosion causes widespread problems for artificial lakes. Accordingly, the U.S. Geological Survey recommends that all grading for roads, sewers, and utilities be done prior to construction of project lakes, that buffer zones of natural vegetation at least 50 feet wide be left along all contributing streams, and that some degree of control be sought over other developments in the lakeshed. In short, careful site selection is not enough for such lakes; thorough and continued management is essential.[22]

The environmental hazards that artificial lakes can present are exemplified by the case of Mine Run, a recreational subdivision in Warren County, Virginia, in the Massanutten Mountain-Blue Ridge area.[23] The developers of the subdivision constructed three earthen dams across Mine Run Creek to create a series of recreation lakes for residents of the

subdivision. Mine Run Creek, at its point of discharge into the uppermost reservoir, was already darkly silted, and each of the reservoirs had small but well formed deltas just below the point of the Creek's discharge.

The erosion of the land and siltation of Mine Run Creek was further aggravated by irresponsible development practices. The area cleared when the reservoirs were constructed, was still bare when observed during field surveys in 1973, and slopes around the reservoirs showed evidence of gullying, with the loosened earth washed directly into the reservoirs. Moreover, the three dams had not been properly maintained. Storm water washed out a large portion of one of the dams so that the water cut a gorge through the easily erodible earth impoundment, further aggravating the siltation of the Creek. A Forest Service District Ranger reported that the siltation of Mine Run destroyed what was once one of the best natural trout streams in the region.[24]

Erosion, Siltation, and Landslides. Erosion is a major problem common to recreational subdivisions, especially resulting from improperly located and poorly constructed roads. For example, at Lake Tahoe, California, erosion from subdivision roads, which ranges from 40 to 165 cubic yards per mile, accounts for 48 per cent of the sediment entering the lake, the greatest single source.[25] In Nevada County, California, 160 miles of streams, which comprise 37 per cent of the County's total stream milage have been damaged by siltation, stream bank alterations, and domestic waste from recreational subdivisions.[26] Sediment from second home developments even shows up in satellite photographs of the marine waters along the west coast of Florida.[27]

Development can significantly increase sedimentation rates. The sediment loading of Lake Barcroft in Virginia rose from 19 to 75 cubic feet per acre per year during the urbanization of its watershed.[28] California estimates that erosion during construction is 10 times that derived from cultivated land, 200 times that from pasture, and 2,000 times that from forest land.[29]

The Mine Run project further illustrates these points. Twice during the course of this study, conditions in the subdivision were observed during moderately heavy rainstorms which produced excessive runoff. Rivulets cut deeply into the roads; tire worn depressions turned into small watercourses, and small creeks into which the runoff was discharged were discolored by eroded soil.

Elsewhere in the Massanutten Mountain-Blue Ridge area, ski slopes also present considerable potential for erosion and aggravation of stream siltation. Several ski runs showed evidence of severe erosion when visited by the research team, and officials at one ski resort said that they had reseeded their slopes three times.[30] Under even the best conditions, mountain areas with steep slopes and thin soil are prone to relatively high storm water runoff. According to a report of the Lord Fairfax Planning District Commission (LFPDC), runoff "exceeds 25 per cent of the total rainfall in some areas."[31] According to the District Water Management Plan, this situation is primarily due to a combination of "steep and irregular terrain coupled with a comparatively shallow soil cover."

Construction on poor soils is also a serious problem in the Rocky Mountains. Slide areas, swelling clays, gypsum shales, joint systems, bedding planes, and runoff areas all prove unhappy building sites for unwary consumers, and construction thereon threatens oblivion to downhill or downstream neighbors. In one New Mexico development, 58 per cent of 60,000 acres platted for subdivision exhibit severe limitations for low building foundations, roads, and septic fields as well as being poorly suited for lawns and gardens.[32] During the period from July, 1972 to April, 1973, 43 per cent of subdivisions reviewed by the Colorado Geological Survey had plans inconsistent with geological conditions. A proper site analysis would cost only seven dollars per lot buyer, "probably less than a home owner would spend on his mail box."[33]

At the extreme end of the erosion spectrum are those second home developments whose poorly planned road systems divert water out of natural drainage courses and undermine the ability of slopes to support themselves, thereby accelerating the natural process of land slippage. Some large recreational developments are located in actual landslide, mudflow and alluvial fan areas, with individual cabins and condominiums constructed in known avalanche chutes and rockfall zones. For example, geologists foresee major structural damage and loss of life in the event of major earthquakes in the Lake Tahoe region.[34]

One of the better documented cases of land slippage is that of the Marble Ski Area on Mount Daly, Gunnison County, Colorado.[35] In June of 1972, after a detailed site investigation, the Colorado Geological Survey warned County officials that the proposed development--including some 8,000 condominium units--was in an area of documented landslides and mudflows. Nevertheless, County officials approved the project and construction began. The first landslide resulting from road construction occurred on May 14, 1973. Six days later, according to Rocky Mountain News, "Tons of waterladen silt, rocks, trees and other debris roared down Carbonate Creek Sunday afternoon into the town of Marble." By late July, the Colorado Land Use Commission was calling the Marble Ski Area a "major hazard to public safety."

Hydrology and Floodplains. Road pavement and roof tops in recreational projects increase the impermeability of watersheds, and can cause major hydrologic changes in the timing and volume of stream flow in fragile headwater areas. Increased impermeability results in greater variations in flows with more floods during heavy rainfalls, smaller volumes during droughts,and shorter elapsed times between rainfalls and peak flows.

In mountain subdivisions around Lake Tahoe, one out of every six acres is often occupied by roads and structures. As a result, normal peak runoffs from heavy rainstorms have increased two or three times, leading to bank erosion, channel scouring, and loss of fish habitat in affected streams.[36] Though buildout is low at Apple Mountain subdivision in Warren County, Virginia, there has been a measurable increase in flood frequency along a small drainage area where water backs up behind a natural constriction in the stream valley.[37]

Elsewhere in the Massanutten Mountain-Blue Ridge area of Virginia, the construction of one resort development will produce vastly increased water runoff due to extensive alteration of the landscape. The first stages of development are taking place in a large, forested bowl called "the Kettle." Although the developers are rightfully proud of their decision to leave 57 per cent of the land in undisturbed open space, large forest areas have been cleared and converted into ski slopes.[38] A large golf course is also planned. The extensive road network creates an impervious surface, as do the large packed-earth parking lots sufficient to accommodate 700 cars. Construction of a reservoir to store and provide water for snow-making equipment may serve as a retention facility for storm water, but without measures to contain and retain flows through nearby Harshberger Gap, there could be extensive alteration of the hydrologic characteristics in the streams flowing from the Kettle. This potential change may be similar to the increased water runoff in a small watershed which drains another large subdivision in the Blue Ridge. There, the increased runoff, which backs up behind a small gap through which the stream flows, has resulted in an increase in the boundaries of the 50-year floodplain.[39]

Second home development along creek and river floodplains is widespread, and periodic flooding seems almost an accepted event by some owners. To date, the problem has been treated largely as a consumer issue. Questions should be raised, however, regarding the extent to which public expenditures may be required in the future for protecting second home developments from flood damage, as well as the preemption of potential reservoir sites by development in floodplain areas.

Estuaries and Shorelines. The impact of second home development on coastal areas has been massive. Some major estuarine resources have been nearly destroyed by development such as the destruction of 25 per cent or 9,000 acres of Ocean County, New Jersey's 36,000 acres of wetlands.[40]

A report made for Florida's governor and executive cabinet on the environmental effects of recreational canals along coastlines and estuaries listed many types of environmental injury:

> The practice of developing waterfront property by excavating artificial canals causes environmental degradation which reaches beyond the boundaries of the immediately developed property and therefore affects the public interest.
>
> The almost universal characteristic of these deep, narrow box-cut canals and dead-end configurations is sluggish circulation and a lack of flushing action, compounded by insufficient tidal exchange or a lack of adequate gravity flow due to flat terrain.
>
> The lack of water exchange characteristic of these canals leads to an accumulation of oxygen-demanding and toxic sediments and organic wastes, causing low dissolved oxygen,

objectionable odors, floating sludge, fish kills and anaerobic and septic conditions.

Eutrophication of limited-circulation canals is greatly accelerated by a heavy pollution load due to the increased population density in relation to shoreline length. The sources of pollution include urban runoff, septic tanks, sewage effluent and live-aboard houseboats.

In fresh water canals, these adverse effects are compounded by heavy infestations of aquatic weeds, the application of herbicides and the addition of decaying vegetation to the accumulation of oxygen-demanding bottom sediments.

These conditions produce waterways with a paucity, or a complete absence, of desirable fish and aquatic life and which eventually become so contaminated that they are unsafe for body contact. This investigation shows that the water in most of Florida's canals cannot meet federal and state water quality standards, and canal characteristics may make it impossible for these waterways ever to achieve these minimum legal standards.

Many of these canals are deep incisions into the aquifer and threaten underground water supplies either by lowering the water table through drainage, or by the flow of contaminated canal water into the aquifer.

The contaminated condition of labyrinthine canal systems presents a health hazard to both animals and humans, threatens the quality of receiving waters, and creates costly problems in maintenance for both individual property owners and public agencies.

The consensus of contributors to this investigation is that the present trend toward proliferation of canal-type developments, if continued unabated, will lead to an environmental disaster for Florida citizens.[41]

A similar study by the Virginia Institute of Marine Sciences of a proposed development on the waterfront in Virginia's Stafford County concluded that canals along Aquia Creek, a fish spawning and nursery area, could only be harmed by "increased pollution loads and boat traffic. . . ."[42]

Recreational land development can have other impacts on the land water interface than filling in, pollution, and depopulation of estuarine and marsh life. Development of the shoreline by bulkheading, dune destruction, and replacement of natural dune systems with man-made "barrier dunes" often contributes heavily to shore erosion.[43] In their natural state, storm over-wash and the cushioning effect of marsh areas provide for deposition of new sand for shoreline and beach. However, construction of barrier dunes, breakwaters, and bulkheads diverts wave energies along the shore rather than inland, preventing deposition of sand and creating long-shore currents which erode both beach and shoreline, as seen at Miami Beach and the North Carolina Outer Banks.

A particular shoreline problem along Atlantic coastal areas is posed by hurricanes, whose tidal waves and floods generally cause more damage than their winds. The Florida Gulf coast north of Tampa is especially susceptible to hurricanes, and much of the second home development between the coastal highway and the shoreline is only three to five feet above sea level. Pinellas County has initiated flood zoning in an attempt to control development in flood-prone areas so as to qualify for protection under the National Flood Insurance Program. Adjacent Pasco County has rejected such flood zoning, even though almost all of its newest coastal development lies within the hurricane flood zone.[44]

The fact that the new second home developments in this low-lying coastal area have so far escaped hurricane damages unfortunately encourages complacency. The manager of one project observed, "I've been here for 15 years, and we haven't had a single bad hurricane in all that time." But a planner from the Pasco County Planning Department warned: "It's not a matter of 'if'. . . . It's simply a matter of 'when.' People think the so-called 50 or 100-year storm won't come for 50 or 100 years, but it could happen next week. When we have a major hurricane in western Pasco County . . . it will be a tragedy."[45]

Air Quality. Disturbance of natural terrain can lessen local or regional air quality by creating dust during and beyond the construction phase of a project. In New Mexico, in June, 1973, the state Air Quality Control Board officially ordered Horizon Corporation, a major recreational land developer, to prevent sand and dust from blowing off subdivision roads. Some lots in the development were reported covered with as much as one and one-half feet of sand. New Mexico officials estimate that such subdivision roads are the source of 700 million tons of blowing dust per year--enough to "cover Albuquerque one foot deep."[46]

Air quality can also be damaged by exhaust from increased automobile traffic in second home areas.

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These problems are especially likely in mountainous regions where temperature inversions are common, such as in the Blue River Basin of Summit County, Colorado where heavy increases in air pollution are expected from automobile exhaust emissions and wood-burning fireplaces during peak recreational weekends.[47]

Solid Waste. Many officials interviewed during this study commented on the solid waste problems caused by second home development. U.S. Forest Service officials in Virginia report the diversion of personnel, time, and equipment from normal duties to roadside clean-up along routes leading to second home areas.[48] An official of the New Mexico Environmental Improvement Agency says that increased line items for solid waste control in county budgets were a stark indication of the problems faced by second home areas.[49]

Fish and Wildlife. As natural environments are replaced with recreational subdivisions, fish and wildlife populations change accordingly, sometimes for the better and sometimes for the worse, depending on one's point of view. On the positive side, it is worth noting that creeks capable of supporting only minimal aquatic life can be turned into substantial bass lakes suitable for recreational fishing, and that forest clearings and shrub plantings may even attract, at least in the short run, more deer and other wildlife by increasing food supplies.

On the other hand, habitat destruction and decreasing fish or wildlife populations may be expected over the long term , as recreational development and occupancy intensify. These effects may extend beyond the boundaries of projects themselves. For instance, the Virginia Water Control Board warns of probable State Health Department action to close oyster beds to harvest--an issue of major importance to commercial interests on the Virginia coast. Along Big Grizzly Creek in Plumas County, California, developers of Crocker Mountain Estates had just completed extensive clearing of roads and lots when the whole area was hit by a major storm in August, 1967, silting stream bottoms and reducing aquatic life by an estimated 80 per cent.[50]

Studies are lacking and informed opinion varies greatly on the effects second home owners have on fish and wildlife populations as a result of their angling and hunting activities. Severe impact is possible, at least locally. Other impacts may be more subtle, such as forced changes in daily routines or migration patterns of certain species. To date, little special concern has been expressed about the impacts of second home developments on endangered species of fish and wildlife. In the Lake Tahoe region, for example, 13 wildlife species are on an "undetermined," "rare," or "endangered" status.[51] Almost all of them are highly intolerant of man's activities. Some face extremely intensive threats. The Anthony Green Heron depends almost entirely on shoreline habitat; which is being rapidly urbanized. The Tampa Bay Regional Planning Council has identified wildlife species of rare, endangered, peripheral, and undetermined status in the Florida counties within its jurisdiction, but no program has been suggested to protect key habitat areas from modification by second home developments.[52]

Critical Environmental Areas. Much recreational land development is attracted to areas lacking the natural capacity to sustain intensive development,or areas which would better serve the needs of society if left in their natural state.

A study undertaken by Florida's Tampa Bay Regional Planning Council concluded that recreational development there was attracted to the most fragile natural environments, and avoided lands most suited for urbanization.[53] Consequently the Council has classified county lands by recommended uses. Some highly fragile or critical lands are classified "preservation" where it is of prime importance to retain the character of the region by leaving them in their natural state. The category "conservation" covers fragile lands that are to be developed carefully, if at all. A third category is termed "suitable for development." Though most lands in the Council's region fall into the third category, many resource conflicts exist where inappropriate development occurs on preservation or conservation lands. The Council states:

> Almost 179,000 acres of preservation land areas are left in the region and much of this area is currently in peril. Over 709,000 acres of conservation land areas exist in the region and vast stretches of this land face development pressures today. Over 108,000 acres of land resources currently are developed in a manner which results in resource conflicts. The antici-

Special care must be taken to protect groundwater quality in fragile environmental areas, such as along these coastal sand dunes.

> pated growth of the region will convert from 16,000 to 22,000 acres each year into urban use. Although almost 1,200,000 acres of land are vacant that are suitable for development without special restriction, the development conflicts will continue to increase at a rate of 12.1 percent per annum, or about six acres out of every ten that are developed will generate resource conflicts.[54]

In the Tampa Bay region 60 per cent of urban development will be in the wrong place environmentally, while land highly suitable for development will be ignored, according to the Council. Preservation conflict areas, where development has despoiled natural areas deemed most useful when undisturbed, already account for 4,194 acres of the Tampa Bay region, and this acreage was expected to almost double between 1972 and 1975. Present "conservation conflicts" are predicted to increase by 33,682 acres, to a total of 144,099 acres during the same time. Almost 60 per cent of land to be developed between 1972 and 1975 was expected to involve proposed conservation or preservation lands.

The Regional Planning Council provides insight as to what this means in practical terms:

> The existing mangrove areas in the region support a significant sport fishing industry as well as certain well-documented ecological functions. Anticipated use of the mangrove areas in the region indicates a reduction in forestation estimated at close to 50 percent in the coming decade. . . . Freshwater swamps in the region still face the peril of destruction from land development. . . . The benefits to man from preservation of these [swamp] areas relate to water supply protection, the sport fishing and hunting industry, and the unique aesthetic values of the areas. . . . The hurricane flood zone is undergoing the majority of intensive land use changes throughout this region. The critical nature of development in this zone is reflected in the fact that it represents only 10 percent of the region but a majority of new construction.[55]

The Florida critical areas are considered so valuable and fragile that the Florida Coastal Coordinating Council has recommended that all coastal marshes be designated "preservation areas." In such areas no alteration should be undertaken unless proven to be in the overriding public interest. Unfortunately, even this measure may be insufficient since all urban developments above the wetlands direct their unwanted storm runoff, domestic waste water and other pollutants downhill into adjacent coastal wetlands.

Aesthetics. Part of the concern over recreational land development is a reaction to the aesthetic impact of development--the removal of vegetation and construction which blights or blocks scenic vistas,

Roads carved into this mountainside recreational subdivision degrade the aesthetic quality of the environment, as well as threaten to cause siltation of downhill streams.

and the architectural quality of the housing itself. Second home projects can destroy a marsh vista, intrude on a skyline, or light up a mountainside that once loomed black against the night sky. Aesthetic impacts range from the "invasion" of wilderness by development to what the Nantucket Islanders simply call a "loss of charm" as small villages are transformed by growth and development. No matter how well a second home project is planned, engineered, constructed, and operated, its mere existence in a formerly primitive or wilderness area stirs strong emotions and reactions among many people. Such changes are felt most by those who knew the area as it existed before development.

Landscape architects and planners speak of the "gateway effect"--the attractive framing of the entrance to an area as small as a yard or as large as an entire region which reflects the character of the place and its people. Both these kinds of effects are evident in Virginia's Massanutten Mountain-Blue Ridge area. Warren County has shown little sensitivity to its gateway, the entrance to the county through the Blue Ridge's Manassas Gap on Route 55. Just to the north of Route 55 in Warren County lies an extensive second home subdivision. The land has been cleared, some of it by farmers for earlier use as pasturage. All the lots have been sold, but not many homes have been built yet. However, those few structures which do exist stand out starkly on the hillside--the traditional A-frames and other assorted prefabricated houses, along with a few trailers. Though not densely developed, this subdivision has dramatically altered a serene Blue Ridge vista.

Likewise, the precipitous slopes of the northwest flank of the Massanutten in Shenandoah County, Virginia are dotted with second homes. The owners of those homes have a spectacular view across the Shenandoah Valley. At the same time, the grand sweep of this magnificent mountain has been broken by their presence.

Impacts on Public Lands

Many recreational land developers are attracted to areas near public lands--state and national parks, forests, and wildlife management areas. These sites are not only rich in natural amenities, but they have the added benefit of offering free recreational facilities and protected natural landscapes to recreational property owners. The subdivision of private property, however, on inholdings (scattered parcels of private land within the boundaries of nation-

al forests) and adjacent to public lands, creates a number of major administrative and environmental problems for public land managers.

One of the most serious effects of recreational subdivisions on public lands is their interference with public land acquisition programs. For example, the U.S. Forest Service still has a land acquisition program in effect. But much of the land which they have slated for public acquisition into the national forest system is under competitive pressure from recreational land developers who are usually willing to pay more for the land.

Problems in the George Washington National Forest in northern Virginia illustrate those being experienced in many other parts of the country.[56] The Forest Service currently owns 934,847 acres in the George Washington National Forest, but has a purchase boundary comprising more than 1.6 million acres within which it may acquire additional land when funds are available.[57] Funds are limited, however, and there is intense competition for them among various forest districts around the country. Recreational land development pressures have made land acquisition even more difficult for the George Washington National Forest. For example, the Forest Service was attempting to purchase the Massanutten Mountain Kettle at $90 an acre, a unique geological feature adjacent to the National Forest. The owners, however, demanded twice the price, and sold it to a recreational land developer. The land is now the site of the Massanutten Ski Resort and second home community. A ranger from the George Washington National Forest summarized the acquisition problem as follows:

> Land values are soaring because of speculation and [recreational subdivision] development. It has become increasingly more difficult to purchase lands planned for recreation because of high prices and quick sales to developers. Inholdings, whether suitable or unsuitable for development, are being purchased or looked at for possible subdivisions. Most of these tracts were planned for National Forest acquisition but it is nearly impossible to compete with developers. Many inholdings are key tracts that, if subdivided, change the whole character of the surrounding land for most forest uses.[58]

Public land managers face a host of other problems caused by adjacent recreational land development. One study from a national forest in Arizona mentions several of these problems:

> Too little consideration has been given to waste disposal by most of the subdivisions. Residents are routinely depositing garbage in containers in picnic areas, making unauthorized dumps on public land, or simply scattering their waste indiscriminately along roadways. . . . Public recreation areas in the study area are extensively used by residents to the exclusion of transient recreationists. . . . The development of subdivisions reduces habitat and restricts movement of wildlife. . . . At some undetermined density, the subdivision development will begin to directly or indirectly interfere with the various product and service outputs from the National Forests. The residential growth will progressively create obstructions to, for example, the volume of timber harvested, the kind of recreation opportunity provided, or the quality of water produced.[59]

Forest Service officials also cite other impacts on public lands caused by recreational land development.[60] For example, existing public recreational facilities are overburdened. Fire hazards are increased by inexperienced second home owners burning trash or campfires on dangerous days. Since they are usually widely scattered throughout the area, it is difficult to notify and educate second home owners about fire dangers. Private lands which once were open to the public for hunting and recreation are posted by subdivision property owners, shifting increased hunting and recreation pressures onto public lands. Second home owners also strongly object to timber cutting and management practices on adjacent public lands.

Primitive Forest Service roads are subjected to increased traffic loads from recreational property owners. And in some cases, poorly surveyed lot lines in recreational subdivisions wander across national forest boundaries, resulting in conflicts of ownership and use.[61]

Requests for special permits granted for easements to run power lines, water and sewer lines, access roads, and ski trails across public lands are particularly threatening. The Forest Service has granted many such permits in the past, but they are becoming increasingly controversial. Such things as power lines detract from the otherwise natural setting of the forest, and other improvements such as roads seem to only encourage more development.

NOTES

1. Three separate studies were conducted for this chapter by the Conservation Foundation and two of its affiliates: (1) "The Urbanization of Rural America: A Report on the Environmental Impact of the Leisure Home Industry," an unpublished paper prepared by Robert T. Dennis, The Conservation Foundation, Washington, D.C., 1974; (2) The Subdivision of Virginia's Mountains: The Environmental Impact of Recreational Subdivisions in the Massanutten Mountain-Blue Ridge Area, Virginia: A Survey and Report, by William E. Shands, Published by the Central Atlantic Environment Center, Washington, D.C., 1974; and (3) "Environmental Impact of Leisure Home Development on a Section of the Florida Gulf Coast," Unpublished paper prepared by William M. Partington, Jr., Environmental Information Center of the Florida Conservation Foundation, Inc., Winter Park, Florida, 1973.

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8. Interview with Hal Simpson, Office of the State Engineers, Denver, Colorado, August, 1973.

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12. Ibid.

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14. Interview with Hal Simpson, op. cit.

15. William M. Partington, Jr., "Environmental Impact of Leisure Home Development on a Section of the Florida Coast," op. cit.

16. Interview with Charles D. Huppuch, District Ranger, U.S. Forest Service, George Washington National Forest, April, 1973.

17. For further details, see William M. Partington, Jr., "Environmental Impact of Leisure Home Development on a Section of the Florida Coast," op. cit.

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23. Personal inspection of the site by the authors, May, 1973.

24. Charles D. Huppuch, letter to study staff member, October 16, 1973.

25. Limnology and Water Quality of the Lake Tahoe Region (South Lake Tahoe, California: Tahoe Regional Planning Agency and U.S. Forest Service, July, 1971).

26. Environmental Impact of Urbanization on the Foothill and Mountainous Lands of California (Sacramento, California: Department of Conservation, State of California, November, 1971).

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CHAPTER 4

ECONOMIC IMPACTS OF RECREATIONAL LAND DEVELOPMENT

Recreational land development can have both positive and negative economic effects on local communities. On the positive side, development can produce property tax surpluses under certain conditions, increase retail trade, and generate new job opportunities during both project construction and operation phases. On the negative side, the costs of providing public services such as water and sewer services, police and fire protection, and road maintenance and snow removal to recreational subdivisions can result in fiscal deficits under certain conditions. Displacement of existing jobs may occur as land uses change, and local residents may find their paychecks buying less as the costs of land and housing, public services, food, and fuel are driven up by increased demand.

This chapter examines the two fundamental economic effects of recreational land development: its fiscal effects on local government (will the taxes generated by the development cover the costs of providing public services for that development, and under what conditions?); and its effect on the local economy, including employment, retail trade, property values, and housing costs.[1]

Assessing Economic Impacts

Development Characteristics. Several factors contribute to the economic effects of any recreational land development. One major factor is the kind of development involved--its type, size, level of improvements, and so on. Unimproved recreational subdivisions which involve minimal second home construction generate relatively few tax dollars since property taxes are based on the improvements made on each lot. They also result in little developer and consumer spending in the local economy. At the same time, subdivisions with little or no occupancy cost the local government little in the way of public services. One of the major costs may be the change in economic use of that property from agriculture or forestry to residential use. Although subdivisions are generally taxed at higher rates than agricultural land, they also preclude alternative economic uses; thus, economic opportunities may be lost.

Improved second home developments and resort communities generate substantially more tax dollars and also require more public services. In the early years of development, as second homes are being built, revenues for property taxes tend to more than cover the costs of public services. As projects become fully developed, and if second homes are converted to permanent homes, service costs may exceed revenues.

The Local Economy. Recreational land developments can involve major expenditures for engineering, site design, recreational facilities, housing construction, and other items. The extent to which these expenditures are made in the local economy depends upon the characteristics and diversity of that economy and the policies of each developer. For example, the local labor force may not be sufficiently large or skilled to handle major recreational land development projects. In the early years of development at Lake Tahoe, for example, many of the construction workers had to be brought in from other cities because they were not available in Tahoe itself. Similarly, if local business cannot supply developers with the construction materials and equipment they need, the developers must purchase them elsewhere.

Diversified, large-scale economies have the greatest ability to capture development expenditures. They also have a larger multiplier effect. This means that each dollar spent directly for development purposes is also spent again for other purposes; thus, its effect throughout the economy is multiplied. According to several studies, recreational land development can have a multiplier ranging between 1 and 2.[2]

The Local Government. Another factor which affects the economic impact of development is the capacity of local governments to provide the necessary public facilities and services. The critical question is whether existing facilities and services are adequate to absorb the demands by new develop-

ment, and if not will new development generate the necessary capital to expand local facilities and services? Does the sewer system have sufficient capacity to absorb new development? Will more schools have to be built? Will more teachers or policemen have to be hired?

Local fiscal policies, such as tax rates, the types of taxes used, and the rates at which property is assessed also play an important role. In some areas assessment practices have a bigger effect than anything else. Most local governments increase assessments only slightly when land is subdivided, leaving the major jump in taxes for when the housing is built. In other communities, where second home developments are given higher assessments as soon as they are subdivided, the fiscal effects will be much different. The use of such techniques as homestead exemptions to shift the tax burdens from permanent residents to seasonal residents can also affect the tax impacts of second home developments.

Secondary Impacts. Secondary economic impacts of recreational land development are very difficult to quantify, but they should still be considered in any comprehensive evaluation of development impacts. Major recreational land developments can act as catalysts for more growth. In some cases, major resort developments have attracted other less improved recreational subdivisions to a community, which attempt to benefit from the market created by the more visible and more widely publicized resort projects. New jobs created by second home development have, in some cases, attracted significant numbers of service employees from outside local jurisdictions, thus straining public services and facilities (especially schools) even more.

Fiscal Impacts on Local Government

The fiscal impacts of recreational land development involve the costs of providing public services to developments versus the tax revenues generated by those developments. The most important consideration for local government is the net impact: do tax revenues cover the costs? The two major issues are: what services do recreational land developments require, and how do costs and revenues vary over time according to project characteristics and local government capabilities?

Cost-revenue analysis is still an evolving technique, and an exact determination of net fiscal impacts is often difficult to make. However, much can be learned by examining some of the direct costs and revenues which local governments have experienced with recreational land development to date. Determining secondary costs and benefits is even more difficult and is beyond the scope of this analysis.

The fiscal impacts of development vary significantly from one community to another. As a rule, a rural community with few government services and facilities will face more serious fiscal impacts than a larger, more developed community. This is especially true for recreational land development in remote rural areas where vital public services and facilities are either inadequate or unavailable.[3] These communities may be forced to raise taxes, increase user charges, or create special taxing districts to cover the costs of providing services to second home owners. On the other hand, where there is excess capacity in existing community facilities, local governments may only face increased operating and maintenance costs in the early years until growth outstrips existing capacities and new capital improvements are required.

Costs of Facilities and Services. One side of the fiscal impact equation involves costs: capital costs (for constructing a regional water or sewer system, new schools, or a new fire station), and operating and maintenance costs. In the following section, six major cost categories are examined: (1) utilities (including water and sewer services); (2) roads; (3) schools; (4) police and fire protection; (5) health and welfare services; and (6) general government administration.

Utilities.--The most important utilities for local governments to consider are the water and sanitary sewage systems. Other utilities include gas, electricity, and telephone service, but these are generally provided by public utility companies to individual property owners, and are not usually a burden to local government. Water and sewer services are the major concern. Less than 10 per cent of all recreational subdivisions registered with OILSR contained or had access to public sewage disposal systems. Most recreational subdivisions rely on private wells or community water systems run by a property owners' association, with individual septic tanks for sewage disposal.

Even these privately built and supported facilities may impose costs on the locality. New Mexico currently has only enough water within the state to support a population of 850,000 people without diverting water from existing farming and industrial uses or buying water rights outside the state (the current population of New Mexico is over one million and the state is buying water from Arizona).[4] However, there are already enough subdivided recreational lots in New Mexico to triple the present population, if they are fully developed. To date, the policy of some local governments in New Mexico has been to refuse water services to new developments. The Albuquerque City Commission recently voted to deny water line extensions to subdivisions outside the city limits.[5] While such an action saves local governments the costs of providing services in the short run, it may not be a practical long run policy. As recreational property owners move into the state and become a stronger political force, such measures may no longer be politically acceptable.

Local governments will get by with few or no costs for water supply and sewage disposal systems as long as private systems function properly. Often, however, it is only a matter of time before failures occur and community health is threatened. The costs of installing new systems in many of these developments may exceed the ability of many second home owners to pay, and local government will be forced to step in with subsidies from the general tax base.

One second home subdivision in Warren County, Virginia, had a "central water system" installed by the developer. It was not, however, constructed to state standards, and was condemned by the state health department in 1968. It was then taken over by the property owners' association and brought up to state standards. The chairman of the county planning commission felt that it was only a matter of time until the county would have to supply water and sewer services to the project.[6]

The lack of adequate sewage treatment facilities is one of the most serious problems associated with recreational subdivisions. Many rural governments have approved high-density recreational land developments whose only means of sewage disposal are septic tanks. While 89 per cent of the recreational subdivisions in Pike County, Pennsylvania used septic tanks, the state Soil and Water Conservation Commission claimed that soils in the area were generally unsuitable for septic tank use.[7] A study in Larimer County, Colorado, found that 64 per cent of the wells in one second home development were polluted by human waste.[8] Five counties in Northern Georgia, where considerable recreational subdivision has occurred, operate no public sewage systems and have no plans to build any.[9]

A study conducted in rural Colorado found that after the subdivision of over 5,000 recreational lots in Summit County, demands for sewer services had outstripped the resources of the local tax base to finance them.[10] Outside financial assistance was sought, but there were problems with that, too: "Repeated grant requests to finance a growing number of plants in an area where water quality is thought to be degenerating has prompted the EPA to curtail additional grants pending proof of regional planning."[11] In short, the major fiscal costs of providing adequate water and sewer services to recreational subdivisions have yet to be faced by many host communities.

While water and sewer services are the major utilities of concern to local government, others should also be mentioned.

Electricity is usually provided by public utilities, and directly charged to the users. This is not always the case, however. In the rural areas of Lassen County, California, electricity is provided by a rural electrical cooperative which operates under federal guidelines obligating it to provide power to anyone in the county. Officials of the utility company fear that if scattered recreational development continues, it will go bankrupt.[12]

Although not a utility as such, solid waste disposal imposes costs on local governments. Costs of collection and disposal facilities (usually county-run sanitary land fills) must be considered. Urban households produce almost twice as much solid waste as rural households.[13] According to officials in Hall County, Georgia, urban households continue to produce more solid waste than rural households even when they visit their second homes.[14]

The cost of collecting solid waste from second homes is usually higher than for permanent homes, partly because of the remote locations of the proj-

ects, but more often because of the seasonal variations in service demands created by second home use. A report prepared by the U.S. Environmental Protection Agency found that ". . . the over-all system cost per unit is much higher in recreation areas than in high population centers where continuous use reduces expenditures."[15] Local governments must increase staff and equipment during periods of peak occupancy in second home areas, either within their own systems or by contracting with private collection companies. A study of towns in the Adirondack Mountains of New York stated that "In almost all Adirondack towns it has been necessary to provide extra sanitary landfill hours because of the presence of leisure homes."[16]

Roads.--Roads are one of the largest expenses which local governments face in conjunction with recreational land development. In Deschutes County, Oregon, for example, the largest direct governmental expense incurred as a result of recreational land development was for road maintenance.[17] Both on-site and off-site roads should be considered. The costs of initial road construction within projects are paid by developers. However, where there are inadequate or nonexistent subdivision regulations, these roads are often minimal and substandard. In unimproved recreational subdivisions, they are frequently nothing more than dirt roads, the purpose of which is to provide access to new lot sites for salesmen and customers.

There are two major reasons for inadequate roads in recreational subdivisions. First, in many rural areas road standards were designed for very low densities, rather than the higher densities of recreational subdivisions. Second, and even more common, most of the roads in recreational subdivisions are private roads which are not dedicated to local governments for maintenance. In only 18.2 per cent of the recreational subdivisions registered with OILSR were on-site roads dedicated to local governments. Most rural governments apply relaxed construction and right-of-way standards to private roads, thus allowing developers to make the least possible investment in roads.

The remote locations of some second home developments can increase the costs of providing public services.

Permitting developers to install private roads to low standards may save local governments some maintenance costs in the short run, but may cost them more in the long run. When the financial burdens of road maintenance become excessive, property owners turn to local governments for help. And many local governments find it difficult to refuse them, either politically or legally. In Pennsylvania, for example, state law requires local townships to accept road dedications unless they have an ordinance spelling out construction standards, in which case the property owners along the road must bring the road up to local government standards before dedication will be accepted.[18] But maintenance is only one problem resulting from substandard roads. Insufficient right-of-way width is another more serious problem, since it requires the purchase of new land, a major capital expense.[19] Subdivision roads must be wide enough to accommodate emergency and other public service vehicles.

Roads in a recreational subdivision near the city of Madera, California, were accepted into the county road system, but the cost of maintenance became prohibitive. They were then placed in a special maintenance district, which assesses all the costs of maintenance to the lot owners.[20]

Off-site roads which provide access to recreational subdivisions may also require substantial government investment for maintenance and improvement. Many rural, county roads are not adequate to meet the new traffic loads placed on them. In 1972, Okanogan County, Washington spent $5,004 maintaining an access road to a recreational subdivision which provided only $1,637 in taxes to the county road department and another $1,309 to the county general fund.[21] Before the subdivision existed, the county spent only $85 per year to grade the road. In addition, the road is considered unsafe for new traffic loads by the county road engineer, who estimates it will cost $125,000 to improve. Second home development in Ludlow, Vermont, is creating traffic jams, especially on access roads to a ski resort in the town.[22] Second home growth in Ludlow has also required the maintenance and plowing of roads which previously were not maintained in winter. And changes in Ludlow traffic patterns due to second home development will require that some town roads be upgraded from arterial streets to major collectors.

Schools.--To many local government officials, the most attractive feature of second homes is that they pay the same property taxes as any other permanent dwellings, but send few children to local schools. This is generally true, although there are some exceptions. For example, Lake Latonka, a 300-unit second home development in Mercer County, Pennsylvania, sent 66 school pupils to county schools in the fall of 1973.[23] Recreational subdivisions may increase school costs in two ways: directly, through the generation of school children from permanent residents living in the subdivision, and indirectly, by stimulating secondary population growth in the community.

School busing costs for permanent resident school children in recreational subdivisions can rise out of all proportion to their numbers due to the remote locations of some projects. In Okanogan County, Washington, the local school district spent $2,136 in 1972 to bus nine children from one recreational subdivision.[24] An even more extreme case occurred in Madera County, California:

> . . . a family moved into a mountain subdivision 10 miles from the nearest school. In the family, there were children ranging from grade school to high school. At 12 noon a bus delivered the grade school student home and made the return trip empty. At 2:30 the junior high student was delivered home and the bus returned empty. At 3:30 the high school student was delivered home and the bus returned empty. This continued for almost two years and it was found that the transportation cost to the county for this one family amounted to $2,000 a year. On the other hand, this family's share of taxes to the county was $250.[25]

In most cases to date, recreational subdivisions have generated more than enough tax dollars to pay for the expenses of educating their children. A study of second homes in Ludlow, Vermont, states:

> Second home development has no adverse financing effect on the local school system over the immediate future. Instead, second home development has the effect of substantially increasing the tax base without any corresponding increase in the pupil role of the school system. . . .[26]

This subsidization of local school systems by second home owners may not continue forever. As second homes are converted to permanent dwellings, school enrollments can be expected to rise. The Ludlow

study reported that over 45 per cent of the second homes there were expected to convert to permanent residences in the next 10 years, doubling the local school enrollments. If this occurs, taxes from second home owners would not be sufficient to cover the increased costs of education. New classrooms would have to be constructed, and transportation expenses for busing would rise at greater than average rates due to the remote locations of many second homes. The Ludlow study also stated that the quality of education offered would have to be upgraded due to the higher educational standards expected to be demanded by second home owners from urban areas.

These increased educational expenses resulting from the conversion of second homes to permanent homes have already occurred in some other areas. Waitsfield, Vermont, is one example.

> In Waitsfield the school budget has more than doubled in ten years, from $106,748 in 1961 to $253,274 in 1971, and during this time all five towns have had to build new schools, as part-time residents became permanent residents.[27]

Recreational land developments may also increase school expenses indirectly by stimulating secondary population growth. The in-migration of families seeking employment in service jobs generated by second home developments can result in increases in school enrollments. Where major second home and resort community developments create a local economic boom, some communities have experienced in-migration of job seekers and their families. The population of Pasco County, Florida increased from 36,785 in 1960 to 107,750 in 1973. Most of this increase was the result of retirees moving into the county, many of whom owned second homes there.[28] While retirees had no school-age children themselves, they stimulated the growth of service industries in the county. This, in turn, attracted younger job-seeking families to Pasco County, resulting in dramatic effects on the school system. Three per cent of the dwellings in one 11,000-acre recreational development (almost sold out) are occupied by full-time residents, many with school-age children. This project alone could necessitate the construction of new schools. In 1972, a $15.9 million bond issue was passed to build eight new schools in Pasco County.[29] The school system was caught unprepared for the growth in enrollments, and in 1973 had to resort to a new scheduling system where school facilities are used on a year-round basis.

Police and Fire Protection.--Demands for increased police services depend on the size and occupancy rates of recreational projects. The usual police protection offered by rural governments often is strained by seasonal population fluctuations resulting from second homes. For instance, the size of the Hall County, Georgia police force remains constant throughout the year, even though the county population more than doubles on summer weekends.[30] While minimum national standards suggest 1.4 police officers per 1,000 inhabitants for an area with Hall County's population, the county has only .63 officers per 1,000 permanent residents. This ratio drops to .31 officers per 1,000 residents on peak summer weekends.

Generally, crime tends to increase with permanent population growth. But second home areas present some special problems. Sitting dark and empty much of the year, second homes are easy targets for burglars, arsonists, and vandals. In Ludlow, Vermont, police checks on second homes increased from three in 1960 to 200 in 1972.[31] Some vandalism occurs during winter months when second homes are most often vacant. Yet one study reports that the most serious burglaries in second home areas occur during the middle of the week in the summers, when second home owners tend to leave more valuable items in their homes.[32]

In Windham County, Vermont, police departments are being created where none previously existed, due to recreational land development. Wilmington, Vermont, which had no police department of its own five years ago, now has three full-time policemen, five to ten special officers (depending on the time of year), and a number of deputy sheriffs in addition to assistance from the state police.[33] Residents of Waitsfield, Vermont, said that the police force had to be enlarged due to increased crime, drug problems, and traffic congestion resulting from second home growth.[34] For years the Ludlow, Vermont police department consisted of one full-time police chief. In 1964 a part-time officer was added for weekends and summer months to help with traffic and complaints from the lake and mountain areas. In 1968, a full-time officer was assigned to patrol the second home areas at night. The Ludlow study states:

> The volume of complaints and traffic accidents continues to increase each year and becomes especially problematic on heavy tourist weekends when the town's population grows to three or four times its normal size.[35]

Fire protection costs to local governments can also increase with the advent of second home development. In most rural areas, fire protection is minimal and generally relies on volunteers. In many rural areas, no fire protection exists at all. Of five counties containing recreational subdivisions in Northern Georgia, none provided any fire protection.[36] As second homes are constructed in recreational subdivisions, demands for fire protection services can easily exceed existing capabilities. In Ludlow, Vermont, second homes built on steep slopes are difficult for the town's antiquated equipment to reach.[37] High-rise condominiums present another unique fire protection problem for some rural governments. In Summit County, Colorado, military surplus fire trucks (which make up the total inventory of the voluntary county fire department) are considered grossly inadequate for fighting fires in multi-story buildings. Remote locations and dense forestation make danger from fire in some second home areas even more serious. Because of such problems, some second home developers have bought their own equipment and staffed it themselves.[38]

Health and Welfare Services.--Health and welfare costs can also rise with the advent of second home developments. Some studies have reported that hospital emergency rooms are busiest during seasons of greatest second home use, usually during the summer.[39] Both retirement and skiing communities also place an added burden on local health facilities. Local welfare roles may also increase with unemployed seasonal job seekers attracted to the area by the prospects of employment. The problem may be aggravated because many of the jobs created in second home areas are temporary and seasonal. However, most unemployment payments are covered by payroll taxes and intergovernmental transfers earmarked for this purpose, and may impose little direct fiscal costs on local governments.

General Government Administration.--Communities experiencing recreational land development also face the increased administrative costs of running local governments. These costs include such items as tax administration and collection, record keeping, licensing, inspection activities, and land use planning and zoning. Most of these are operating expenses, including staff salaries and equipment, but capital costs for new facilities may also be needed. The worst situation occurs when a large recreational subdivision is planned in a small rural community with minimal staff and facilities to handle the increased operating needs of government.

The study of second home impacts on Ludlow, Vermont reported the need for additional administrative staff assistants for the town manager, and a full-time fire chief.[40] New municipal accounting procedures were also necessary, and the town charter needed revision to modernize the form of local government.

Some of these governmental functions, such as tax collection and planning, are necessary whenever land is being subdivided, regardless of whether it becomes developed with second homes or not. Until recently, Grand County, Colorado had no planning staff or any subdivision and zoning regulations. However, a proposal for a 1,000-acre ski development forced the county not only to hire a planning staff, but also to employ several planning consultants to write subdivision and zoning regulations and to review the ski development.[41] In Pasco County, Florida, the planning and zoning budget went from $15,000 in fiscal year 1970 (when it was first created) to $321,000 in fiscal year 1972, as a result of mounting development pressures.[42] The simple subdivision of land alone can greatly increase the costs of administering and collecting property taxes. A 1,000-acre tract of unimproved woodland under single ownership requires only one tax notice and one deed. When subdivided into 1,000 single-family recreational lots it requires 1,000 tax notices and deeds. Additional personnel are needed to maintain the records and process tax notices. Warren County, Virginia is quite literally running out of courthouse space to store such records for the more than 12,000 recreational lots subdivided there since the early 1960s.[43]

In areas where widespread, unimproved recreational subdivisions have occurred, tax defaults by unhappy recreational lot owners have driven government administrative costs even higher. Tax defaults are especially high on property purchased through the mail. Taos County, New Mexico, where tax defaults

are occurring on 10 per cent of the subdivided recreational lots, must trace delinquent titles back 10 years and transfer them to the state, an added administrative burden to local government. Because of low tax rates on unimproved recreational lots and the high costs of collecting taxes (Taos County spent over $4,700 on postage alone for tax collection notices in 1972), local officials estimate that the county nets about $ .90 per lot.[44]

Revenues Generated by Development. The major source of revenue from recreational land development is the property tax. As a general rule, property in recreational land developments is assessed no differently than comparable property; for example, a second home with a full market value of $20,000 would pay the same taxes as a $20,000 primary home.[45] However, in some areas of the country, developers receive tax breaks on recreational lots which they have not yet sold (a practice common for all subdivisions). In Deschutes County, Oregon, recreational lots still owned by the developer are taxed at 45 per cent of the normal rate at which vacant, single-family lots owned by individuals are taxed.[46] In Wisconsin, a state statute called "Planner's Consideration" makes allowances for developer's carrying costs during the sales stages of a project by permitting lower assessed valuations of developer-owned lots. A study of Lake Redstone, a 1,498 lot second home subdivision reported that "lots owned by individuals were charged a tax 27 per cent to 34 per cent higher than the lots owned by the corporation."[47]

The mere subdivision of land into residential home sites usually makes it more valuable. However, the most substantial tax increases occur when homes are constructed. In areas with high concentrations of second homes, a large portion of the total property tax can be paid by second homes. For example, in Windham County, Vermont, second home owners pay more than 25 per cent of the property taxes in 10 out of 23 towns in the county.[48] Property tax revenues from Quechee Lakes in Vermont rose from $14,000 a year prior to development in 1969, to $174,000 in 1972, with only a small portion of the project built out.[49] Lake Latonka, a 1,600 lot second home project in Pennsylvania, produced from $120,000 to $140,000 more in taxes than the land had yielded prior to development.[50]

Net Fiscal Impacts. Considered alone, neither the costs nor the revenues associated with recreational land development are important. The issue is whether the revenues generated by development cover the costs. This depends on a number of factors. One important factor is timing. Since many second homes have a tendency to become permanent homes over time, an analysis of net fiscal impacts in the early years of a project might show a tax surplus, while an analysis made 10 years later could show a deficit. Local tax distribution policies also affect the outcome of net fiscal impacts. While the overall taxes generated by one development in Washington state were sufficient to cover the increased costs of education, the allocation of tax dollars to other local government departments left some with deficits.[51] Political boundaries may also have an effect: one jurisdiction reaps the tax benefits of development, while its political neighbors suffer some of the costs--without being compensated. For example, the city of Aspen, Colorado, has benefited from ski development through higher tax revenues, while surrounding Pitkin County has experienced increased school and government costs without comparable increased tax revenues.[52]

Most studies indicate that recreational land development has produced tax surpluses rather than deficits to date. A survey of 30 towns within the Adirondack State Park in New York found that 29 collected a net tax surplus from second homes in their jurisdictions.[53] The town of Mashpee, Massachusetts, which was once bankrupt, found itself with a year-end surplus of $249,574. According to local officials, one resort development in the town, New Seabury, generated $318,274 above the costs of local government services provided to it, accounting for the town's healthy fiscal status.[54] A recent case study of the tax impact of a recreational subdivision in central Oregon reported that the project was "generating $57,000 more than its service costs."[55] However, the study was skeptical about the chances of this fiscal surplus continuing over the long run. A study of Lake Camelot and Lake Sherwood recreational developments in Wisconsin reported net tax surpluses from the project accruing to the town, the county, and the state government.[56]

These positive fiscal impacts are primarily due to the fact that most recreational subdivisions have experienced slow buildout rates to date, and so far include relatively few homes requiring pub-

lic services. Secondly, while there is some evidence that second homes tend to become permanently occupied over time, to date the large majority of second homes are still seasonally occupied and therefore make few demands on local school systems.

Another reason many rural governments show a net tax surplus from recreational land development is because they do not provide all the services which new development might need. One town supervisor stated, "The balance is currently in favor of the town, but the reverse would be the case if the Town of Schroon [New York] did all of the improvements requested by leisure homeowners," which in this case involved town maintenance of private roads.[57] The Ludlow study included in its analysis of fiscal impacts the costs of services which were needed, but which were not being met by local government. The report states:

> The immediate effect of second home development has been to over-extend the town's existing ability to provide services . . . Ludlow is not providing the minimum services, excluding the schools, that a community of its size and type is expected to furnish, due to budget limitations. If these needs were being met, it would mean approximately a 50 per cent increase in Ludlow's 1973 budget ($291,632.87).[58]

Major capital needs may also be imposed upon local governments by recreational subdivisions, the cost of which governments may try to avoid by doing without as long as possible.

Also, some local government officials state that second home owners have higher expectations of services than native rural residents, an opinion backed up by several studies. A survey of absentee property owners in New York reported that over half of the respondents ranked five major public services (fire protection, police protection, water, sewer, and garbage collection) as "worse" than in the community where their permanent homes were located.[59] Another study stated:

> The injection of new blood into an area, in the form of urban population with high standards and high expectations of public services, has firm and long term effects toward upgrading the range and standards of public services. . . . The need for more expensive local services will arise in the future in many areas of substantial vacation home developments.[60]

Most fiscal studies deal only with actual costs and revenues, and do not consider needed services which are not provided. Using additional tax revenues to lower or hold existing tax rates constant tends to artificially inflate positive fiscal effects of development.

While most communities have experienced positive fiscal impacts from recreational land development to date, negative impacts are possible in some cases. The planning director of Okanogan County, Washington tallied the net fiscal cost of one 2,800 acre recreational subdivision and concluded, "This subdivision will not, in my lifetime, pay for itself; but I'll be paying for it . . . and so will all taxpayers of Okanogan County."[61] A study of the tax impacts of Tejon Ranch Lake, an 8,100-acre recreational development in Kern County, California, computed the net tax impact of the subdivision on the county for four different sets of assumptions using different rates of completion and occupancy by permanent residents. The study concluded, "Our projections indicate that the net costs imposed on Kern County by the 'Project' will probably range from about $2 million per year to over $9 million per year, depending upon how rapidly the 'Project' is completed and what percentage of the residents are permanent."[62]

Negative fiscal impacts are most likely to occur if recreational land developments become permanently occupied, especially by families with a substantial number of school-age children. A county commissioner from Warren County, Virginia, stated:

> Prior to subdivision, a 1,000-acre parcel of unimproved woodland (such as on mountain slopes) would be appraised at approximately $100 per acre, assessed at 20% and at the tax rate of $3.90 will raise $780 in real estate taxes. With the current cost of education (from local funds) being $325 per pupil, this tax would pay the cost of county services for one family including education of two children.
>
> When that same parcel is divided into 1,000 one-acre lots, and each lot is appraised at $1,000, at the same assessment ratio and tax rate, the subdivision will raise $7,800 in real estate taxes, or the cost of services for ten two-children families.
>
> Prior to subdivision, however, with no residences on the property, there is no expense to the county. After subdivision, the cost to the county depends on how many dwellings are constructed, how many are used on a full-time basis, and how many full-time occupants have school-age children.
>
> For example, suppose fifty per cent pf these 1,000 lots are improved by dwellings averaging $20,000 in appraised value, and suppose fifty per cent of these dwellings are occu-

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> pied full-time by families with an average of two school-age children. The tax to the county would increase to approximately $86,000 for the entire subdivision, but the cost to the county just for the full-time occupants would increase to about $200,000 per year. This does not include costs for whatever services are required by the part-time residents, any expansion in the present level of services nor does it include any capital outlay, such as additional classrooms for the estimated 500 additional children.[63]

The fiscal balance tips to the negative side when enough dwelling units become permanently occupied by families with school-age children to make the costs of educating them outweigh the property taxes generated by the project. This delayed tax impact has prompted some to label recreational subdivisions "tax payers time bombs."[64]

The study of second home impacts on Ludlow, Vermont concluded that:

> Some second home developments can be a desirable broadening of the tax base for a community. However, at some determinable time, varying from community to community, this type of development will begin to have an adverse effect on the provision of general governmental services. Even when this point is reached and surpassed, however, seasonal residential development can still appear to have little effect on the tax rate as long as expensive capital improvements and increases in operating costs actually required by the new development are put off by local government.[65]

One problem for many rural governments is that they have no substantial commercial and industrial bases from which to draw taxes. In urban communities it is accepted that single-family residences commonly do not pay their full share of tax dollars because such communities can rely on property taxes from commercial and industrial development to make up the difference. Unfortunately, many rural areas do not have other resources to fall back on. The Ludlow study states:

> The potential of as much as half of the seasonal second home units becoming permanent with school-age children and without the corresponding developments of the industrial base may be, from a governmental financial point of view, a serious problem.[66]

Impacts on the Local Economy

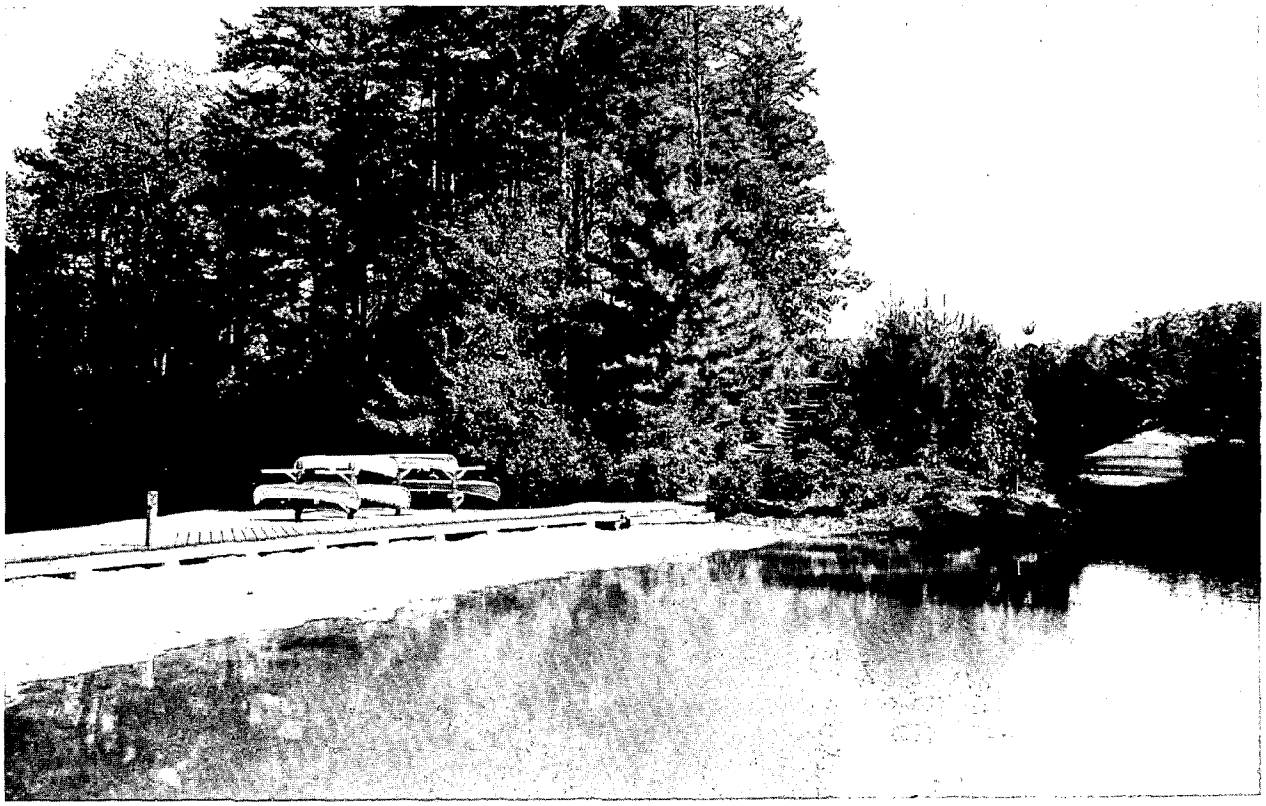
In addition to the fiscal effects on local government, recreational land development affects the entire local economy as well. Local spending by recreational land developers creates jobs and stimulates business activity, some of which benefits local people. Second home owners visting their vacation property also stimulate retail businesses, buying groceries, gasoline, and household goods. Development can have other impacts on the local economy, too. Recreational land development can also drive up local land values and housing costs.

Community Income. There are two major sources of income which flow from recreational land development into the local economy. One consists of expenditures made by developers during various stages of project planning and construction; the other consists of expenditures made by the occupants of recreational subdivisions.

Development Expenditures.--The Office of Interstate Land Sales Registration estimated annual national sales of recreational property at roughly $5.5 billion. Part of this money is used by developers to pay realtors, architects, engineers, planners, surveyors, attorneys, bankers and accountants, as well as for other expenditures such as site engineering, road construction, utility installation, landscaping, home construction, and operation and management of recreational facilities. Developers also need building materials and other retail and wholesale goods. Some of these goods and services are purchased in the host community. Approximately one-third of the "hard costs" incurred by developers are spent on "improvements and engineering" and "construction of amenities."[67]

Some land development expenditures are made by property owners themselves for septic tank installation, well drilling, and home construction. A study of Lake Latonka, Pennsylvania, a 1,275-acre second home development with 1,600 lots, estimated development expenditures at approximately $4 million, with another $3 million spent by property owners on home construction between 1965 and 1970.[68] Per lot improvements were $2,500--$1,500 by the developer and $1,000 by private utility companies. In Fairfield Glade, a recreational-retirement development for 20,000 families in Cumberland County, Tennessee, the company planned direct expenditures of $27 million on land development and housing construction between 1970 and 1973.[69] Improvement costs per lot averaged approximately $3,500.

The proportion of these expenditures which flows into the host community depends on the local availability of the required goods and services, and on the choices of developers and property owners as to where to spend their money. Obviously, the smaller



High amenity resort developments often include elaborate recreational facilities, increasing the likelihood that local economies will benefit from expenditures made by developers and property owners.

and less diverse the local economy, the fewer development expenditures it will capture. Of the 551 U.S. counties containing recreational subdivisions filed with OILSR, over half (277 counties) had less than 25,000 people in 1970, with total county employment bases of less than 10,000 each.

Development expenditures vary according to the types of recreational projects. Unimproved recreational subdivisions which account for the majority of recreational land development which has occurred in the U.S., generally make no more improvements in the land than local land use regulations require. Many attempt to avoid areas with land use controls if at all possible. Expenditures by these developers for land improvements can run as low as $200 to $300 per lot. A major expenditure of recreational land developers is made for advertising and sales costs, most of which are not likely to be made in the rural host community. As far as the local economy is concerned, the original land owner may be the only one who stands to gain very much from unimproved recreational lot sales projects, assuming he receives a fair price for his land. And, since much of this property is sold to speculators who have no intentions of using their property, local economies stand to gain little more from development and improvement expenditures made by lot buyers than those made by developers.

The proportion of direct expenditures on land development and housing construction made by developers and second home owners in the local economy varies. Some developers hire large engineering firms from nearby metropolitan areas, rather than local businesses. Housing construction is usually done by local contractors, however, except where home owners choose mobile homes, prefabricated units, or do-it-yourself kits. In the case of Lake Latonka, about 25 per cent of the total dollar expenditures for land development accrued to the county.[70] Seventy-five per cent of the developer's financing, materials, and labor expenditures were made outside the county. By contrast, an estimated 50 per cent of the expenditures on home building were made for locally purchased materials and paid to local business and labor. The study of Fairfield

Glade reported that 70 per cent of total direct development expenditures would be made "within 110 miles of Crossville."[71] However, this larger region includes three metropolitan areas, all of which stand to receive more of the developer's expenses than Cumberland County, where the project is located.

User Expenditures.--The national annual buildout rate in recreational subdivisions is about two per cent, meaning that these subdivisions generate little in the way of user expenditures. However, where second homes do exist, their owners make a variety of expenditures in the local economy for expendable goods such as groceries and gasoline, durable household goods such as furniture and appliances, and services such as home maintenance. User expenditures generated by second home developments depend not only on the amount of buildout, but also on patterns of occupancy. For example, a recreational subdivision in an area sporting multiseasonal recreational attractions can expect higher annual usage rates. Consequently, the local economy will experience proportionately higher levels of retail expenditures associated with those visits.

A number of studies have surveyed retail expenditures made by second home owners in the host community economy. A 1966 study of second homes in New England reported average annual expenditures of $1,733, not including $192.55 paid in local property taxes.[72] These expenditures were made for groceries, meals eaten out, home maintenance, sports equipment, furniture, and other household goods. A study of second homes in northern Minnesota reported average annual expenditures of $1,092 per second home ($120 of which was for local property taxes).[73] These expenditures are broken down into various categories in Figure 1.

The Minnesota study found a direct relationship between levels of expenditures and the incomes of second home owners; families with incomes over $20,000 spent more than twice as much as families with incomes under $8,000. Expenditures were also related to the physical quality of the second homes themselves. Families owning second homes with "complete indoor plumbing" spent more than double what second home owners with lower quality facilities spent. The main reason for this was that families with fully improved second homes visited them more frequently.

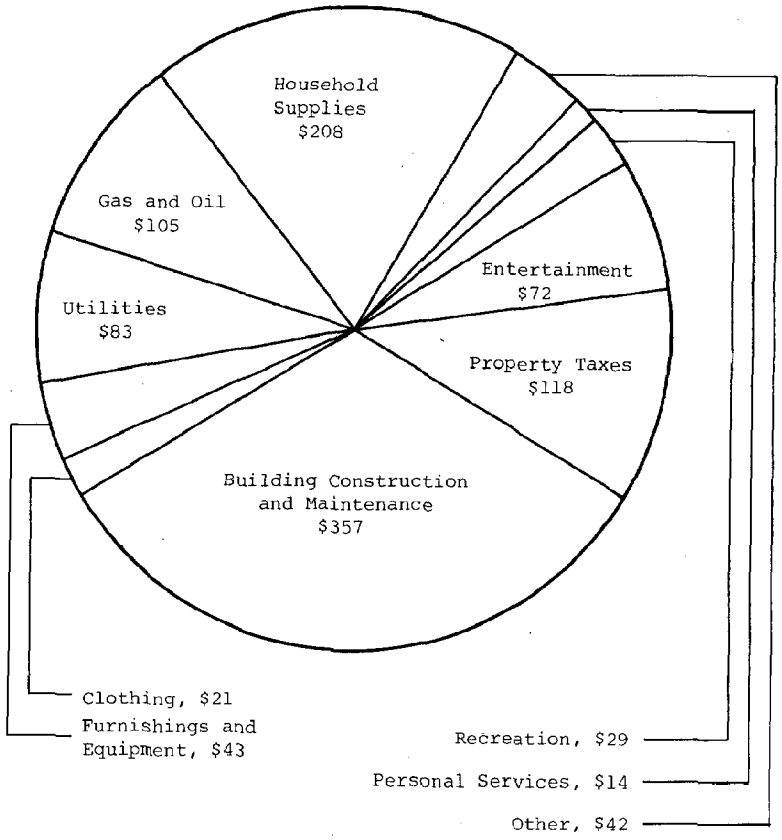
Several other studies discuss breakdowns in local expenditures in more detail. A detailed accounting of second home owner expenditures which remain in the local economy was made in the Minnesota study:

> Of the $1,092 spent locally by the average second home owner, about $500, nearly 50 per cent, was for merchandise. One-third may be estimated to have stayed in the local area. About one-third or $360 was for combination expenditures, of which an estimated two-thirds stayed in the local area. Since all of this was for construction, the proportion will be somewhat higher where locally produced lumber is available. Almost $250--more than one-fifth--was spent for services, an estimated 85 per cent of which went to local residents. Thus about $600 of the $1,092 remained in the second-home community to generate additional personal income due to the multiplier effect.[74]

A study in Vermont found that recreational lot owners living in the state spent only about $200 per year at their property, while out-of-state property owners spent approximately $710 annually (property taxes are not included in either of these figures).[75] Other local officials have commented that the distance between the second and the primary home is an important factor in retail expenditures made by second home owners. An agricultural extension agent in Warren County, Virginia, commented that families who lived fairly close to their second homes, furnished them with castoffs from their primary homes, brought their groceries with them when they visited their second homes for the weekend, and bought nothing more locally than a tank of gasoline to get back home on.[76]

The above data present a range of expenditures made by second home owners in various host communities. Most of the data are somewhat outdated, and current levels of expenditures are probably higher. Assuming the average second home owner spends $1,500 per year in the vicinity of his second home, the 3.5 million second homes in the U.S. contribute over $5.25 billion annually to rural economies across the country. To small, rural communities, these expenditures can be very significant. In a recent survey of 30 towns in New York, with populations of 1,500 or less, the entire economy in nine of the

Figure 1. Annual Expenditures in Rural Communities by Seasonal Home Owners



Source: Robert W. Snyder, "Seasonal Homes Benefit Rural Minnesota," Minnesota Science, Vol. 24, No. 2, (Winter, 1968), n.p.

towns revolved around second homes.[77] Local residents considered second homes vital to their economy. One example was the Town of Schroon:

> . . . five building contractors, each employing about 10 local men, depend on leisure homes for 75%-plus of their business; 2 excavation contractors, employing 3 or 4 local men each, depend largely on leisure homes; a local building supplier, who has his own sawmill, supplies 75% of the building materials used by leisure homes; 2 electrical contractors and 2 plumbers depend largely on leisure homes for their business; and numerous caretaking jobs.[78]

Multiplier Effect.--The initial expenditures made by developers and second home owners in the local economy account for only the direct income received by the host community. However, the total economic impact of local income derived from recreational land development also includes the indirect effects of successive expenditures of that initial direct income. Part of the initial expenditures simply pass through local hands on their way out of the economy: they are "leaked" through the purchase of nonlocal goods and services, taxes, savings, and so on. However, a proportion of each dollar received by a local business or wage earner will be respent in the local economy. The total impact on community income will be some multiple value of the initial direct expenditures made by developers and second home owners. This process is called the multiplier effect, and is illustrated in Figure 2.

The multiplier effect can be measured in terms of both income and jobs, and varies from one community to the next, with the size of the multiplier dependent on both the size and diversity of the local economy. In one study of the economic effects

Figure 2. Multiplier Effect-An Initial Income of $10.00 Will Upon Successive Respending Earn: (For a Leakage of 50 Per Cent)

First Round	$10.00	-50%
Second	+5.00	-50%
Third	+2.50	-50%
Fourth	+1.25	-50%
Fifth	+.63	-50%
Sixth	+.31	-50%
Seventh	+.16	-50%
Eighth	+.08	-50%
Ninth	+.04	-50%
Tenth	+.02	-50%
.	.	
.	.	
.	.	
Sum	$20.00	

Source: Robert R. Nathan Associates, Inc., and Resource Planning Associates, Recreation As an Industry, Appalachian Research Report No. 2 Prepared for the Appalachian Regional Commission, (Washington, December, 1966), p. 58.

of the general commercial recreation industry on counties within the Appalachian region of the U.S., county multipliers averaged 1.87, ranging from a low of 1.13 to a high of 2.63.[79] Translated into income, this means that for each $100 spent on recreation with the local economy, the total income (direct and indirect) derived from that expenditure would equal $187. Translated into employment figures, each person directly employed in recreational jobs would provide an additional .87 persons with other employment. (The employment multiplier is not necessarily equal to the income multiplier.) The study found that communities with a labor force of less than 1,000 had multipliers under 1.5, while those in the 1,000 to 5,000 employee range had multipliers of 1.5 to 1.8. Beyond the 5,000 employee level, the multiplier continued to go up with further increases in the size of the labor force.

The Appalachian Regional Commission Study suggested that the multiplier effect for second home development might be slightly higher than for the commercial recreational industry as a whole:

> Vacation homes present a special aspect of recreation. The benefits flowing from vacation home development have a more widespread effect than the benefits from commercial recreation enterprises.[80]

The case study of Lake Latonka, Pennsylvania, mentioned earlier made no attempt to derive a local multiplier for Mercer County, but noted that the appropriate multiplier was somewhere between 1.0 and 2.0.[81] The study of Fairfield Glade chose a multiplier of 1.8, based upon the findings of two other studies.[82]

Employment. Recreational land development can create new jobs in rural areas, depending on the extent of development activity, the level of project improvements, and the growth of the service sector of the economy supporting new development. Unimproved recreational subdivisions offer very little in the way of new employment opportunities. Not much site development activity or housing construction takes place, and since most of the recreational lots go unused, there is little additional demand for retail services.

Improved second home developments, on the other hand, can have substantial positive impacts on the local job market. Table 1 shows increases in various types of employment and payroll growth between 1967 and 1971 in various types of businesses in Adams County, Wisconsin (where the number of second homes more than doubled between 1960 and 1970) when a major 2,840-acre second home project, the Lake Sherwood--Lake Camelot complex, was developed.[83] As shown in Table 1, the finance, insurance and real estate sector of the economy increased by 233.3 per cent, and retail trade increased 59.3 per cent.

In analyzing the net effects of development on local employment--the number and types of jobs created by development should be compared to the number and types of jobs displaced. Much of the seven million acres of recreational property registered with OILSR supported some viable economic activity prior to subdivision. In Warren County, Virginia, recreational subdivisions have displaced logging activities, meaning the loss of jobs for loggers, truck drivers, and sawmill operators.[84] Many recreational subdivisions were formerly productive farms, or in the Southwest, ranches. While these operations may be only marginally productive, they do generate employment and income.[85]

New jobs created by recreational land development include construction and building trades if the project involves substantial improvements. Many of the new job openings are for clerks in small shops and stores, gas station attendants,

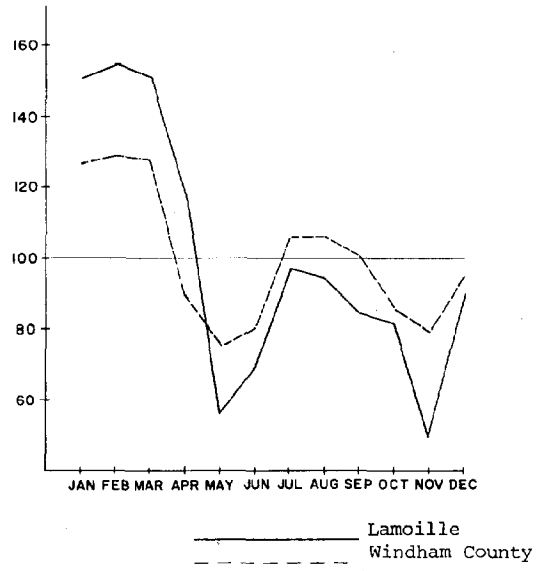
Table 1. Employment and Payroll Growth of Business Units in Adams County, Wisconsin 1967-1971

Type of Business	1967	1971	Per Cent Change
Retail trade	189	301	59.3
Manufacturing	166	144	-13.3
Finance, insurance and real estate	39	130	233.3
Mining	(D)	decline	decline
Services	168	247	47.0
Wholesale trade	(D)	(D)	(D)
Contract construction	28	36	28.6
Transportation and public utilities	55	(D)	(D)
All Business Units	797	995	24.8

(D): Indicates disclosure is prohibited.

Source: County Business Patterns-Wisconsin, 1967, 1971, Bureau of the Census, U.S. Department of Commerce.

Figure 3. Seasonal Index of Service Employment, Vermont, 1969



Source: Vermont Social and Economic Characteristics, Prepared under the auspices of the Vermont State Planning Office, June 1971, p. 59.

waitresses in restaurants, and so on. While important to local economies, such retail jobs are among the lowest paying jobs available. The Appalachian Regional Commission study states:

> Compared to manufacturing employment, the wages in the service and trade industries are low, and the recreation sector includes some of the lowest wages. Most of the occupations require simple skills and little training; consequently the pay is poor.[86]

The seasonality of employment in recreational areas can be a drawback. Not only are construction jobs likely to be temporary, but many of the retail and service jobs created by second home development are available only during peak recreation seasons. Such seasonal fluctuations require heavy recruitment during one season of the year and subsequent layoffs during another. The 22 largest ski areas in Vermont have created 3,771 direct jobs, only 653 of which are year-round.[87] Figure 3 illustrates the seasonality of employment in service industries in two Vermont Counties, Lamiolle and Windham, both of which experienced rapid growth in ski and second home development during the 1960s.

Another important consideration is who gets the new jobs. Recreational and retirement development in Paso County, Florida, attracted many people from outside the community seeking employment who competed with local residents for the new jobs. The Appalachian Regional Commission study of the commercial recreational industry stated: "Because of the high peak employment many outsiders, mainly students, have to be recruited to fill vacancies."[88] A study of the ski and recreational land development industry in Warren County, Vermont, found that 88 per cent of the full-time, year-round jobs generated by development "are held by people who moved into Warren after development began."[89] Local residents also held few of the part-time jobs created by development.

Surveying 30 businesses, the Vermont study also found that 83 per cent were owned or managed by people who either did not live in Vermont, or who moved to Warren, Vermont after development began.[90] The study states that "local Vermonters have not fared any better in getting managerial positions or in becoming businessmen than in getting jobs generated by the ski development." Field interviews conducted in another popular ski area, Vail, Colorado, found that most of the firms at Vail were operated by people new to the area.[91]

Housing Costs and Land Values. Another economic impact of recreational land development on the host community is its effect on land values and housing

costs in general. The costs of housing construction are rising beyond the means of rural families in many parts of the country, although not yet well documented. The inflated cost of land in recreational areas has made the problem even more acute in some communities. In Summit County, Colorado, land values have skyrocketed in recent years, from as low as $500 to $1,000 per acre to over $8,500 and up.[92] In Warren County, Virginia, a local official said that native residents could no longer afford housing in the community due to the speculative rise in land prices caused by the more than 90 recreational subdivisions located there.[93] Commenting on the effects of a major resort development the president of the Edinburg, Virginia Chamber of Commerce said that one of the most distressing aspects of the project was the escalation of land prices which were "rubbing off on valley land prices so that local people can't afford to buy a home anymore. It used to be that a young couple here in Edinburg making $100 or $150 a week could buy a lot for $500 and build a house. But now they can't."[94] Similar situations were reported by local officials and residents during field interviews in Vermont and Oregon. Even in Bass Harbor, Maine, where recreational land development has not yet been heavy, the influx of more affluent outsiders has brought housing problems. According to the town clerk, with the escalating prices of land and housing, mobile homes may be the "only recourse" local people have left.[95]

In Aspen, Colorado, service employees of ski developments are having serious problems finding housing they can afford. There is no publicly subsidized, low-cost housing, and trailer parks seem to be the only answer.[96] In Deschusets County, Oregon, one local official said that the local land market was strictly a seller's market. Land which sold for $40 an acre in 1967 now sells for $500, and anyone in Deschutes County could sell his land anytime he wished.[97]

Such increased land values often result in increased taxes and, in some cases, marginally productive farms have been taxed out of business. A Vermont study states:

> . . .when a woodlot happens to be located near a suburban area or recreation area, an appraisal at house lot value quickly encourages its sale. Gross income from an average acre of Vermont woodland is $2.88 per year and as soon as the opportunity to develop the land for recreation becomes feasible, land holders will avail themselves of the opportunity.[98]

Land sales to nonresidents in Iowa County, Wisconsin have placed remote, rural farms in similar positions as farms on the urban fringe facing suburbanization, sending land values and taxes upwards, "even though there is little visible evidence in the town of more improvements, people or governmental services to help explain the upward trends."[99]

Development and second home growth can affect other prices as well. The greater buying power of more affluent second home owners tends to drive up the prices of consumer items in general, especially during seasonal population peaks. As one resident of Waitsfield, Vermont described the situation: "At the height of the season, meat is 30 cents a pound more than it is in [nearby] Parishville at the same time of year, and you have to stand in line to get it."[100] Local residents interviewed about recreational land development in Summit County, Colorado, said that "if they had to make purchases in the local economy they could not afford to live there. In all cases the remedy was three or four trips a month to Denver for shopping."[101]

NOTES

1. This chapter was derived from an unpublished paper entitled "An Assessment of the Economic and Fiscal Consequences of Second Home and Recreational Land Development," Prepared for this study by the Urban Land Institute, Washington, D.C., April, 1974.

2. Studies which discuss multiplier effects of second home development include: Richard Brown, Economic Impact of Second Home Communities, A Case Study of Lake Latonka, Pa., (Washington: Economic Research Service, U.S. Department of Agriculture, 1970), p. 9; Northern New England Vacation Home Study, 1966, (Washington: Bureau of Outdoor Recreation, U.S. Department of Interior, 1966), p. 12; Robert R. Nathan Associates, Inc., and Resource Planning Associates, Recreation as an Industry, Research Report No. 2, (Washington: Appalachian Regional Commission, 1966), p. 55.

3. Domestic Council, Office of the President, Report on National Growth, 1972), p. 25.

4. Second Home Developments, Congressional Record Senate, March 22, 1973, Sec. 5540.

5. Ibid.

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9. Stephen E. Stine, Planning Recreational Communities to Serve Metropolitan Areas, Unpublished masters thesis, (Atlanta: Georgia Institute of Technology, October, 1973), p.66.

10. Wilbert J. Ulman, Mountain Recreational Communities and Land Use: "The Summit County Experience," (Denver: The Colorado Land Use Commission, 1974), p. 74.

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12. Lyle E. Harrell, "Tour of Subdivisions in Lassen and Madera Counties," Unpublished paper, Josephine County Planning Department, Grants Pass, Oregon, 1971, p. 3.

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18. Telephone interview with Tom Shepstone, Planning Director, Wayne County, Pennsylvania, Feburary, 1974.

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21. Telephone interview and correspondence with Arthur Olson, Planning Director, Okanogan County, Washington, September, 1973.

22. Edwin L. Johnson, Effect of Second Home Development on Ludlow, Vermont, (Springfield, Vermont: Southern Windsor County Regional Planning and Development Commission, 1973), p. 54.

23. Telephone interview with Mr. Rausch, Mercer County School Superintendent, Mercer County, Pennsylvania, November, 1973.

24. Correspondence with Arthur Olson, op. cit.

25. Lyle E. Harrell, "Tour of Subdivisions in Lassen and Madera Counties," op. cit. p. 4.

26. Edwin L. Johnson, Effect of Second Home Development on Ludlow, Vermont, op. cit., p. 58-59.

27. "Crime, Drugs Up When Rural Land Developed," St. Lawrence Plain Dealer, Canton, N.Y., September 6, 1972.

28. Lucy Ware Morgan, "Pasco Population: 107,750," St. Petersburg Times, April 21, 1973, p. 1.

29. Interview with Richard Morgan, North Suncoast Bureau Chief, St. Petersburg Times, New Port Richy, Florida, August, 1973.

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31. Edwin L. Johnson, Effect of Second Home Development on Ludlow, Vermont, op. cit., p. 44.

32. Stephen E. Stine, Planning Recreational Communities to Serve Metropolitan Areas, op. cit.,

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34. "Crime, Drugs Up When Rural Land Developed," op. cit.

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36. Stephen E. Stine, Planning Recreational Communities to Serve Metropolitan Areas, op. cit., p. 70.

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42. Tabulated from Pasco County Annual Reports, Fiscal Year 1970 and 1972.

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CHAPTER 5

SOCIAL AND CONSUMER IMPACTS OF RECREATIONAL LAND DEVELOPMENT

Recreational land development can also affect host communities in other important ways besides through its environmental and economic impacts. Development can transform the social structure and culture of rural communities. As the "summer people" move to the countryside they bring with them fragments of their urban lifestyles, reflected in everything from increased traffic congestion and litter to different attitudes toward private property. Families converting second homes into year-round residences become permanent members of the community and may even change its political structure. As one local official put it, ". . .the more people who live in the country, the less 'country' it becomes."[1]

The effects of the recreational land industry on consumers have also been substantial. Probably better known than any other single impact of development, consumer victimization has been a serious national problem since the very beginning of the recreational land sales business.

This chapter takes a brief look at some of the major social effects that recreational land development can have on host communities, and local attitudes toward these changes. Consumer victimization is also examined. While these types of development impact are not always as easily measured or documented as the environmental and economic effects of development, they are no less important since they directly affect the quality of life of those involved.

Social Impacts

Changing Rural Culture. In its broadest sense, the social impacts of recreational land development involve the gradual change of traditional rural cultures and lifestyles into more urban environments. This change of character is felt in the physical transformation of communities as they become more built up with recreational subdivisions, second homes, and related commercial facilities. One observer describes the changing character of Stowe, Vermont:

> With its decline as a traditional Vermont community; with its rapidly expanding waves of vacation homes, bars, motels, and other commercial amenities; and with its predominance of financially well-endowed out-of-staters, Stowe stands as a living example of what many other Vermont towns can potentially become as Vermont grows as a recreational outpost and full-time home for out-of-staters.[2]

Recreational development has also transformed the Tahoe Basin into what has been called an "urban forest" with ". . .increasing crime rates of all kinds, crowding of public and private facilities, increased vehicular traffic beyond the carrying capacity of existing road systems, serious air pollution, litter in great quantity, higher noise levels and the like."[3] While Stowe and Tahoe are extreme examples of recreational and second home areas which have become overdeveloped, many other communities have felt similar effects to lesser degrees.

Cultural changes resulting from second home development seem most threatening to rural residents in areas where the sense of traditional culture is strong, as it is in many parts of New England.

> As vacationers and new residents continue to pour into the area, the culture of this area, long a bastion of traditional rural Vermontism, will be diluted more and more toward the metropolitan culture that the people have brought with them. As a result, the renowned independent rural culture of Vermont will take a further step towards obsolescence.[4]

The effects of growth and development can be subtly felt in small communities as existing social structures and local institutions gradually begin to change.

> There is also . . . a general lessening of a sense of community in Fort Valley as more new people move in, attuned to a different rhythm of life . . . instead of seeking people out they withdraw from them. . . . Church life has always been a center of life in the valley . . . but the new people are up here on vacation or maybe on the weekend and don't feel obligated to go to church. They want to go visiting and buy their vegetables and eggs at the same time when people here usually go to church. So after awhile, people here start staying home to sell eggs and you have few people at church.[5]

Some communities report increases in crime associated with intensive second home development.

Vandalism and burglary of vacant second homes are particular problems. In Berkshire County, Massachusetts, breaking-and-entering and larceny cases average six a week, and second homes are the major target.[6] Increased crime has meant more police for Waitsville, Vermont:

> We have two new State Police stationed in the town and three new Deputy Sheriffs. We need them to cope with the traffic, the crime rate, which has gone up, and the serious drug problem we now face.[7]

Traffic congestion, especially on peak seasonal weekends, is also a problem. So is the increase of trash and litter.[8] And some communities have expressed concern over the potential prospects of poorly constructed second homes becoming blighted and run down. One local official commented, "Many of the lakefront developments which started as vacation spots have converted to permanent residences --usually with a slum character."[9]

Several of the economic impacts of recreational development discussed in the preceding chapter also have important social effects on rural families and rural lifestyles. For example, the way in which people earn their living changes as speculative subdivisions and second homes replace farms and woodlands. Where second home development has been intensive, as in many Vermont communities, recreational economies have almost totally replaced agricultural ones. In communities where farming is economically marginal, opportunities to sell out are often considered a blessing. In other areas, however, such as the thriving dairy region of Walworth County, Wisconsin, there have been strong efforts to preserve dairy farming as a way of life in the face of heavy economic pressure from land speculation and recreational development. The increased costs of land and housing in rural areas are also an important social problem which many communities face (discussed in Chapter 4). It is ironic that the desire for second homes by some families helps to drive up the costs of land and housing for others struggling to acquire adequate first homes.

Contrasts in Population Characteristics. The cultural changes felt in second home areas are in part due to the contrasts between second home owners and existing residents of rural communities.

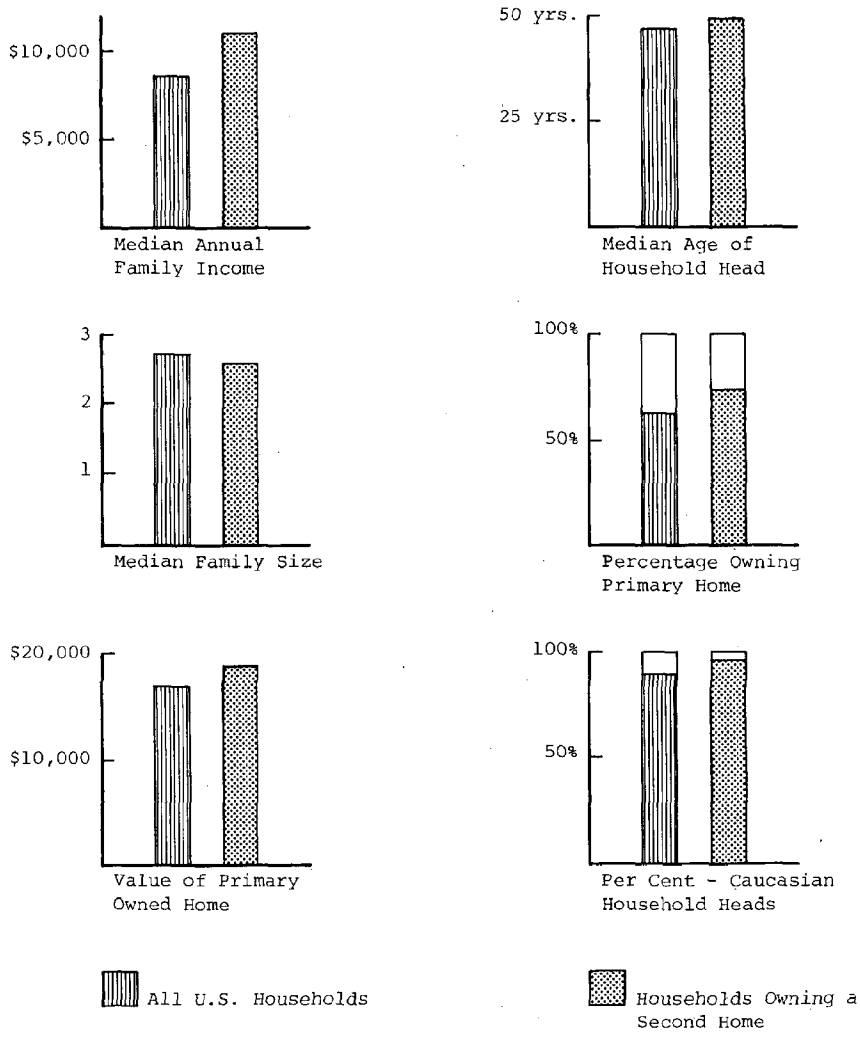
Characteristics of Second Home Owners.--Second home ownership is no longer the exclusive privilege of upper income families. Compared with the average household, second home owners earn somewhat higher incomes, are older, and have slightly smaller families (see Figure 1). In addition, more second home owners own first homes than the rest of the population, and their first homes have higher market values than the average American home. According to one study, most recreational property buyers have professional or managerial jobs, and have some college education. Over one-fifth are college graduates.[10]

In 1970, the median family income for second home owners was $10,950; it was $8,600 for all U.S. households.[11] Regional variations in median incomes for second home owners ranged from a high of $11,200 in the Northeast to a low of $8,500 in the South. These variations correspond roughly to national patterns for all family incomes. While one-fourth (27.1 per cent) of all households had over $15,000 annual income in 1970, one-third (33 per cent) of the second home owners had incomes over $15,000. It should be noted that since Census data include all families which own second homes regardless of when they bought them, the incomes of all second home owners tend to vary less from national norms than do other figures from more recent surveys. Census figures also include many retired couples who bought their second homes years ago while actively employed, but whose current annual incomes may be quite low.

National income data on recreational lot buyers are not collected by the Census. However, a 1973 California survey of recreational lot buyers reported average family incomes at $17,000 with 46 per cent earning over $15,000, as shown in Table 1.

Families owning second homes tend to be slightly smaller than average American families. According to the 1970 Census, the median U.S. household size was 2.7 persons; it was 2.6 persons for households owning second homes. Over one-third (35 per cent) of the households owning second homes consisted of only two persons. Although 28 per cent of all U.S. household heads were under 35 years of age, only 14 per cent of the household heads owning second homes were under 35. On the other hand, 30.6 per cent of all household heads in the country were

Figure 1. Socio-Economic Comparisons of
Households Owning Second Homes with All U.S. Households, 1970



Sources: Data for Households Owning Second Homes: U.S. Department of Commerce, Bureau of the Census, Public Use Sample of Basic Records from the 1970 Census, State Samples.

Data for All U.S. Households: U.S. Department of Commerce, Bureau of the Census, Metropolitan Housing Characteristics, United States and Regions, 1970. Report No. HC(2)-1. (Washington: Government Printing Office, 1972.) Tables A-3, A-7, and A-8; and U.S. Department of Commerce, Bureau of the Census, Detailed Housing Characteristics, United States Summary, 1970. Report No. HC(1)-B1. (Washington: Government Printing Office, 1972.) Tables 29, 31, and 54.

Table 1. Selected Characteristics of Recreational Lot Buyers, Siskiyou County, California, 1972

Characteristic	Percent of Respondents	Characteristic	Percent of Respondents
Annual Family Income		Years of Formal Education	
Less than $10,000	24.3	Less than 9 years	7.0
$10,000 to $14,999	29.6	9 to 12 years	39.0
$15,000 to $24,999	38.3	13 to 16 years	32.0
$25,000 and over	7.8	17 years or more	22.0
	100.0		100.0
Age of Household Head		Occupation of Household Head	
Less than 31 years	17.3	Professional	43.0
31 to 40 years	21.6	Manager	12.0
41 to 50 years	32.2	Sales	4.0
51 to 60 years	22.4	Clerical	3.0
60 years or more	6.5	Craftsmen	15.0
	100.0	Other	23.0
			100.0

Source: T.E. Dickison and W.E. Johnston, "An Evaluation of Owner's Expectations of Building Within Remote Rural Subdivisions: Impacts on the Rural Community" (Paper presented for the Joint Annual Meetings of the American, Canadian, and Western Agricultural Economics Association, Edmonton, Alberta, August, 1973), pp. 11 and 29.

55 years old or older, while 4.16 per cent of the households owning second homes were over 55. Almost all second home owners were caucasian (94.1 per cent), and 73.1 per cent of them owned their primary homes as compared with 59.3 per cent of all U.S. households. In addition, over one-third (37.4 per cent) of the households owning second homes also owned primary homes valued at more than $25,000, compared with only 23.8 per cent of all U.S. households.

Most second home owners live in urban areas (See Figure 2). In 1970, over 75 per cent of all second home owners were classified as urban residents, as shown in Table 2. Over two-thirds (68 per cent) of them lived in Standard Metropolitan Statistical Areas. Of that group, 31 per cent lived in central cities and 26.2 per cent lived in the "urban balance" or suburbs. Nearly one-fourth (24.5 per cent) of all second home owners lived in 10 metropolitan areas (New York, Los Angeles, Detroit, Chicago, Philadelphia, Boston, San Francisco, Washington, D.C., Minneapolis/St. Paul, and Houston).

Rural Population Characteristics.--In contrast to second home owners, incomes and educational levels among rural families fall below the national average.[12] There is more poverty among rural families than urban ones. In metropolitan areas, one in eight persons lives in poverty; in the suburbs, one in fifteen. In rural areas, however, one person in four is classified as poor.[13] Rural populations also tend to be disproportionately young and old, with fewer people in the 20 to 64 year age groups due to rural-urban migration patterns.[14]

Impacts on Recreational Opportunities. Public recreational opportunities can also be affected by development. In some cases new opportunities are created; in other cases existing opportunities are reduced or lost. In Deschutes County, one resort development opened its facilities (a golf course and lodge) to the general public on a fee basis, making the project a major recreational asset to the neighboring community.[15] But such cases are understandably rare. Most projects include few recreational facilities, and those which do usually reserve them exclusively for property owners (see Chapter 2).

In some cases, public recreational opportunities have been reduced by second home developments. In many parts of the country, for example, recreational lots and second homes adjacent to lakes, coastlines, rivers, and public lands have inhibited, and in some cases restricted public access to these areas by erecting a "wall of private ownership."[16] In Deschutes County, Oregon several miles of Deschutes River frontage were rendered inaccessible by recreational projects along its banks.[17] And in

Table 2. Households Owning Second Homes By Selected Geographical Divisions, United States, 1970

Geographical Division	Total Households	Households Total Second Home[1]	Percent of Total Households	Percent of Total Households Owning a Second Home (% of 2,889,771)
United States	63,446,641	2,889,771	4.6	100.0
Inside SMSAs	43,866,473	1,964,714	4.5	68.0
Central City	21,627,464	896,910	4.1	31.0
Urban Balance	15,663,419	756,002	4.8	26.2
Remainder	6,575,590	311,802	4.7	10.8
Outside SMSAs	19,580,168	925,057	4.7	32.0
Urban[2]	47,649,414	2,174,215	4.6	75.2
Rural	15,797,227	715,556	4.5	24.8
Rural-Nonfarm	12,720,372	586,405	4.6	20.3
Rural-farm	3,076,855	129,151	4.2	4.5

[1]A Second home is defined by the 1970 Census as, ". . .a single-family house, vacation cottage, hunting cabin, ski lodge, etc., which is owned and held for use sometime during the year by the owner or member of his household."

[2]"Urban" refers to all urbanized areas as defined by the Census plus all places of 2,500 or more inhabitants outside of urbanized areas.

Source: Derived from: United States Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970, Detailed Housing Characteristics (Washington: Government Printing Office, 1972.) Final Report HC(1)-B1-52, Tables 37, 45, and 55.

Warren County, Virginia, many local landowners had once permitted public access to the George Washington National Forest across their property. Sometimes, local landowners even allowed hunting and fishing on their own property. Once subdivided and sold, however, these lands were often posted with no trespassing signs and traditional access routes to the National Forest were closed.[18]

Recreational opportunities are also threatened when subdividers buy up potential public recreational sites. Rising land prices, further inflated by recreational land development pressures, have made public acquisition of parkland increasing difficult. In Hall County, Georgia, recreational development blocked the public purchase of waterfront land slated for a county park.[19] In Virginia, a strategic and unique piece of property under negotiation for inclusion in the George Washington National Forest was lost to a recreational land developer offering a higher bid.[20] Second homes, roads, ski slopes, and parking lots now occupy the site.

Crowding of public recreational facilities can also result from increased demands as second homes grow in number. As crowding increases, conflicting recreational activities, such as power boating and sail boating on small lakes, can compound these problems. One study states:

> With more lake-lot owners and heavier use of lakes by the general public, pressures upon the water rise rapidly. Conflicts growing out of these competing demands increase as lakes become overloaded.[21]

Another study reported that 55 lakes surveyed in Wisconsin had serious use conflicts between swimmers, pleasure boaters, water skiers, fishermen, sailors, and skin divers.[22]

Political Impacts. Recreational land development can also have significant political effects on local communities, depending on rates of permanent occupancy and the extent to which recreational property owners get involved in local affairs. The merits of such political changes depend on one's point of view. Native residents are often reluctant to welcome such changes. However, newcomers to second home communities can prove to be invaluable assets to local governments willing to put their skills and energies to good use.

The extent of involvement by recreational property owners in local affairs varies according to their occupancy patterns and reasons for purchasing the property. A North Carolina study found that

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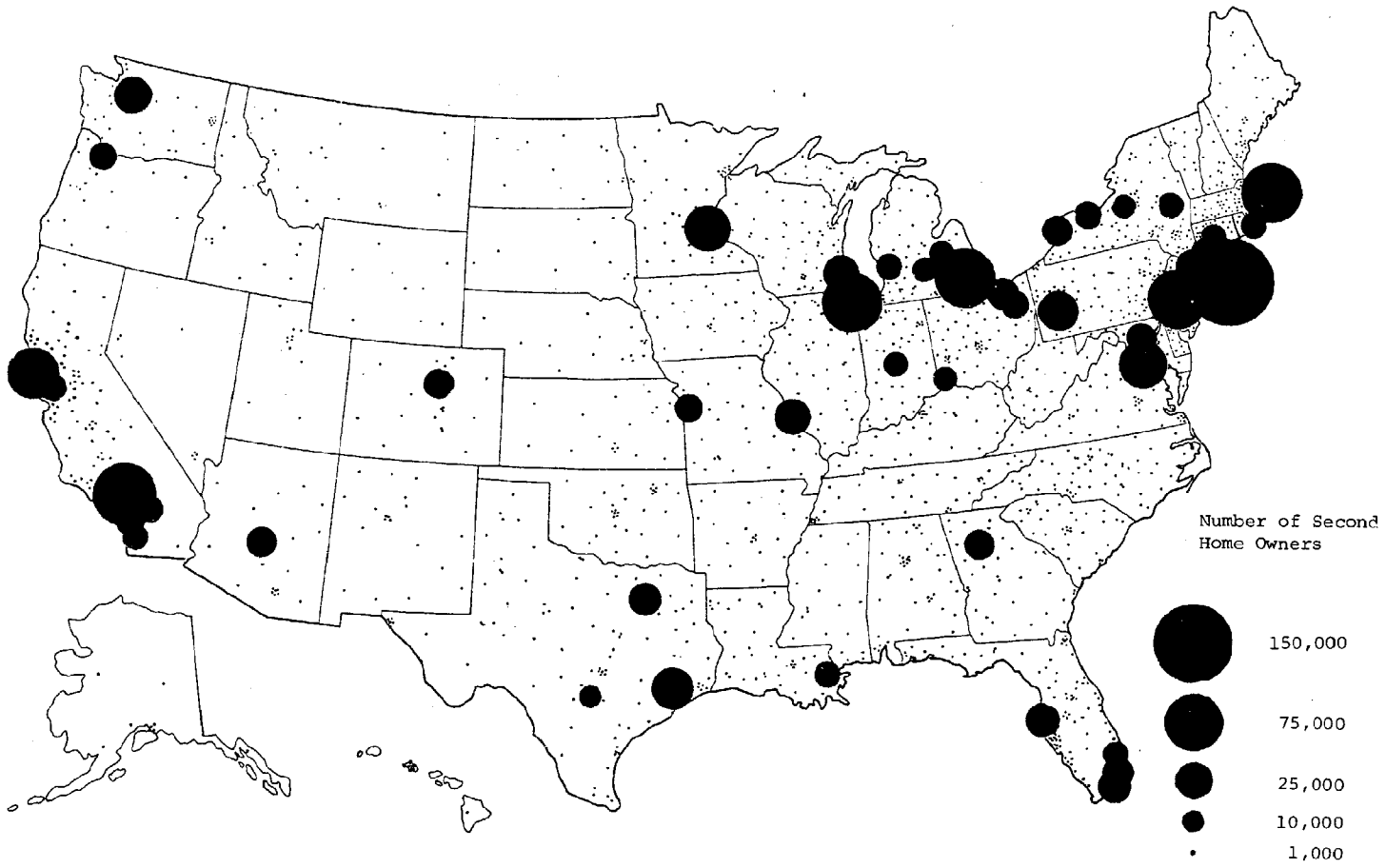
Figure 2 Primary Residences of Second Home Owners, 1970



Source: U.S. Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970 Detailed Housing Characteristics. (Washington: Government Printing Office, 1972).

households most involved in their shoreline neighborhoods,

> . . .tended to have acquired shoreline property for their primary residence rather than for recreation or investment purposes, to have higher family incomes, to be living in nonmetropolitan areas, to have had a strong orientation toward such water-based recreational activities as boating, fishing, and swimming before acquiring shoreline property, and to have heads who have better educations and who are employed in professional and managerial occupations.[23]

Similarly, a study of lake property owners in Wisconsin showed that those property owners who participated most in their second home property owners' associations tended to be living in their second homes more, to be more highly educated, and to have their permanent residences closer to their recreational property than less-active second home owners.[24]

Unimproved recreational subdivisions with little buildout have few, if any, immediate political effects on local communities. But they have caused some apprehensions that outsiders would move in and dictate growth and development policies in the future.[25] In New Mexico, for example, where recreational lots already outnumber the total existing state population, residents in some parts of the state are concerned about the future allocation of water rights as political constituencies change with the immigration of more and more families into recreational subdivisions.[26]

Involvement in local affairs tends to also be low in second home areas where occupancy is mostly seasonal.[27] Most second home owners come to the country to relax, not to get involved. They are primarily active in their first home communities where they work, shop, vote, and send their children to school. Because of their limited involvement, second home projects have been called "communities of limited liability." This attitude is evident in second home owner's perceptions of rural problems reported in the North Carolina study:

> As a general rule, households tend to perceive problems which are highly salient to their individual recreational and proprietary interests and to be unaware of more general problems common to the towns and rural communities near which their recreation property is located. The five problems perceived most often included vandalism, refuse disposal, drawdown of the reservoir on which the property is located, water safety, and fire protection.[28]

The study showed that the problems most important to the surrounding towns and rural communities received the lowest ratings as problems in the eyes of lakeshore households:

> Under 15 per cent of the respondents considered the quality of local schools, rural poverty, availability of recreation facilities, traffic, or race relations to be very serious or fairly serious problems in the "broader community" near their shoreline property.[29]

Permanent occupancy in second home developments can result in significant political changes, as an increasing proportion of new residents begin taking an active part in the affairs of local government. In Wilmington, Vermont, where the skiing and second home industry has caused substantial permanent population growth, newcomers to the community hold the majority of political posts. In 1973, only one of Wilmington's three selectmen was a native of the town; the other two had been there for five and eight years.[30] Of the nine members of the planning commission, only three were natives. Of the five members of the zoning board, only one was a native. All the members of the Board of Civil Authority, all the justices of the peace, and all the tax assessors were non-natives. In contrast, all local office holders were natives of the area in the nearby town of Whitingham, where little second home development had occurred.

Pasco County, Florida, is an extreme example of political impact due to growth. From 1960 to 1973, Pasco County's population grew from 33,000 to 108,000.[31] Most of this growth was caused by retirees moving into the county from Northern Cities. As a result, county government did a political about-face within a few years. Pasco County had always been a Democratic stronghold. No Republican had ever been elected to the five-member county commission until 1970, when two Republican county commissioners were elected. The balance of power shifted in 1972 when two more Republicans were elected to the county commission.[32]

Obviously, the effects of such a political change can be far reaching. Local government priorities in Pasco County have shifted to such things as growth control, mass transit planning and health care. Retirees have fought to keep industry out of the county, and voted down several school bond is-

sues.[33] In 1971, there was even a referendum held on a proposal to relocate the county court house from the county seat in Dade City to the coastal area of the county where the recent growth has occurred.[34] But such shifts in local government policies merely reflect the will of the changing majority, and are the inevitable facts of life in a highly mobile, democratic society.

In some areas experiencing recreational development, the newer residents take the greatest interest in protecting the environment and controlling growth. Long-time residents often have vested interests in the status quo, and are not eager to see land use and development regulated. One observer writes:

> Paradoxically but understandably, many Coloradans who live amidst the natural glories are upset by talk of controlling growth to preserve beauty. It sounds to them like city folks threatening to slam the door before the farmers and ranchers and small-town residents have shared in the state's affluence.[35]

In Deschusets County, Oregon, new residents moving into the county within the last five years have been the most outspoken on environmental issues. People who grew up in the area seem the least likely to acknowledge the problems implied by further growth and development.[36] A survey in rural Minnesota found that second home owners favor a wide variety of land use controls that the permanent residents in these rural areas oppose. The study states:

> Few areas have [land use and development] regulations. Apparently, local people are opposed to them. But seasonal owners feel differently. . . . The pro respondents, all Twin Cities area residents owning vacation homes in Crow Wing County, favored all of the regulations listed [commercial off-street parking requirements, junkyard regulations, subdivision regulations, sewage disposal system codes, land use zoning, time zoning for water skiing, lake area zoning for water skiing, minimum frontage requirements, minimum lot size zoning] by at least a two-to-one ratio.[37]

The motives of these newcomers to second home areas are perfectly clear. Their vested interests are in stopping further growth and change. Each new resident hopes he will be the last one. Called the "gangplank" or "last-one-in" syndrome, these early arrivals want to pull in the gangplank and shut the door on further growth and development, realizing that if others follow, the amenities which they sought may be endangered.

Attitudes Toward Social Change

Reactions to these social changes are often emotional and therefore difficult to assess. Some native residents welcome the influx of new people with attitudes and lifestyles different from their own. Others feel exploited and openly resent these "outsiders." Many local residents seem torn between a desire for the affluence growth can bring, and a fear of the negative side effects, some of which seem to be the inevitable price of that growth. Often local reactions to social change depend more on the scale and speed of that change than on the actual change itself.

On the plus side, some existing residents of second home areas see development as a positive force attracting new people with fresh ideas, as well as creating new economic opportunities. In a California survey, rural young people favored the growth of recreational land development, hoping for new job opportunities and a wider variety of commercial, cultural, and recreational opportunities.[38] Many local residents interviewed in Deschutes County, Oregon considered the high-amenity resort development occurring there an important asset to the community, partly due to the creation of new recreational opportunities open to the general public.[39] A community college professor in Bend, Oregon noted that the wealthier residents of recreational projects in the area had increased the local audience for fine arts, making summer theater possible in the community.[40] And a newspaper editor in Warren County, Virginia commented on the growth of second home development by saying,

> It's a good thing that this musty old inbred valley is getting some new ideas, people who've seen more of the world than we have and who have some useful notions about how we might do things differently.[41]

But feelings toward recreational development run the opposite direction as well. One rural Virginian stated,

> I don't blame them for wanting to get away from the city, but I don't want them to bring the city out to us.[42]

Some native residents feel as if they are being exploited or "colonized" as the land is subdivided and sold off to wealthier outsiders. Describing

the impacts of development on the Massanutten Mountain area of Virginia, one writer stated,

> Though the longtime residents of the Massanutten and its surrounding communities call them 'city people,' they are more often residents of the lower-cost subdivisions in Washington's suburban counties. They have repeopled the mountain in some places and restructured its society in others, bringing money and new blood to many long somnolent communities. But in so doing they have triggered economic, social and environmental changes that trouble many long-term inhabitants.[43]

While pleased with some of the development which has taken place to date, three-fourths of the respondents to an opinion survey conducted in Deschutes County did not want any further recreational subdivision there.[44] Yet many residents considered further development inevitable, and had property of their own up for sale. One local realtor remarked that few people really wanted to see the area change very much, but they considered it inevitable, and besides, if it was going to happen anyway, there was a lot of money to be made from land sales.[45]

These feelings of colonization may be most pronounced on Indian reservations where several major recreational land developments have occurred through the use of long-term lease agreements. In developments such as Colonias de Santa Fe on the Tesuque reservation in New Mexico, Great Western Corporation's Conchiti Lake on the Conchiti Pueblo (also in New Mexico), and Legend Lake on Monominee-owned land in Wisconsin--the clash between cultures could hardly be greater. One observer described development on the Conchiti reservation as follows:

> For 400 years the Conchiti have lived here as drum makers and subsistence farmers, their culture largely intact because the land remained theirs. . . . Soon, according to Great Western, there will be streets, shopping centers, hotels and homes for more than 50,000 people at Conchiti Lake--almost none of them Indian, of course, and certainly none of them Conchiti Indians because the minimum cost for a new home at Conchiti Lake will be something more than $30,000. Most Conchiti do not earn that much in a lifetime.[46]

Consumer Victimization

Consumer victimization in land sales has probably been the most widely publicized and best known impact of the recreational land sales industry.[47] Hundreds of thousands of consumers have been the victims of such things as high-pressure sales tactics, deceptive and fradulent advertising schemes, and broken promises. These problems have been concentrated most in the unimproved recreational lot sector of the industry, and have involved some of the largest and best known business firms in the country. Today, thousands of scattered recreational lots lie idle and unimproved, many for sale, many others abandoned and tax delinquent.

Consumer Complaints. Complaints of consumer victimization in recreational land sales have long been a serious national issue. As early as 1964, Senate hearings into "interstate mail order land sales" were conducted by the Subcommittee on Frauds and Misrepresentations Affecting the Elderly, compiling hundreds of pages of testimony documenting industry practices.[48] The Interstate Land Sales Full Disclosure Act of 1968 grew out of these Senate hearings, creating the Office of Interstate Land Sales Registration (OILSR), the federal agency charged with regulating the recreational land industry.

During the summer and fall of 1972, OILSR conducted a series of public hearings in 17 major cities "to hear complaints from consumers about interstate land sales practices."[49] The problems of the 60's had by no means disappeared. Attended by a total of over 5,000 people, 360 people testified making a total of some 800 allegations of abusive and unfair practices by land sales firms.[50]

During the last half of 1973, OILSR received 1,500 unsolicited letters per month from consumers, over half of which were complaints against land sales firms.[51] Most of these complaints involved broken promises made by the companies. Many were from prospective consumers investigating companies before buying land. Others were from people who had already bought land but were investigating the sellers further, apprehensive about their purchases. When Newsweek magazine published an article on recreational land sales in 1973 and mentioned the availability of a pamphlet on consumer protection, OILSR was swamped with 10,000 requests during the following two weeks.[52]

Several surveys have documented consumer dissatisfaction further. In a survey conducted by the Christian Science Monitor in 1973, 43 per cent of the lot buyers responding answered that they were "generally dissatisfied with their deal."[53] Fifty-five per cent of the respondents to a survey in

Siskiyou County, California stated that their recently purchased lot in a recreational subdivision had not fully met their expectations.[54] A Government Accounting Office study of both the industry and OILSR included a survey of 2,000 recreational land buyers, and found that 28 per cent of the 650 respondents were dissatisfied with their purchases.[55] Their most common complaints included the developer's failure to deliver on promised improvements, deceptive sales practices, poor investment potential of the property, failure of developers to provide adequate utility services, financing irregularities, property use restrictions, and excessive real property taxes. In another survey, recreational lot owners were asked if they would make the same decisions to buy their property over again knowing what they know now. Two-thirds of the respondents said they would not.[56]

Causes of Consumer Victimization. There are several reasons for all the troubles consumers have had with recreational property. Misrepresentation and fraud practiced by land sales firms have been some of the most serious causes. In 1967, the Gulf American Corporation [now General Acceptance Properties, Inc.] pleaded guilty before the Florida Land Sales Board on charges of fraudulent sales practices.[57] Sales were suspended for 30 days and the company was fined $5,000. In addition, they were ordered to refund the money to anyone affected by the 1,300 cases of land switching in Collier County, and another 600 cases in Lee County, to which the company admitted. In November, 1972, a U.S. District Court found Missouri Developer Robert V. Steinhilber guilty on a two-count indictment of lying about the availability of water facilities in his project.[58]

One of the most widely known fraud cases in the industry involved the series of suits brought against Boise Cascade. Late in 1971, the state of California won a temporary restraining order against the Boise land sales subsidiaries on the grounds that the firm's salesmen had used fraudulent sales tactics at several projects.[59] Six lawsuits were finally brought against the firm charging misrepresentation in land sales in 19 subdivisions in California and one in Nevada.

> . . .The suits included civil actions filed by the California attorney general's office and the Contra Costa County district attorney plus three class action lawsuits filed in state courts and two in federal courts.
>
> The suits charged that the company had not provided the promised recreational facilities, had misrepresented the value and investment potential of the land, given false information about plans for access roads and highways. They also charged that sales personnel had used two-way radios to imply that lots were selling fast.[60]

In the end, Boise agreed to a $58.5 million settlement, setting up a $24 million fund to cover the cost of refunds to buyers who wanted their money back, and reserving another $21.5 million for administrative and maintenance costs and $13 million for completing promised improvements in the projects.[61]

Beyond outright fraud, industry advertising and promotional techniques have also been a major sore spot with consumers. Many disgruntled lot owners were never all that interested in owning recreational property in the first place. They were victims of the "hard-sell." The recreational land industry has become notorious for some of its advertising and promotional schemes.

Free dinners (complete with slide shows and promotional pitches), and gifts for visiting developments have been popular techniques used to attract potential customers.[62] Robert Cahn describes promotional dinners in a Christian Science Monitor article:

> One of the most popular sales devices is the free dinner party, usually given in a small banquet room of one of the good restaurants or hotels of a city. The guests, whose interests were whetted by direct mail or telephone, come with the expectation of hearing a sales presentation.
>
> What they are not prepared for is the intensity and skill of the sales pitch. The operation is based on getting the prospects' signatures on a sales contract before they have time to think about whether it meets their specific needs.[63]

The intensity of such sales pitches is the key to many land sales which otherwise might not have occurred. Another writer describes these tactics in more detail:

> If the prospect balks, however, the sales person is taught a number of strategies to get him to cross over to the promised land. The sales person is cautioned never to give up on a prospect as long as he can grasp at any excuse to keep the conversation open, counting on the prospect's resistance giving out before the salesman's store of reopening gambits. As the sales

manual for the California promotion begun by N.K. Mendelshon put it, 'Ninety per cent of the people buy because they lack the courage to continue saying no.'[64]

Another promotional technique involves flying consumers to the site itself. As early as 1966, Gulf American Corporation was flying prospective customers to their projects in 15 company-owned aircraft.[65] During the winter months, freezing prospects from Minneapolis, Chicago, and Cleveland have been invited down to the sunny Southwest for an all-expense paid holiday and a tour of a recreational subdivision. Other promotional techniques have included telephone solicitations--"boiler rooms" using WATS lines to generate several thousand calls per day to potential customers.[66]

The ULI survey questioned developers on the most effective promotional techniques used. Commercial advertising via radio, TV, and newspapers ranked highest. On-site sales were considered the second best method.[67] ALDA reported that newspapers and direct mail advertising were the two most successful techniques used by their members.[68] In a California survey of recreational lot buyers, the initial contact in most cases was made by mail advertising.[69]

Consumer victimization has also resulted in part from the consumer's own lack of knowledge of the real estate business in general, and the specific market in question. Results from a survey in Northern California found that the large majority of recreational lot buyers rated their prior investment experiences as below average; and over half of these had no prior experience in real estate investment at all.[70] Besides the information necessary to make an intelligent investment decision is often difficult for the buyer to obtain--information such as environmental hazards which the land may be subject to, the actual costs of installing improvements to make the lot usable, and the costs of public services and the conditions under which they may or may not be provided by the local authorities.

Many lot buyers live hundreds of miles from their purchases, and know little about the particular real estate markets in which they are shopping. Millions of acres of land in Arizona and New Mexico have been sold to people in New York, Detroit, and Chicago who never visited the property and were unable to do any sort of comparison shopping. A study from Minnesota reported that some firms had been able to "greatly" inflate the selling prices of lakeshore property due to the buyer's inability to compare prices.

> One example of this is the Fort Mille Lacs Development on the west shore of Mille Lacs Lake. Off-lake lots were priced at about $2,500 each. This price bears no relationship to comparable land outside of, and near to, Port Mille Lacs. One salesman stressed the scarcity of lakeshore property when selling inland lands, a dubious appeal when more than half of Minnesota's lakeshore remains undeveloped.[71]

Unexpectedly high costs of improving recreational lots as homesites in some cases have also been a source of consumer problems. Often as little as one-third of the total sales price of lots have represented initial investments in land and improvements. This has been in large part due to the fact that so much of the developer's initial investment has been spent on soft costs (advertising, promotion, administrative overhead, etc.) rather than on hard costs such as land acquisition, engineering and site design, and installation of improvements and facilities. In the early days of the recreational land boom, many land sales firms operated on a formula which distributed gross sales prices for lots roughly into three categories: one-third for land acquisiton and site improvements, one-third for advertising and sales costs, and one-third for profit.[72] The 1973 ALDA survey reported that 45 per cent of the average gross sales in recreational land was spent on soft costs. One-third was spent on sales commissions, sales overhead, advertising, and promotion.[73] The ULI Survey reported lower figures; soft costs accounted for 36.3 per cent of gross sales, with 25.6 per cent spent on sales and advertising.[74]

Often having paid relatively high prices for unimproved lots, many consumers have been unable to afford the improvements necessary to make their lots usable as homesites. The remoteness of some of these projects has made improvements even more difficult and costly. One study investigated the costs of improving a recreational lot in a Colorado subdivision.[75] For power, a gasoline generator costing between $900.00 and $1,300 was recommended. No electrical lines from the local power company were available yet, and their installation would

cost $5,000 per mile. For sewage disposal, a septic tank would have to be used at an average cost of about $800. For water, the lot owner would have to drill his own well at a cost of from $6 to $8 per foot for a well anywhere from 100 to 250 feet deep. Telephone lines were not available in the area, and installation would cost about $400 per mile.

Recreational Land as an Investment. Much of the negative impact of the recreational land development business on consumers can be traced to the heavy emphasis placed on the "investment potential" of recreational property. It has been estimated that between one-third and one-half of the consumers of recreational lots have been primarily seeking speculative investments, with no intentions of ever using their property themselves (see Chapter 2). One survey reported the proportion of investors as high as 70 per cent of all lot buyers in a project.[76] This yearn for investment opportunities has resulted in considerable consumer disappointment, not to mention the needless premature subdivision of thousands of lots around the country.

For the most part, these small-time speculators in recreational land are typical American families of average means looking for a bargain. They have little experience or expertise in real estate investment. One expose on the industry states: "Swamp lands, desert wastes, and other real estate of dubious value are still sold as 'investments' to people of modest means."[77] These people often disregard the kind of sound reasoning they would normally use for a much less expensive investment. A land salesman from one of the major firms in the industry was reported as saying:

> . . .if you keep saying buy, buy, buy, they'll say, 'I don't want to buy anything'; but if you keep saying invest, invest, invest, everybody wants to invest, everybody's interested in making money.[78]

People investing in recreational lots are wagering their purchase price against the odds of further improvements being made in the property, without which appreciation is not likely to occur to any significant degree. Because so much of the developer's initial investment is spent on selling the land (for such things as advertising and promotional schemes) rather than on physical improvements such as adequate streets, sewers, and water systems, lot prices have relatively little tangible value behind them.

> For example, G.A.C. Properties of Arizona, while attempting to have the tax value of its Rio Rico lots reduced, stated that approximately 49% of the projected future value (i.e., the developer's sale price) of the land parcel value was based on promotion costs. Considerable time must pass and many real improvements put in before 'value' is equal to the original sales price.[79]

Not surprisingly, resale experiences of many recreational lot buyers have been dismal. In seven major recreational subdivisions located in Arizona (including such well known projects as Arizona City and Rio Rico), resale prices for lots have averaged from a low of 61 per cent to a high of 88 per cent of their original sales price.[80] A random sampling of resale records in Lake of the Woods, a recreational subdivision near Washington, D.C., found that the large majority of lots were sold for less than the original pruchase price.[81] In one survey of recreational lot owners, over half of the respondents had their lots up for resale, but 85 per cent of these "expected less than a fair return on their investment."[82]

For some, finding a buyer at any price seems unlikely. Initially, unimproved recreational lots have required expensive advertising and promotional schemes designed to sell property to a widely scattered national market. Individual lot owners have no such resources to help them find successive buyers for their property. Often living hundreds of miles from their property, they have little choice but to attempt to sell their property through a local realtor. But many local markets either do not exist at all, or have reached the saturation point. The plight of many consumers is summed up in this letter from a New Mexico realtor to his client:

> Dear Mr. [lot owner]:
>
> With regard to your lots 10 and 11, Block 3, Unit 16, I am very sorry to inform you that I have been unable to interest anyone in them at any price.
>
> The reason is, Mr._____, that they are located in the main Easterly drainage area for all the land to the West and North. I don't know if you have seen the lots or not, but all the access roads, as well as the lots themselves, are under water during wet weather.
>
> Because of the water standing there, the soil is very heavy and when it is wet, not even four-wheel drive vehicles can reach them. In

order to build there, the road would have to be built up, as well as considerable fill in the lots.

I am awfully sorry about this, but it is impossible to do anything about it. I have shown the lots, but no one is interested.

Yours very truly,

(New Mexico realtor)[83]

In some parts of the country, such as Florida and the Southwest, local recreational lot markets are so glutted that independent realtors will not even list these properties. Faced with such prospects, many lot owners have simply stopped making payments on their property, cutting their losses short and letting the property revert back to the seller or to the local government for delinquent property taxes.[84]

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CHAPTER 6

PUBLIC REGULATION OF RECREATIONAL LAND DEVELOPMENT

The major governmental response to the various impacts of recreational land development has been a flurry of federal and state laws to protect consumers. But the host of environmental, economic, and social impacts of development have posed equally, if not more serious problems for other groups besides consumers, especially the rural host communities in which development has occurred. This chapter reviews regulatory trends in the local, state, and federal response to recreational land development, concentrating on land development regulations controlling the location and quality of development, and also sections on federal and state consumer protection measures.

Most of the serious impacts of recreational land development can be traced to two major factors: the location of development, and the quality or level of standards at which projects are constructed. The most glaring environmental problems are usually the result of development occurring in the wrong place, the inadequacy of project improvements, or both. Economic impacts also hinge on the location and quality of projects. Remote locations make public services more costly to deliver. Inadequate site improvements mean that lot owners, the general public, or both, will have to pay the costs of improving or repairing these facilities in the future. Location and quality are also big factors affecting the consumer; failure to deliver promised site improvements is one of the major consumer complaints against recreational land developers. Consumer protection could be substantially improved if more attention was paid to the quality of the products being marketed.

Controlling these problems has traditionally been the responsibility of local government through land use and development regulations. However, the areas of the country where recreational land development pressures have been the greatest are the same areas of the country which have had the weakest development regulations. Many rural governments had few or no regulations whatsoever when the recreational land boom hit. Many still have none. Developers have frequently sought out rural areas which had the least regulatory red tape to wade through.[1] As a result, numerous recreational subdivisions and second home projects have been developed with little public scrutiny.

State governments have begun reclaiming an increasing share of the responsibilities for controlling land development, primarily due to the lack of adequate regulation at the local level, and the increasing awareness of environmental problems which are of greater than local concern. Some state controls, such as environmental impact requirements, have had direct effects on recreational land development. Other controls have affected development indirectly, most notably by protecting or preserving critical environmental areas which are often under heavy pressure from recreational land development. But in spite of increasing state involvement in land use regulation, local governments still bear the brunt of the responsibility.

No federal legislation besides the 1969 Interstate Land Sales Full Disclosure Act has been enacted in direct response to the adverse impacts of recreational land development. However, a number of federal laws, such as the National Environmental Policy Act and the Coastal Zone Management Act have had some indirect effects on development.

Local Regulation

Cities, and to a lesser extent counties, have traditionally regulated the use of land and set development standards within the exercise of their police powers to protect the "health, safety, and general welfare" of the public. Zoning ordinances, subdivision regulations, and health and structural codes have long been the key tools for controlling development. For better or worse, these regulations have been the nation's first line of defense against the adverse environmental, economic, and social impacts of urbanization in metropolitan areas.

Local Regulatory Problems. Most of the major negative environmental and economic impacts of recreational land development can be directly attributed to problems with land development regulations

at the local level--the lack of regulations, weak regulations, and poor administration and enforcement. Professional staff assistance is often nonexistent or insufficient. And many communities have misunderstood the potential impacts of development, thus making regulatory decisions they later regretted.

Lack of Regulations.--The recreational land development boom caught many rural governments totally by surprise, without any controls over land use and development standards. In a survey of local regulatory practices, 70 per cent of the communities had recreational lots which had been subdivided before any regulations were ever adopted.[2]

Warren County, Virginia, for example, had no land development regulations of any kind when a few early recreational subdivisions were developed there in the late 1950s.[3] In 1966, the county adopted its first set of subdivision regulations, but only after at least 15,000 lots had been platted and recorded in approximately 90 recreational subdivisions. In 1972, Warren County strengthened its subdivision regulations, and in 1973 adopted floodplain controls and its first zoning ordinance. Recreational land development fell off sharply after subdivision regulations were adopted, but the regulations came too late to avoid impacts from the development of lots already platted.

In Deschutes County, Oregon, no zoning or subdivision regulations existed until 1970. They had been adopted back in 1967, but were subsequently voted out along with the county planning commission.[4] Over 70 per cent of Deschutes County is in public ownership, mostly controlled by the U.S. Bureau of Land Management and the Forest Service.[5] Two-thirds of the remaining private land in the county has been subdivided into homesites, 70 per cent of which occurred as recreational subdivisions (over 20,000 lots) between 1960 and 1970--before local regulations were in effect.[6]

Warren and Deschutes Counties are not unique. As recently as 1971, a survey of one-third of the nation's counties showed that only 41 per cent of the non-metropolitan counties (less than 100,000 population) had zoning regulations.[7] The figure for metropolitan counties (over 100,000 population) was 55 per cent. The disparity was even greater for subdivision regulations, which existed in only 25 per cent of the non-metropolitan counties as opposed to 51 per cent of the metropolitan counties. Only 48 per cent of the non-metropolitan counties reported that they performed any planning functions, as opposed to 76 per cent of the metropolitan counties. Zoning and subdivision regulations occur even less frequently in the unincorporated portions of counties. In 1971, zoning existed in the unincorporated areas of 39 per cent of the nation's counties; subdivision regulations governing unincorporated areas existed in only 25 per cent of the counties.

While many communities are still without regulations, their numbers are declining. As recently as 1968, less than 24 per cent of all U.S. counties had zoning ordinances and only 29 per cent of all counties had subdivision regulations.[8] A 1973 survey of selected recreational land developers reported that 69 per cent had encountered zoning ordinances and 88 per cent had encountered subdivision regulations.[9]

Structural regulations such as building codes are also lacking in many rural areas. In Pasco County, Florida, retirees from the north helped swell the county's population from 33,000 to 108,000 between 1960 and 1973. Complaints over shoddy construction practices finally resulted in local efforts to adopt the county's first building code in 1973. Local officials expected the code to be a highly amended version of the Southern Standard Building Code, often criticized as a traditionally weak code in itself.[10] In 1970, 27 per cent of all dwelling units in Deschutes County, Oregon were in a "dilapidated or deteriorating condition," yet in 1973, the county still had no building, plumbing, or electrical codes.[11]

Most rural areas still have no structural codes. In 1971, a survey of county governments reported only 21 per cent of all responding counties as having any "code enforcement."[12] Forty-two per cent of the metropolitan counties had codes, while only 18 per cent of non-metropolitan counties had them. And, the majority of counties reporting code enforcement activities did so only for incorporated areas (60 per cent), leaving construction in the unincorporated, rural areas unregulated.

This lack of regulation is no mystery. Local governments rarely adopt legislation in anticipation

of a problem. Only after a problem has occurred are laws passed to avoid further damage. The amount and sophistication of local land development regulations tend to vary directly with pressures for land development. In remote rural areas of the country where development pressures have been minimal, there has been little interest in regulations.

There are other reasons for the lack of local regulations too. One is a deep-seated political resistance to government control over private property. In most rural communities, the less governmental control the better, especially when it comes to control over the use of land.[13]

Inadequate Regulations.--The absence of regulations accounts for only part of the local regulatory problem. Inadequate regulations are also a serious problem. In the ASPO survey of local regulations, over one-third of the respondents reported that their regulations were either "less than adequate" or "very ineffective."[14] Most regulatory tools were not designed to manage large-scale projects, and consequently ignore many important considerations. What some communities call subdivision regulations are nothing more than simple platting laws which only require developers to survey lot lines and roads, and file a plat at the county courthouse.

In Okanogan County, Washington, as in many rural counties, the subdivision regulations only apply to projects with lots below some maximum size. In Okanogan County, the maximum is 20 acres. Developers subdividing property into lots larger than 20 acres can avoid filing subdivision plats. Other loopholes in the regulations permit the resubdividing of these 20-acre parcels into four lots, also without filing any plats. The Okanogan County Planning Director states that, "In effect, subdivisions are being created where they would not be allowed under the Platting Ordinance."[15] Over 25,000 acres of land in the county have been subdivided into 20-acre recreational lots to avoid meeting the requirements of the county platting ordinance.

Unsophisticated zoning techniques in Summit County, Colorado, have allowed recreational development there to ignore environmental constraints:

> In many cases throughout the country, residential zoning is defined as follows: low, medium, or, high density, which usually means from one to twenty-five units per acre depending on the designation and has reached a high of sixty in Breckenridge. Blanket zoning such as this is simplistic and unworkable in mountainous areas where in the same fifty-acre parcel a developer may be confronted with variation in slope, streams, poorly drained wetlands, thin soils, and exposure, among other concerns. Yet, if his parcel is zoned to accommodate

Development standards in many rural areas are too lenient, often permitting construction on excessive slopes with weak controls over grading or the removal of vegetation.

> a certain number of units per acre he fully expects to develop to that density, regardless of environmental limitations.[16]

In Wayne County, Pennsylvania, road maintenance has been a problem in some recreational subdivisions due to their substandard design. Wayne County's road ordinance only specifies the width of the right-of-way, and contains no standards specifying the quantity or quality of base and surface materials, as commonly required in most suburban subdivision regulations.[17] In Deschutes County, Oregon, a local newspaper reported that the "recreational subdivision section of the [Deschutes County Subdivision] Ordinance was compromised to suit real estate people, the county planning commission and the State Board of Health."[18] The Ordinance does not require developers to provide community water or sewer systems for lots larger than one acre, even though they are adjacent to rivers and streams, or in other low lying areas of the county where the level of the water table is dangerously high.

Poor Administration and Enforcement.--In addition to being substantively weak, many local land development regulations are poorly administered and enforced. Insufficient staff to handle the heavy workload is often the major problem. For example:

> In Tuolumne County, Earl Magwoode is the total planning staff. The county now has 20,000 recreational subdivision lots developed and Magwoode says, 'We're so far behind, I need at least two years to catch up. We are $2 million behind in our road work, and there probably isn't enough water available to meet the demands of the existing subdivisions, if they are built up.'

> In Mendocino County the work loads imposed by a single project, Brooktrails, were so great the developer's engineering company was allowed to pay the county employees overtime to expedite county technical review and authorization.[19]

In 1968, the National Commission on Urban Problems reported:

> Less than one-fourth of all the jurisdictions attempting to regulate land use and building practices have any full-time employees so engaged, and in only 1 in 9 of them is such regulation directed by a full-time employee paid as much as $9,000 a year.[20]

A 1973 survey reported that the national median was only two authorized professional planning positions in city and county planning agencies with populations under 50,000.[21] In some rural counties, regulations are so new and staff so few, that subdivisions sometimes go unregistered, and for that matter, unnoticed by local authorities until there is a complaint by a lot owner or an application for a building permit. In Utah, many recreational subdivisions are approved by local governments prior to determining whether water and sewage systems can be provided. Home construction often gets underway before anyone discovers that these facilities will not be available. According to the Utah Division of Health, such deficiencies usually result in "permanent health hazards."[22]

Other regulations are often inadequately administered and enforced as well. Public health regulations are one good example. Enforcement is generally a matter of state concern--a part of the state's police powers--and is usually shared with local governments.[23] In Warren County, Virginia, a number of recreational lots were unexplainably approved by local health officials, even though they did not meet current health codes.[24] Other problems can occur when developers are relied on to do their own testing and submit the findings to local officials. Staff limitations often prohibit anything more than sample testing. As a result, subdivisions are approved with some individual lots which do not comply with the health code.

Finally, there is the age-old problem of corruption in government, from which rural governments are no more immune than any other levels of government. Several local officials interviewed in the course of this study mentioned that corruption had destroyed the effectiveness of development regulations. Conflicts of interest are common where people with land development and real estate interests sit on local planning commissions and county boards of supervisors.

> A California legislature joint committee on open space lands found that thirty-one per cent of the county planning commissioners in the state have at least a direct beneficial interest in [commission] decisions . . . [and there] is strong evidence that planning commissions, as presently structured and regulated, potentially can be utilized in a manner contrary to public interest.

> Not long after the committee's report was issued, the Riverside County grand jury indicted a county supervisor, a planning commissioner, and three developer representatives on charges of perjury, bribery and conspiracy. It is alleged the developer

> of a proposed recreation subdivision influenced the county officials through a $3,500 campaign contribution. The supervisor switched his vote to 'yes,' making the project vote 3-2 in favor of development, according to the allegations.[25]

Large recreational land developments create serious temptations for local officials, who are often local businessmen as well. For example:

> Such projects create another problem in small counties. They create jobs and they require services that local businessmen would like to supply. So a painting contractor, who is also a planning commissioner, bids and gets a job on a big project in his own county; a county counsel, on his own time, handles legal matters for a major developer. In a third county, a real estate man--planning commissioner, halfway through a discussion of a major project, announces he is licensed to sell land for that particular development, and will therefore abstain from voting. All three individuals were open about their relationships, and they saw no conflicts.[26]

Failure to Recognize Development as Urbanization.--Many local governments have not been quick to recognize or appreciate the full implications of recreational land development, and therefore not so quick to adopt regulations to deal with them. There are several reasons for this. First, it is difficult for local officials in rural areas to foresee any rapid forms of urban development. In metropolitan fringe areas, where domino urbanization has traditionally been the pattern, a community could anticipate its own future by looking down the road at what was already happening. But recreational land development is more independent of cities than bedroom suburbs, and leapfrogs into the hinterlands surprising communities unprepared for rapid growth. In Warren County, Virginia, just 60 miles from Washington, D.C., some local officials found inconceivable the suggestion that their county could become transformed into another Fairfax County (a highly urbanized county to the north, closer to Washington).[27]

Second, in many communities where premature recreational subdivisions have occurred, local officials have had difficulties taking such development seriously. They assume that recreational lots are being sold to "suckers back east," none of whom would really consider moving way out to the middle of nowhere. As long as no one wants to use these recreational lots as homesites, they create few impacts, and need little attention or regulation. This analysis is often true, but such unimproved land sales promotions are hard to distinguish from legitimate recreational subdivisions which stand good chances of becoming real communities.

Third, because second homes are usually thought to be only seasonally occupied, they are also thought to have much less impact than permanent homes. Developers often argue strongly for variances from local regulations on the grounds that seasonal occupancy creates less impact and less necessity for improvements. One local planner stated, "They [developers] attempt, more than in conventional subdivisions, to get you to wave or modify all of your regulations."[28] Some of these arguments make sense to the extent that second homes remain seasonally occupied, but no acceptable method of assuring that they do has been found.

Trends in Present Practices. Recreational land development has stimulated many local governments into action. The number of communities regulating land development continues to grow each year, often as a direct result of experiences with recreational subdivisions. Still others have been motivated to strengthen existing regulations.

Conventional Standards.--Local governments which have taken steps to regulate recreational land development have relied on the conventional techniques of zoning and subdivision regulation, and structural and health codes. Their approach has been generally uniform. The ASPO survey of local regulatory practices conducted for this study reported that 78 per cent of the responding jurisdictions applied the same regulations to recreational subdivisions as they did to first home subdivisions.[29] In the negotiation process between local officials and developers, where an increasing number of today's development decisions are being made, 72 per cent of the respondents stated that they made no distinctions between standards for second and first home developments. The policy adopted by San Diego County provides a good statement of this common approach:

> Purpose
>
> The purpose of this policy is to indicate to the citizens of San Diego County and

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subdividers in particular, the criteria which will be applied to developments proposed for "second" homes in the mountainous areas of the County which lie west and south of Anza-Borrego Desert State Park and easterly of a line at the base of the coastal foot hills. . . .

Background

Large land holdings have been or are being acquired by persons interested in providing the public an opportunity to acquire parcel of land which can be developed with a "second" home. The County recognizes the need to provide an opportunity for such recreation oriented developments in the back country, but also recognizes that with the passage of time a "second" home has a tendency to become a full-time home, and, as such, all public services connected with full-time residency must be provided for at the time of initial development.

Policy

It is the policy of the Board of Supervisors that: All development shall conform to the County of San Diego General Plan as adopted or amended as to land use and density. If proposed developments conform to the General Plan, the following services and facilities shall be provided and the noted development standards complied with.[30]

A local planning director comments on his community's policy by stating:

> Our regulations require that any recreational subdivision located within our jurisdiction, provide the same facilities as any "normal" subdivision. We do not accept the theory that recreational subdivisions do not place all the demands upon local government a normal subdivision would.[31]

Public health laws and building codes make few, if any, distinctions between second and first homes. Distinctions are made, however, in enforcement. Local health officials are often lenient with recreational lot owners if they bought their property before the regulations took effect. In Deschutes County, Oregon, the local sanitarian's office has an unwritten policy of making compromises on septic tank permits with lot owners whose purchases predate the regulations--lots which do not meet the new one-acre minimum requirements for on-site septic tanks.[32] Also many lot buyers have purchased property which never did meet the health codes, and many local officials are lenient in these cases too. The major cause of this problem is that in many rural areas, the approval of subdivision plots is not contingent upon first meeting local health regulations. In such situations, the two sets of regulations are enforced separately, i.e., subdivisions through the plat approval process, and health codes through the issuance of building or septic tank permits. In many counties in eastern Pennsylvania, for example, the law does not prevent subdivisions from occurring on unacceptable soil. Sewage disposal is controlled on a lot by lot basis by local health officials at the time the property owner applies for a sewage permit.[33] As a result, many recreational lots have been subdivided which are in conflict with local health requirements for water supply and sewage disposal systems. And again because of the law's silence, many subdivisions have been allowed to occur in some parts of the country with no accessible groundwater. For example, between 1962 and 1972, only 41 per cent of the recreational lots registered with the Utah Real Estate Division claimed availability of water.[34]

Some local governments have taken steps to avoid this problem by requiring health department approval prior to local approval of subdivision plats. The Utah County, Utah zoning ordinance now contains such a provision:

> Where domestic sewage disposal is to be accomplished by the use of individual sewage disposal facilities, the suitability of the land for sewage disposal shall be determined by standard seepage tests before the development is given preliminary approval. Suitability of the water supply shall also be determined by standard water analysis before the development is given final approval.[35]

A number of arguments have been advanced supporting the application of the same standards to both second and first home development. First, many local governments have found that the impacts of second home development are not significantly different from those of first home development.[36] Impacts resulting from construction are similar, if not identical. Impacts from occupancy and use may differ during the early years, but should be considered on the basis of periods of peak occupancy, rather than on the basis of total or average occupancy. Even though a recreational subdivision may be heavily occupied during only one season of the year, critical facilities such as water and sewer systems and roads must be designed to accommodate user demands during periods of occupancy.

Also, second homes tend to become permamently occupied year round, either by their original or successive owners. In the ASPO survey of local regulatory practices, the most frequent justification for requiring recreational land development to meet the same standards as conventional first home development was that second homes would eventually become first homes, making any significant distinction between the two pointless. Several respondents commented on this point:

> . . . second home units ultimately become first home units.
>
> There is no such thing as a second home subdivision. It may be designed that way, but in a short time, it is permanent and, therefore, should be treated as a first home development.
>
> Basically . . . experience has shown that second homes tend to become first homes sooner or later.
>
> Numerous second homes have now become first homes. Therefore, who is to say what is a second home?[37]

Permitting reduced subdivision improvement and construction standards for second homes would only postpone the need for improvements until some later date when the rate of permanent occupancy demanded it. Such an approach would be difficult to enforce, and the costs for some improvements, such as major sewer extensions, could wind up being borne by the general public. Logic demands that the developer be required to install all basic improvements at the outset, of course passing their cost on to consumers in the price of the lots.

Finally, making major regulatory distinctions between second and first home development is administratively difficult for local governments. Some developers argue that standards should be reduced for second homes minimizing their impacts in other ways, such as by restricting periods of occupancy, or requiring certain improvements only when homes are converted to permanent use. There are two arguments against this approach. First, as mentioned earlier, the most significant impacts are not all that different, regardless of annual occupancy rates. Improvement requirements should be made on the basis of density, not occupancy. Second, and even more important, it is administratively (if not politically) impractical to enforce a policy limiting occupancy. As one local official put it:

> . . . there is no effective way of guaranteeing that a second home will always be a second home. There are more important things to do than check on who is living in a house year-round or on vacation.[38]

Utah County, Utah, adopted a zoning ordinance containing a "Mountain Home Developments" zone designed to control the impacts of recreational subdivisions in the mountains by restricting occupancy to a maximum of 180 days per year.[39] Already, however, several lot owners have expressed their intentions of settling permanently in their "mountain homes," and the county has no practical means of enforcing the ordinance. Local officials concede that regulating occupancy has not worked, and intend to revoke the ordinance entirely.[40]

Variations from Conventional Standards.--In spite of the above arguments, some local governments do make regulatory distinctions between second home and first home developments. In a few instances, local governments have been tougher on recreational subdivisions than on first home subdivisions. San Diego County's "Back-Country Subdivision" policy requires that a proven source of water be named, and puts more restrictions on grading in mountainous areas.[41] Since many recreational subdivisions are attracted to sensitive environmental areas, there are good reasons to review them more carefully and often require stricter standards. One local official states:

> Initially there is perhaps a more denfensive attitude toward the [second home] project. It is examined much more closely in regard to its potential environmental impact, whereas a first home subdivision receives a more balanced review.[42]

Deschutes County has created a "Rural Recreation Residential Zone" conforming to an already well-established pattern of recreational subdivisions in the county.[43] Minimum lot sizes in this zone are higher than in conventional urban and suburban residential zones, primarily because of high water tables in many of these areas and the dangers of groundwater pollution from septic tank seepage. But these types of considerations focus on the capacity of the land itself, not on any particular forms of development, such as recreational subdivisions. All forms of land development in sensitive environmental areas should be required to meet stricter standards to the extent they are necessary.

Some communities do relax their development regulations for recreational subdivisions. Usually, this is done by granting special permits or variances from existing regulations rather than by adopting separate provisions or standards for recreational land development. Street standards are the most frequently relaxed, usually permitting less durable surfacing material in anticipation of lower traffic volumes.[44] Variances are also commonly requested from standards regarding such items as curbs and gutters, storm drainage systems, sidewalks, and street lighting.

There are several common arguments for relaxing standards. One is that seasonal occupancy creates lower impacts than permanent occupancy. Septic tanks used only seasonally are less hazardous than septic tanks used year-round. But some other important facilities, such as central water and sewage systems, must be designed to handle demands during periods of peak occupancy. Density and peak loads should be the real determinants of improvement needs, not occupancy rates. The lower the density, the better the case for relaxing some standards. Of course, all residential developments should be required to meet sound planning, engineering and health principles based on density and the carrying capacity of the site regardless of whether they are designed for permanent or vacation use.

Another argument for relaxing conventional standards is that major facilities such as central water and sewer systems are not needed during the early years of a recreational subdivision, since so many people buy lots for speculation and do not intend to use them, and since most buyers purchase their lots on 10-year installment contracts which prohibit home construction until the lots are paid off and the title has been transferred. If improvements were installed initially, they would simply sit and disintegrate during the years of low buildout. But one could argue that if basic site improvements are not needed at the time the property is subdivided, then by the same token, the subdivision is not needed either, since it is being developed prematurely.

The important questions for local governments to consider are who should pay for the improvements, and when is it administratively most efficient to require installation of facilities? By the time lot buyers have paid off their contracts, the developer will not usually be around to install the facilities, and local governments will be faced with the often difficult task of asking lot owners to make the capital outlays for the necessary improvements. In some cases, the lot owners may not even be able to afford to pay these costs. In other cases, it may be politically difficult to force them to cover the entire cost themselves, and the general tax-paying public will have to absorb the difference. In Deschutes County, Oregon, the local planning commission has adopted the policy of not requiring recreational subdivisions to include paved roads.[45] This policy is based on the fact that it may be years before any substantial home construction occurs in these subdivisions. Since the roads are being dedicated to the county, it is cheaper, at least in the short run, for the county to maintain unpaved roads rather than paved ones. Later, if substantial home construction actually occurs, they will face the task of improving roads.

A final argument for relaxing standards for second homes is that many conventional subdivision improvement requirements (such as curbs and gutters and street lighting) detract from the rustic recreational environment developers are trying to create and consumers are in search of. Where rustic character can be preserved without endangering the environment and project residents, such arguments have merit in some cases. Again, however, variations from existing development standards should be based on sound planning and design criteria depending on density and carrying capacity regardless of whether a project is to be rustic or urban in character, for seasonal or permanent use.

The Role of Property Owners' Associations.--Many rural governments are more inclined to grant variances from existing standards if they are relieved of future responsibilities for maintaining project facilities, such as roads, water and sewer systems, and recreational facilities. In some cases, local governments have clearly sought to avoid their traditional responsibilities by permitting or encouraging developers to set up property owners' associations. These associations are typically nonprofit corporations modeled after home owners' associations common in metropolitan suburbs and condominiums.

Delegating quasi-governmental responsibility to property owners' associations in recreational subdi-

visions raises a number of concerns. First, while the suburban experience with home owners' associations has been largely positive, property owners' associations in recreational subdivisions differ in several important respects. Homeowners' associations are made up of permanent residents who are present year-round, and most of whom move into the project and join the association within a relatively short period of time. On the other hand, property owners' associations in recreational subdivisions consist of three distinctly different groups of people with distinctly different sets of interests. One group includes speculative lot owners who have no intentions of building, have little interest in the project, and want to minimize their investments in the property, including maintenance fees paid to the property owners' association. A second group consists of second homeowners who have built second homes for vacation use, but who only visit the project intermittently and must divide their energies and interests between their first and second homes. The third group consists of the permanent residents of the project, often retirees, who are the most concerned about levels of project maintenance and the operations of the association in general. These divergent interest groups can create conflicts over things like setting maintenance fees and the use of project facilities, and generally make managing such an association more difficult than in a first home community.[46]

In addition, since many recreational property owners are often non-residents of the area, and non-residents of the state as well, conducting business in any democratic fashion is difficult. It is typically hard to get quorums at project meetings, and some associations have had to conduct much of their business by mail.[47] Heavy resident involvement is essential for a healthy association, and therefore less democratic organizational forms than the normal homeowners' association (such as the community trust) might be more suitable for recreational projects.[48]

Finally, there is always the danger that the property owners' association cannot manage its own affairs or afford the financial burden of maintaining the facilities it owns. Experience to date indicates that these associations have been less active and less successful than comparable suburban associations composed entirely of permanent residents.[49] In California, and elsewhere, some associations have folded, leaving subdivisions with no controlling entities.[50] When this happens, local governments usually have to step in and assume responsibilities for project maintenance, as well as costs.

New Techniques.--New techniques for analyzing and regulating development are evolving continuously, such as environmental and fiscal impact analysis, and flexible zoning controls such as planned unit development ordinances. Usually, these planning and regulatory techniques require increased staff capabilities. Most of them are not yet widely used in rural communities, nor even in many urban communities for that matter. Still, such new techniques offer increased opportunities to better manage recreational development in the future, and they should be carefully considered.

The environmental impact review process is probably the most important new analytical technique applied to land development in the 1970's. Some consider it the "single most important change in land use regulations since zoning."[51] The EIS outlines the effects of a project on its environment, and enables decision makers to make more informed choices. Its purpose is to "force full disclosure of the environmental consequences of a proposed action," and to ultimately inject environmental considerations into the initial design process. But few local governments apply this review technique to private development projects. California and Washington are two pioneer states where local governments use the EIS to evaluate private development proposals, as well as public actions.

Santa Cruz County, California has used the EIS process to review several recreational land developments. Since environmental impact is the focus of the process, rather than any particular type of development activity, no distinctions are made when reviewing recreational land development proposals. The county planning department uses its own staff or commission's consultants to write environmental impact statements, charging developers' fees to cover the costs. Most communities, however, go no further than preparing guidelines for writing statements, requiring developers to prepare the actual statements. Washington also enacted legislation establishing an EIS process for local governments

in 1971. Since two court decisions in 1973, the process has been applied to private subdivisions, including recreational subdivisions.[52]

Relatively few recreational land development proposals (or any other proposals) have ever been turned down due to the findings of an environmental impact statement, however, the process has often resulted in better project design, which is its primary intent. Local officials in both Santa Cruz County and King County, Washington commented that important design changes had been made in second home developments through use of the EIS process.[53]

A few rural communities faced with recreational land development pressures have attempted to incorporate considerations for the socio-economic impacts of recreational land development into their regulations. Warren County, Virginia has used development application fees to finance a cost-benefit study of a recreational land development proposal.[54] Warren County's study focused on the fiscal impacts of the project on county government, including projections of the taxes generated and the public expenses incurred over time. Such studies have also estimated impacts of recreational projects on local employment and local business firms.

Bayfield County, Wisconsin, offers another example. This community has amended its zoning ordinance to require economic impact statements from subdivisions of more than 100 lots:

> The applicant shall submit with his application for approval a detailed economic impact statement by competent professional help, such as engineers, land planners, and experts on government finance, showing the expected tax revenues to be paid by the proposed development to the county, town, and school, utility and sanitary districts, and the cost reasonably expected to be incurred by them in providing all governmental services required by the development and those who will live in it.[55]

These types of requirements are used like environmental impact statements. They provide additional information for local planning commissioners and legislators making project approval decisions, and can be used to negotiate more acceptable projects with developers.

The planned unit development (PUD) technique is also becoming more common to rural communities. The PUD process permits relief from the monotony and rigidity of conventional zoning provisions, and encourages more flexible and innovative site design. It is especially attractive for use in natural areas such as along shorelines or in rugged terrain since housing can be clustered and important natural features of the site preserved.

Regulating Old Subdivisions.--Even where controls have been implemented there is still the problem of avoiding adverse impacts from all the vacant recreational lots created before regulations took effect. Warren County, Virginia had 15,000 recreational lots created prior to the adoption of subdivision regulations in 1966. Over 20,000 recreational lots were created in Deschutes County, Oregon, before subdivision regulations and a zoning ordinance were put into effect in 1970.

Seventy per cent of the communities surveyed by ASPO contained recreational lots which had been subdivided prior to the adoption of the regulations, and which did not meet current minimum standards set forth in those regulations.[56] Development pressures for home construction on these lots have occurred in over half of these communities. The problem local governments face is what to do when these requests for development occur.

Responses to this problem have varied. In the majority of cases, construction has been permitted on recreational lots which predate the regulations without current standards being met. In other cases, compromises have been made. In Deschutes County, recreational lots which predate the zoning ordinance do not have to conform to minimum lot size requirements, but they must meet standards for building setbacks and yard requirements.[57] Local officials compromise least on health code requirements, although flexibility occurs here too. Health requirements are usually made retroactive and apply to all vacant lots, regardless of when they were subdivided. Unbuildable lots exist in many parts of the country because they do not meet local health code requirements for sewage disposal. Many of these lot owners will be denied permission to build, and there is little likelihood that central sewer systems will be installed. Consumers in this predicament must assemble several lots until they have a parcel which complies with the health code, or else sell out. One local planner reports his community's policy as follows:

> Unimproved substandard lots cannot be built upon unless minimum health department re-

quirements are met by combining lots to get [the] required square footage (11,000 square feet).[58]

Another planner reports:

> The lots must meet building code requirements regarding water and sewers, i.e., they must be buildable sites, but they do not need to meet current subdivision requirements.[59]

Some communities seem to have these priorities turned around, standing firm on their subdivision requirements (building setbacks and yard dimensions), while relaxing their health codes.

This same question arises concerning the conversion of second homes to permanent homes when the structures in question do not meet current building code requirements. Over three-fourths of the communities responding to the ASPO survey had second homes which had been converted to year-round residences; over half of these structures did not meet the current building code requirements for first homes.[60] Most of these communities (84 per cent) reported no regulations which required any structural improvements to be made at the time of conversion to permanent occupancy. Of those few which do try to regulate improvements at conversion (i.e., bringing them "up to code"), most require the owner to obtain a certificate of occupancy to use a second home as a permanent home. But enforcement of such regulations is highly impractical and most of these structures are only regulated if a complaint is filed by an adjacent property owner or some other party, or if the owner files an application for additions or improvements to be made to the building.

State Regulations

Many state governments have broken the traditional pattern of local responsibility for all land use decisions by enacting a variety of legislation giving states more direct control over land use. While aimed at all forms of land development, much of this emerging body of state legislation has a direct bearing on recreational land development. Some state laws, such as Vermont's Act 250, have been drafted primarily in response to intensive recreational land development.

There are two major thrusts of emerging state legislation which affect recreational land development. One involves direct controls over development, either by forcing local action, or by outright state control. Equally, if not more important are the new state laws aimed at protecting critical natural areas--areas which are often under the greatest pressure from recreational land development. Protecting consumers through land sales laws is also an important state responsibility.

Controlling Land Development. State controls of land development have taken both the forms of mandating local regulatory systems as well as direct state controls over certain types of projects, such as large-scale subdivisions.

Mandatory Local Controls.--Some states (Colorado, Montana, and Oregon) have begun requiring local governments to adopt regulations backed up by the threat of state intervention if local governments fail to act. In 1969, the Oregon Legislature passed a law requiring every city and county in the State to adopt comprehensive land use plans and zoning ordinances by the end of 1971. Although the law authorized the Governor to extend the deadline, it also allowed him to develop a comprehensive plan and zoning ordinance for any city or county considered making inadequate progress. Further, the Governor was given the power to enforce State imposed regulations with court injunctions against development proposals which violated State regulations. On one occasion, the Governor placed a moratorium on the issuance of building permits in Lincoln County, until the county commissioners agreed to complete their comprehensive plan and zoning ordinance. In another instance, at the request of the Jefferson County commissioners, the Governor placed a moratorium on new subdivision plats until the commissioners could adopt a subdivision ordinance and complete a land use plan.

This initial act gave local governments no guidelines and no money, both major shortcomings.[61] Senate Bill 100, adopted by the 1973 Oregon Legislature corrected these problems by creating a Department of Land Conservation and Development to establish statewide land use planning goals and guidelines by January, 1975, and authorized an appropriation of $2 million to be distributed to local governments.[62] Within one year after approval of the statewide guidelines, all local comprensive plans and development-related ordinances must be in compliance.[63] The bill also charges the department with issuing permits for activities of statewide significance, including sewer and edu-

cational facilities, and with recommending areas of statewide concern to a new Joint Legislative Committee on Land Use.

State governments have strengthened other types of local regulations as well. In Montana for example:

> The State Department of Environmental and Health Services is required to promulgate rules and standards relating to adequacy of water supply and the quality of sewage and solid waste disposal systems for all subdivision developments. No such development is permitted without department approval, and application for approval must include certain specified information as to water, sewage and solid waste disposal, at the approval of the local health officer. [64]

In 1973, Oregon health laws were substantially strengthened when sewage disposal approvals were assisgned to the State's new Environmental Quality Board. [65] The law prohibits any local government from approving any subdivision, land partitioning, plat or plan until it has received a written approval from the Environmental Quality Board. This requirement helps to insure that no recreational lots can be sold without adequate sewage disposal facilities, and it also takes some of the political pressure off of local planning commissions.

States have also increased their role in code enforcement. In 1970, Connecticut became the first state to adopt a mandatory, uniformly administered statewide code covering all types of structures, with Maryland, Michigan, and Minnesota adopting similar codes in succeeding years.[66] Several other states have adopted less comprehensive, statewide codes exempting certain types of structures (e.g., one and two family units) or setting standards only for particular kinds of units (e.g., manufactured structures). Some of these codes are voluntary, but the trend is toward mandatory requirements. In almost every case, they are administered locally, although most of the states, like Connecticut, provide a state building code standards committee to hear appeals.[67]

Statewide Land Use Plans.--In addition to making local regulations mandatory, more than half of the states have adopted some form of statewide land use plan.[68] Although statewide plans vary considerably, they generally assess land and water resources, project future needs for these resources, examine current land use problems and governmental responses, and propose guidelines and techniques for directing future growth.

In 1970, Vermont passed the Environmental Control Law (Act 250) largely in response to the pressures of recreational land development. In requiring state and regional approval of all proposals for major residential subdivisions and highways, Act 250 requires a series of statewide plans to be adopted as part of the criteria for project review. The first plan was an interim land capability plan which described existing land uses in the state and provided a preliminary classification of lands based on physical limitations of development, suitability for agriculture, forestry, or mining, and the existence of unique or fragile environmental conditions.[69] The second land use plan, the "Capability and Development Plan," set forth state land use goals and objectives and was adopted in 1973. The final plan, classifies all land as urban, rural residential, agricultural conservation (prime agricultural land), resources and agricultural conservation (secondary agricultural and forest lands) or reserves.[70] These plans will provide a policy base for state agencies and local governments to use in adopting land use controls, and provide general use criteria to be considered in approval of highways and large residential developments, including recreational land developments.

Developments of Regional Impact.--Several states have adopted legislation to deal with developments creating greater than local impacts. One example is Florida's Environmental Land and Water Management Act of 1972.[71] Based in part on the American Law Institute's Model Land Development Code, the two major components of Florida's program regulate developments of regional impact and critical environmental areas. The law designated the Division of State Planning to prepare a comprehensive state land use plan as a policy framework, and created an Environmental Land Management Study Committee to report to the governor and legislature on strategies for related issues such as local subdivision regulations, land sales, development rights, and tax policies.

Under the law, every developer proposing a project classified as a development of regional impact (DRI) must file a form with the local government, the regional agency, and the Division of

State Planning, including detailed information on how the project will affect the region's environmental and natural resources, public facilities, and economy.

Partly in reaction to rapidly increasing second home development on inland lakes, Maine passed the Site Location of Development Act in 1970. Under the act, the State Environmental Improvement Commission (EIC) is given the power to enforce a permit-approval system for all large commercial developments, including residential subdivisions larger than 20 acres, as well as any other residential projects that would require effluent discharge permission from the EIC. Approval is based on the developer's financial capability, on the impact of the proposed development on traffic and the natural environment, and on soil suitability of development sites. By the end of 1971 most of the permit applications processed in Maine were for residential subdivisions. About 83 per cent of the applications were for the construction of housing, and approximately half of these were for seasonal housing. The commission has approved most of the applications, in many cases attaching additional conditions improving the quality of the developments.[72]

Vermont's Environmental Control Law (Act 250) established an Environmental Board, assisted by seven regional commissions, to review all proposals for large-scale projects in the state. The act, which includes an incentive for local zoning, requires state permits for all residential development proposals on tracts of land of one acre or larger in areas where no local zoning exists. In areas with local zoning, state permits are required for developments of 10 acres or more and for subdivisions of 10 or more lots. Permit applications are reviewed according to 10 environmental criteria included in the act. Criteria include findings that the proposed development will not result in undue water or air pollution; has an adequate water supply and will not cause any unreasonable traffic congestion or otherwise overly tax the local government's ability to provide schools and other governmental facilities and services; will not have an unduly adverse effect on scenic, historic or irreplaceable natural areas; and will be in conformance with local, regional and state plans.

Since the passage, the main effect of Act 250 has been to upgrade projects by attaching conditions to permits on a case-by-case basis, with little effect on the location of projects. Special conditions imposed on developments have included a variety of environmental, economic, and design criteria such as the prohibition of future expansion; requirements for underground utility lines, performance bonds, landscaping, and road size; and time limits on construction phasing.[73] By late 1973, the state Environmental Board had approved all but 64 of the 1,079 applications received, although about 80 per cent of the approvals included state-imposed conditions.[74]

Environmental Impact Review.--As of April, 1975, 24 states had adopted an environmental impact statement review process.[75] The large majority of these acts only apply to the activities of state governments (such as state road construction and other state public works projects), ignoring private development projects. Some limited measure of control over recreational land development is possible by reviewing state development activities necessitated totally or in part by recreational land development. New York's Environmental Conservation Law, passed in 1975, requires an EIS for all local government actions which might have significant effects on the environment, including the issuance of permits and the adoption of local development policies and regulations. As written, this law could have important indirect effects on development.[76] Still, the EIS process will have its most significant effects on recreational projects when applied directly to private development proposals as in California and Washington.

Protecting Critical Areas. Some of the most important kinds of emerging state regulations are those designed to protect geographic areas with special scenic, natural, scientific, or historic value. There are many kinds of geographic areas in which no recreational subdivisions should occur, and others in which developent frequently removes land from the market which might be put to better use serving the recreational needs of the public rather than being subdivided for the private recreational use of a few. As one local planner put it:

> The greatest problem [with recreational land] is the danger that such subdivisions will preempt [the] most appealing natural settings and degrade or destroy

them--while at the same time complying with [local] subdivision regulations.[77]

General Critical Area Laws.--Many critical area regulations are general in scope, designed to protect a range of environments such as floodplains, shorelines, wetlands, and mountains. Maine passed a bill in 1974 providing funds for local governments to designate critical areas themselves, and produce plans for the protection of these areas within half a year of their selection. The act also established a Critical Areas Advisory Board to assist local governments in identifying areas of critical concern and to coordinate plans for their use and protection.[78]

Under the Environmental Land and Water Management Act, Florida's critical areas legislation allows for more state involvement than Maine's act. The definition of critical areas is very broad in the Florida Act, including not only environmental, natural, historical, and archeological areas, but also areas of major development potential and areas affected by major public investments. Indeed, they are so broadly defined that the regulations may be applied to nearly all land use problem areas.[79]

The Florida Division of State Planning recommends boundaries for areas of critical state concern, details why areas are critical, and establishes development guidelines for each specific area. If the Governor and his cabinet approve an area, the local government is given six months to adopt land use regulations based on the state guidelines. If the local government fails to adopt adequate regulations, the Division of State Planning prepares the regulations, and may seek court enforcement if local enforcement is inadequate.[80]

Coastal Zone Management.--Threatened by a variety of development pressures, including recreational land development, most coastal states have begun working on programs to protect their coastlines. The specifics of these programs vary greatly, but there are two basic approaches--direct state control and state guidance of local planning and regulation.

California has probably gone the farthest with direct controls.[81] With passage of the California Coastal Zone Conservation Act (Proposition 20) by statewide referendum in 1972, the State Coastal Zone Conservation Commission and six regional commissions were established with a three year mandate of developing a comprehensive plan for conserving and restoring the coastal environment, including implementation procedures. Each regional commission must submit a comprehensive development plan to the state commission, which in turn must present a final plan to the legislature for approval or amendment. Recreational subdivisions require permits, like all other projects, and must prove that they will not cause any substantial adverse environmental effects. New Jersey is another state using direct controls to protect its coastline. The Coastal Area Facilities Review Act requires approval by the New Jersey Department of Environmental Protection of residential developments consisting of 25 or more units between the shoreline and observable road courses.

Other states have opted for local coastline protection. Washington's Shoreline Management Act of 1971 requires local governments to prepare comprehensive management plans in accordance with state guidelines.[82] Subject to state review, they are also required to administer a permit program for all substantial shoreline development (defined as development worth over $1,000 with 200 feet of streams, wetlands, and lakes, as well as oceans). The law is administered by the Department of Ecology, which has the authority to intervene where localities fail to act.

Beach and Shoreland Access Laws.--In some areas, recreational subdivisions and second homes have formed walls of private property along coasts and shorelines, seriously restricting access to public beaches. In most states, the mean hightide mark is considered the dividing line between public and private beach ownership. Although the foreshore area is held in trust for the public, private ownership of the backshore area often blocks access and prevents its use.[83] Without provisions for public access being made, these areas can become "de facto" private beaches for second home owners. Oregon, Texas, and California have taken steps to prevent this. (The 1976 Amendments to the Coastal Zone Management Act, discussed in the section on federal regulations, include provisions for improving public beach access.)

Both Oregon and Texas have open beach laws which preserve foreshore areas for public use, even where backshore areas are privately owned. In

addition to establishing a public easement for all land on the Oregon coast from the extreme low tide to the vegetation line, the law delegates broad powers to the Highway Commission, permitting them to purchase private property contiguous to the ocean shore for public access if such access is not otherwise available. They are also charged with regulating the use of the ocean shore, controlling construction by permit, and regulating the use of adjacent public lands, but not private lands.[84]

California has adopted several strong measures dealing with its coastline. In 1970, the state passed AB 493 which prohibits approval of any coastal subdivision that does not provide reasonable public access from the public highways to the land below the ordinary high water mark, either within or at a reasonable distance from the subdivision.[85] California's Proposition 20 also has an important effect on beach access. In turning down a permit for a single family home in Sea Ranch (a second home development) in October, 1973, the State Coastline Commission indicated that such exclusive subdivisions would have to take more public needs into consideration, including the provision of public access to beaches.[86]

A similar public access problem exists along river and lake shorelines where recreational land development has occurred. In Wisconsin, the Water Resources Act of 1966 required counties to adopt regulations for all shoreland in accordance with standards and criteria developed by the Department of Natural Resources. Included in the standards are requirements that all new subdivisions must provide public access to navigable waters.[87] The law does not remedy blocked access in older subdivisions predating the Act, and the state will have to purchase easements or the land itself at key access points in older developments.

Shoreland Regulations.--Providing public access to navigable waters was only one of the reasons behind Wisconsin's Water Resources Act. Like other states, Wisconsin also adopted the regulations to prevent developments from destroying scenic shoreland areas and the quality of adjacent waters. Traditionally, states have regulated private activities which directly affected public waters, including dredging and filling, damming, and pollution control. At the same time, control-

In many parts of the country, waterfront second homes have created walls of private ownership, hindering public access to streams, lakes, and the coastline.

ling shoreland uses above the highwater mark has traditionally been left to local governments. In recent years, however, a number of states, including Wisconsin, Minnesota, Maine, Vermont, Michigan, and Washington, have passed laws requiring local governments to adopt shoreland regulations in accordance with minimum state standards. Under these laws, the states will adopt regulations for local areas failing to comply with state guidelines.[88] Shoreland regulations use many of the same techniques found in zoning and subdivision controls, such as regulating lot sizes and setbacks from the shoreline, as well as regulating dredging and filling, and removal of shoreline vegetation.[89]

Minnesota and Wisconsin both have shoreland regulations which follow this general pattern. Minnesota's Shoreland Management Act, adopted in 1969, required all counties to adopt shoreland conservation ordinances meeting minimum state standards and criteria by July 1, 1972. Recent amendments to the Act extended its coverage to shorelands in both municipal and unincorporated areas. Under the Act, the state is required to impose a model ordinance if local governments do not adopt acceptable regulations. The minimum state standards establish a sanitary code, minimum lot sizes, building setbacks, and subdivision regulations. While these requirements apply only to new subdivisons, existing development must meet code standards for sewage disposal.[90]

Although the Wisconsin Water Resources Act of 1966 still applies only to unincorporated areas, it is otherwise very similar to the Minnesota act. It authorizes the State Department of Natural Resources to impose shoreland protection regulations in the event counties do not adopt acceptable regulations, and sets down strict criteria regarding lot sizes; minimum setbacks for sewage disposal and water supply systems from the highwater mark; maximum clearing of trees and other vegetation; maximum site coverage by buildings; placement of roads; and the suitability of land for various types of development.[91]

Wisconsin's law provides for three types of shoreland zoning classification--Conservancy, Residential-Recreational, and General Purpose--with different use and development standards for each. Conservancy districts are mainly swamp and marsh areas which are rarely suitable for building, and permit few uses. The Residential-Recreational district includes land amenable to light development, and specifically permits seasonal and year-round single-family dwellings. The General Purpose District, the least restrictive category, permits most types of development as long as 100 foot minimum setbacks from navigable waters are observed. These zoning classifications are included in a Model Shoreland Protection Ordinance which supersedes all county shoreland zoning with the exception of those sections which are more restrictive than the model provisions.[92]

Both the Minnesota and Wisconsin laws contain sections applying specifically to subdivisions. The Wisconsin Model Ordinance contains particularly strong measures which prohibit land from being subdivided which is "held unsuitable" by the county planning agencies for reasons of flooding, inadequate drainage, soil and rock erosion potential, unfavorable topography, inadequate water supply or sewage disposal capabilities or any other features likely to be harmful to the health, safety or welfare of the public.[93]

Adirondack Park Agency Act.--In a few cases, states have adopted comprehensive land use controls for particular unique areas under heavy recreational land development pressures. The Adirondack Park Agency Act of 1971 is one of the most comprehensive such measures.

The Adirondack Park covers six million acres of publicly and privately owned forests, lakes and mountains in upstate New York. A popular second home area since the 19th Century, the park has been experiencing increasing second home development. These development pressures plus the inability of many small communities in the Adirondacks to deal effectively with land use problems, led to passage of the Adirondack Park Agency Act in 1971.[94]

The goals of the act are both to preserve and use the unique scenic, natural and recreational assets of the park, to develop long-range policy based on state-wide concern for the park, and to encourage local land use planning. To achieve these goals, the agency prepared the Adirondack Park Land Use and Development Plan which took effect August 1, 1973. The plan classifies all private lands in the park into six land use areas, with com-

patible uses and intensity of development specified for each area. It aims to preserve the open space character of the park by centralizing the most intense development in hamlet areas, which consist of existing towns with room for growth. Rural use and resource management areas, in which only minor development will be allowed, make up 87 per cent of the private land in the park.[95] The plan includes lake and river shoreline restrictions, and a review and permit system.[96]

Projects subject to review are classified into two groups. Class A projects are defined as those developments with "potential major impact, [or] near especially critical environmental areas," and include subdivisions of 100 or more lots in hamlet areas. Outside hamlet areas, much smaller subdivisions are included in Class A. All Class A projects must be reviewed and approved by the agency, as well as local governments if they are located in areas covered by local land use plans. Class B projects are those which have some potential, though less critical impacts. They are subject to agency review only if there is no approved local land use plan in effect.[97]

The location and quality of future recreational subdivisions in the Adirondack Park will be directly affected by the act. Densities typical in most recreational subdivisions will not be permitted on much of the park's remaining open lands, and projects which are approved will have to meet stringent environmental measures. As a result, the Adirondack Park will be preserved as a highly desirable second home location for those already there, as well as the limited number of projects which will be approved in the future.

State Land Sales Regulations.--Consumer protection in recreational land sales is also considered an important state responsibility. As of May, 1973, 41 states had adopted some form of legislation requiring the registration of land sales offerings.[98]

Most state land sales laws are modeled after the federal Interstate Land Sales Full Disclosure Act of 1968 (discussed in the next section), but they differ in two important respects. First, many states' laws differentiate between projects located in-state, (regardless of where the land is sold), and projects located out-of-state (i.e., those located outside of the regulating state but marketing land to in-state residents). Registration requirements differ for in-state and out-of-state projects--usually by being tougher on out-of-state developments. Second, several state acts go beyond the limited intent of full disclosure by including requirements which affect the quality of the development itself, primarily through bonding requirements which guarantee that promised improvements will, in fact, be constructed. At least two states (Georgia and New York) require in-state developers to post performance bonds, and 15 states make this requirement for out-of-state subdivisions.

Aside from these distinctions, most state land sales acts have been modeled after the federal statute in one way or another. All but two (Maine and South Dakota) require property reports to be given to prospective buyers. Most of them include provisions for rights of recision, several of which are longer than the federal cooling-off period of 48 hours. (Michigan has a five-day unwaiverable period of recision; California requires a 14-day right of recision.) The federal minimum lot requirement for filing (50 or more lots) is the highest minimum used by any of the states (with the exception of Minnesota's which is 51 and Georgia's 150 lot minimum for in-state developers). Many states require subdivisions with far fewer lots to register; 12 states require registrations from all subdivisions containing five lots or more.

In most cases, developers are required to register with the state, usually with departments of real estate or real estate commissions. New Mexico requires registration with the counties. In six states (Alabama, Maine, North Carolina, Pennsylvania, Tennessee, and Wisconsin) wide discretion for registration requirements is granted to planning regions, counties, and/or municipalities. These local units of government are allowed to formulate their own regulations and require registration with local officials. Six states (Maine, Minnesota, Missouri, Ohio, Tennessee, and Vermont) require registration through their securities acts. West Virginia requires registration through its Blue Sky Law, and Iowa requires registration under its Consumer Fraud Act.

Among the states, there is a great deal of variation in land sales regulations. Seventeen

states regulate only the sale of out-of-state land. Eighteen states make some provision for the acceptance of federal filings in lieu of state registration. Tennessee does not require registration of in-state land with the state but the planning regions may require such registration if they choose to; Maine, on the other hand, delegates its authority to register subdivisions to the municipalities. Both states require registration of out-of-state land through their securities acts. In Pennsylvania, planning agencies may regulate in-state development while the sale of out-of-state land is regulated through state licensing regulations.

California's regulations governing land sales are considered to be among the toughest. Before any land in subdivisions of five or more lots can be sold, the state real estate commissioner must issue a Final Subdivision Public Report informing prospective buyers of important facts about the property.[99] Out-of-state developers selling in California must receive a permit from the State Department of Real Estate. The regulations require an appraisal of the lots in the particular subdivision to determine if the lot prices are "fair, just, and equitable." The appraisal must be made by the department appraiser and the cost borne by the developer. The "fair, just, and equitable" provision means that the price of the land offered must bear some relationship to the price of comparable land in surrounding areas. "Developers who promise improvements must put up financial security to guarantee them--usually a performance bond backed by a construction contract."[100] Lots may not be sold as speculative investments unless the subdivider submits an economic feasibility report which contains "facts sufficient to justify" claims made of investment value.

California's tough out-of-state land sales law has forced many developers to ignore the major markets that exist there.

> Significantly, many of the largest land companies, including GAC Corporation and Horizon Corporation, have not met California's requirements and are not permitted to sell there. From September, 1963 unitl the time this book went to press, the state did not authorize sales in California of any subdivided land located in Florida.[101]

However, like most state land sales acts which make the distinction, the California law is not tough on local subdividers.

> Not surprisingly, out-of-state subdividers are scarce in California. But ironically, California's home-grown land hustlers, such as the California City promoters, flourish under much less stringent rules and enforcement, and they have the lucrative, land-happy California market all to themselves.[102]

New York's law has also been highly acclaimed. Since 1969, the office of New York's Attorney General has been responsible for the return of approximately "$7 million in restitution for victimized land buyers."[103] One author states that, "Many offerings with routine clearance from federal authorities have been banned in New York."[104]

State land sales regulations as a whole comprise a fragmented maze of widely varying restrictions offering consumers generally less overall protection in the form of full disclosure than do OILSR's regulations. But the bonding requirements of a few key states are important exceptions which go beyond the relatively weak techniques of full disclosure by providing assurances of developer performance.

Federal Regulations

The federal government's response to recreational land development has been primarily limited to consumer protection legislation administered by OILSR, and other types of consumer protection laws administered by the Securities and Exchange Commission and the Federal Trade Commission. As a result, the federal government has had little influence over the location or substantive quality of recreational land development.

The OILSR has maintained a policy of aiding consumers only through full disclosure legislation, staying well away from any kinds of development standards.[105] The unsuccessful National Loan Use Planning Act (which passed the Senate in 1973, but failed in the House in 1974) would have provided federal assistance for state land use planning programs, and included a number of specific land use problem areas which state plans were to address, including large recreational land developments.[106] It also contained an amendment which would have required state land use plans to include a program to regulate "land sales or development projects."[107] Other bills aimed specifically at controlling various aspects of recreational land development have

been introduced into Congress, but none have become law.

Some federal initiatives, however, have had important indirect effects. For example, the National Environmental Policy Act set the model for many similar state acts which have had direct effects on development. Other federal legislation such as air and water quality regulations, may begin to have increasing impacts on rural land use, but have focused primarily on urban areas to date, and have had little influence on recreational subdivision activity. While the recreational land development industry is wary of how emerging federal laws will be interpreted and enforced, so far their cumulative effects on recreational development have been far more potential than real.[108]

Interstate Land Sales Full Disclosure Act. Several federal agencies have some authority to regulate varying industry practices in recreational land sales. Key authority comes from the Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended). The act, administered by the OILSR gives HUD jurisdiction over the sale or lease of lots in any subdivision,

> . . . which is divided or proposed to be divided into 50 or more lots, whether contiguous or not, for the purposes of sale or lease by a single developer, or a group of developers acting in concert. . . .[109]

The act is a disclosure law modeled after the 1933 Securities and Exchange Act. It requires land developers and land sales firms to register their projects with HUD. Developers must pay a fee (based on a sliding scale tied to the number of lots being offered, but not to exceed $1,000), along with two documents: a Statement of Record and a Property Report, which are reviewed by OILSR staff for compliance with the regulations. The Statement of Record is a highly detailed document calling for specific company and project information including such things as ownership interests in the land; specific physical project information such as topography and climate; the status of title to the land and details on any encumbrances, deed restrictions or covenants which the land might be subject to; current status of project development such as roads, utilities, and internal or neighboring facilities such as shopping centers and schools, recreational facilities, municipal services; current taxes and copies of audited and certified financial statements of the developer for the last full fiscal year as well as means of financing proposed improvements in the land.[110] A land developer may not use any kind of interstate transportation or communication to sell land unless HUD has accepted his Statement of Record. If HUD accepts the statement, the registration automatically becomes effective 30 days after filing, unless the developer is notified of filing deficiencies prior to that time.

The Property Report is an abbreviated version of the information contained in the Statement of Record, and is required by the act to be given to the prospective buyer either before or at the time of signing a sales contract. Failure to do so entitles a purchaser to void his contract. A purchaser also may void his contract within three business days after entering into a land transaction if he received the report less than 48 hours before he signed the contract. The Property Report is the key mechanism for consumer protection--the actual method of providing disclosure of pertinent facts to the consumer. In question and answer form, it covers a minimum of 20 important facts buyers should know about the land (along with some additional items when specifically required) including:

- Distances to nearby communities over paved or unpaved roads;
- Existence of mortgages or liens on the property;
- Whether contract payments are placed in escrow, a special fund set aside to insure that all payments are applied to the purchase of the property;
- Availability of sewer and water service or septic tanks and wells;
- Present and proposed utility services and charges;
- The number of homes currently occupied;
- Soil and foundation conditions which could cause problems in construction or in using septic tanks; and
- The type of title the buyer will receive and when he will receive it.[111]

Not all subdivision offerings are covered by OILSR regulations. The act provides for 10 statutory exemptions from registration with HUD, some which require no review or approval, others for which developers can only become eligible upon HUD's

review and approval. Exemptions not requiring review and approval by HUD include:

Sale or lease of:

- Tracts of fewer than 50 lots which are not a part of a common promotional sales plan;
- Lots in a subdivision where every lot is five acres or more in size;
- Lots upon which a residential, commercial or industrial building has been erected or where a sales contract obligates the seller to build one within two years;
- Real estate pursuant to a court order;
- Real estate by government agencies;
- Lots purchased wholesale by a person engaged in the building business or buying for resale to persons engaged in such business;
- Lots which exceed 10,000 square feet and sell for less than $100, including closing costs.

Lease of:

- Lots for terms not exceeding five years, providing the lessee is not required to renew his lease.

Sale of:

- Evidences of indebtedness secured by a mortgage or deed of trust--for example, the resale of a note generated by a land sale;
- Securities issued by a real estate investment trust;
- Cemetery lots.[112]

Exemptions which require HUD review and approval to qualify for eligibility include:

- Tracts for which the HUD Secretary issues an exemption order waiving enforcement as unnecessary for protection of purchasers. To qualify, the exemption request must apply to a single transaction only, or involve a subdivision with fewer than 300 lots located, offered, and advertised within one State, and with no more than five per cent of the lots sold to nonresidents of that state in any given year; and
- Lots sold 'onsite, free and clear of liens.' To qualify for this exemption, the seller must file a claim with HUD and prove that he sells only to purchasers who make onsite inspections and that all property restrictions are beneficial and enforceable by lot owners. The seller must furnish buyers a HUD-approved statement setting forth reservations, taxes, assessments and restrictions on the lot, prior to signing the sales contract. He must obtain a receipt for the statement from the buyer and file receipts with HUD once each year. The sales contract must require that the buyer receive a deed within 120 days after signing the contract.[113]

The regulations implementing the Interstate Land Sales Full Disclosure Act have been revised several times since passage of the act. In 1973, the regulations were revised on the basis of testimony gathered in public hearings in 17 cities. The key changes include the following:

- A requirement that developers give buyers an audited financial statement of the company in any case where its sales exceed 300 lots or $500,000 in value.
- Developers must disclose in property reports past or pending 'disciplinary proceedings, bankruptcies or litigation' involving the company or principal officers if these could affect buyers. These disclosures would have to include indictments of convictions related to land sales.
- There must be detailed reports on environmental factors. These include 'unusual' noises, flooding conditions and odors from 'noxious smoke, chemical fumes, stagnant ponds, slaughterhouse and sewage treatment facilities.'
- The developer must say whether or not he is legally and financially obligated to make promised improvements, such as installation of clubhouses and swimming pools. He also must disclose the availability of units and sewage facilities.[114]

In addition, the new regulations contained guidelines governing land developer's advertising practices:

> Ads now must advise buyers to obtain property reports and must state whether pictured improvements actually exist or are 'merely promised.' Advertisers can't say a project is 'minutes away' from somewhere unless the mileage is also given. And the mileage must be measured via roads accessible by car.
>
> The ads also must disclose whether pictured scenes actually exist on the land being offered or whether the pictures were taken elsewhere. And on the front page of the property reports to buyers must be overprinted in red capital letters: 'purchasers should read this document before signing anything.'[115]

Under the provisions of the Interstate Land Sales Full Disclosure Act, HUD is authorized to bring an action in any U.S. district court to enjoin practices which violate the act, such as sale of unregistered land, improper disclosure in a property report, or deceptive sales practices. HUD is also authorized to transmit to the Attorney General evidence concerning illegal acts or practices, so that he may initiate criminal proceedings. Willful violations of the act are punishable by a fine up to $5,000 or imprisonment up to five years, or both. By law, HUD can also institute formal admin-

istrative proceedings which can lead to the suspension of a developer's right to sell land covered under the act.[116]

Securities Act of 1933. Administered by the Securities and Exchange Commission (SEC), the Securities Act of 1933 was adopted by Congress to "provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and throughout the mails, and to prevent frauds in the sale thereof. . . ."[117] The 1933 Securities Act is the nation's model disclosure law, and requires extensive registration requirements and disclosure of securities offered through the publication and delivery of a detailed prospectus.

In 1946, the U.S. Supreme Court heard the case of SEC v. W.J. Howey Co., and held that "the purchase of a subdivision of an orange grove coupled with an offer of a service contract was found to constitute an 'investment contract' within the definition of that term" in the 1933 Securities Act.[118] With this decision, the SEC expanded its authority into various real estate offerings including authority over many recreational condominium and cooperative arrangements common today.

The SEC has interpreted the Howey decision as applying to condominium sales which are coupled with rental or management agreements, and where the real estate interest is offered together with a service contract which includes rental services performed by some management agent. Guidelines published by SEC state that:

> Where this is the case any offering of any such securities must comply with the registration and prospectus delivery requirements of the Securities Act, unless an exemption therefrom is available, and must comply with the anti-fraud provisions of the Securities Act and the Securities Exchange Act and the regulations thereunder.[119]

The guidelines summarize the types of properties which the SEC laws apply to as follows:

> In summary, the offering of condominium units in conjunction with any one of the following will cause the offering to be viewed as an offering of securities in the form of investment contracts:
>
> 1. The condominiums, with any rental arrangements or other similar service, are offered and sold with emphasis on the economic benefits to the purchaser to be derived from the managerial efforts of the promoter, or a third party designated or arranged for by the promoter, from rental of the units.
> 2. The offering of participation in a rental pool arrangement; and
> 3. The offering of a rental or similar arrangement whereby the purchaser must hold his unit available for rental for any part of the year, must use an exclusive rental agent or is otherwise materially restricted in his occupancy or rental of his unit.[120]

In addition, recreational land developments which have been designated as securities offerings are subject to the fraud provisions of the 1933 Securities Exchange Act, and their sales personnel can be required to register and undergo examinations for licensing as brokers.

Truth in Lending Act and the Federal Trade Commission Act. Another government agency with some authority over consumer problems in land sales is the Federal Trade Commission (FTC). Under the provisions of the 1969 Truth in Lending Act (Regulation Z), the FTC is concerned with "unfair" or "deceptive" sales practices used by any commercial company, regardless of the products involved. The FTC's main concern with the recreational lot industry is deceptive advertising practices. A deceptive activity is defined as:

> . . . an affirmative misstatement of fact--that is an express statement which is false as well as any reasonably implied statement. Such misrepresentations in the land sales industry might include misdescriptions of land location, exaggerations of the market value, or the investment potential of a specific piece of land.
>
> It might also be deceptive for a seller to withhold material information when he knows or should know that, if the buyer also had the information, he probably would not enter the sales agreement. Examples of this kind of deception include failure to inform the purchaser of restrictive covenants, material easements, zoning ordinances which would affect the use of the land, or plans which public officials might have for the land in question.
>
> In significant part, the requirements of the Office of Interstate Land Sales Registration and states seek to make certain that such disclosures are made. However, to the extent that promotional or advertising materials used by the seller or the oral claims of the salesmen differ in any material respect from such disclosure statements, then their purpose is frustrated and a deceptive practice may result which would be challengeable by the Commission.[121]

The FTC also has the authority to issue cease and desist orders against firms guilty of deceptive or unfair trade practices in commerce under Section 5 of the Federal Trade Commission Act.[122]

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They also have widespread authority to regulate deceptive or misleading advertising. They may take several actions against guilty business including requiring full disclosure statements in a manner comparable to the SEC, requiring a company to make restitution to consumers where money was secured in an unlawful manner or when the product is determined to be worthless, and forcing the guilty party to do corrective advertising. Failure to comply with an FTC order can bring a civil penalty of up to $5,000 per day for each violation.

Until recently, the FTC had taken relatively few actions against land sales firms; reports had been issued against four companies, each of which complied with the FTC orders immediately.[123] Then in March, 1974, the FTC announced that it had tentatively adopted a consent order from the GAC Corporation of Miami. In making amends for alleged fraudulent market practices, GAC agreed to: (1) make cash or land swap settlements totalling an estimated $17 million for up to 50,000 consumers; (2) establish binding dates in sales contracts for the completion of promised improvements; (3) provide a mandatory 10-day cooling off period in which buyers can cancel contracts; (4) state clearly in the sales contracts uncertainties of the future value of land being sold, potential difficulties in reselling it, and warn buyers that they should consult an attorney or a qualified real estate advisor before signing a sales contract; and (5) a requirement that company sales personnel abide by the conditions of the consent agreement or be fired.[124] The action against GAC establishes a new precedent for more aggressive exercise of FTC authority over industry sales practices.[125]

Mail Fraud Laws. The U.S. Postal Service also has some consumer protection authority through its Mail Fraud laws, which prohibit misrepresentative or fraudulent advertising through U.S. mails.[126]

Penalties up to $1,000 or five years in prison may be levied for each violation (each individual piece of mail is considered a separate violation). Cases against land sales companies have gone up slightly in recent years, but not significantly more than for other types of businesses. Since 1968, there have been 41 convictions against land sales firms for violating mail fraud laws, and in 1973, 63 cases were under investigation.[127]

Effectiveness of Federal Consumer Protection Measures. Most federal agencies with some authority to protect consumers have had a relatively mild effect on industry practices as a whole, with the exception of OILSR. SEC regulations have been essentially limited to condominiums, a small segment of the recreational land development market. While the FTC has wide ranging authority to regulate developers' advertising and marketing practices, they have not exercised this authority very much until recently. The bulk of the consumer protection job at the federal level has been left to OILSR.

In 1972, OILSR was elevated in HUD's organizational structure to a position reporting directly to the Secretary. The agency became more active in consumer education. Enforcement activities were stepped up. The 17-city public hearings tour which started two months after the agency's reorganization, was well received, and eventually culminated in the adoption of tougher revised regulations.

OILSR has essentially three actions it may take against a developer: (1) it can suspend sales, usually for some factual or procedural error in the material filed by the developer; (2) it can issue notices of proceedings against developers, requiring a hearing based on some suspicion of wrongdoing; and (3) it will follow up on complaint letters received from consumers. Also, OILSR often reaches administrative agreements with developers, resulting in developers sending letters of recision to consumers who have purchased lots, giving buyers the opportunity to void their sales contracts and have their down payments, installments, taxes, and assessments refunded.

Sales have been suspended in over 250 developments since March, 1972. OILSR suspended sales only 12 times in its previous three years of operation. By following up on complaint letters from consumers, OILSR estimates that as of July, 1973 it had accounted for approximately $750,000 in refunds to dissatisfied customers. Unregistered developers sought out by OILSR had been required to send out 7,800 recision letters to their customers, which resulted in over $1.2 million in refunds to dissatisfied purchasers of unregistered land. OILSR had instituted seven criminal actions resulting in three convictions, and four still awaiting trial.[128] Since 1973, substantial additional progress has been made.

In spite of some important victories on behalf of recreational land buyers, however, consumer victimization continues. OILSR still receives complaint letters at high rates. A 1973 report issued by the General Accounting Office concluded that OILSR was not capable of adequately controlling the recreational land industry, primarily due to the small size of its staff.[129] The GAC report found that evident violations of the law exist and numerous complaints have gone unanswered. OILSR has only been in operation five years, and did not begin to actively enforce the law until 1972. Charged with policing the entire recreational land development industry, OILSR has a full time staff of 74 (presently authorized to increase to 80).[130] Agency officials still estimate that less than half of the developers subject to the law have complied by registering their projects with HUD. In an effort to resolve some of these problems, OILSR placed an additional 30 staff members in regional field offices during the summer of 1974.

Part of the reason for continued consumer victimization is the heavy reliance on the full disclosure technique. Full disclosure has long been used in securities markets, providing investors with detailed information to help them evaluate the investment potential of stocks and other securities. But some problems occur when it is applied to consumer products such as recreational lots. The full disclosure technique permits the sale of a worthless product as long as the buyer is told it's worthless. The seller is in complete compliance with the law so long as he provides the buyer with the product information required by the law. Full disclosure laws do not pass any judgment on the value or fitness of the product itself, and in no way regulate the substantive quality of the product. The cover page of the property report which OILSR requires developers to give to prospective buyers states:

> The Interstate Land Sales Full Disclosure Act specifically prohibits any representation to the effect that the Federal Government has in any way passed upon the merits of, or given approval to this subdivision, or passed upon the value, if any, of the property.[131]

The major problem with the full disclosure technique is that this message does not always get through to the lot buyer. For a variety of reasons there is often a breakdown in this communication process of disclosing important product information, as well as some debate over how "full" disclosure should actually be. The property report is supposed to be a warning--the cover reads "PURCHASER SHOULD READ THIS DOCUMENT BEFORE SIGNING ANYTHING" --but it has sometimes had just the opposite effect. One of the reasons for this warning, overprinted on the cover in capital red letters was that:

> . . . too many people were under the impression that the existence of a property report meant that HUD had approved not just the paper work but the development itself.[132]

One industry critic said that the property report "affects the dignity of an official document, responding to official questions under the penalty of the law," while the information it contains is supplied by the regulatee, and much of it is based on intentions rather than actual fact.[133]

A few developers have taken advantage of the consumer's ignorance, announcing registration of their projects with HUD in their advertising, thereby creating a false air of federal certification. Other cases exist in which salesmen have actually told prospective customers that the "registration constituted a government endorsement of the offering."[134] Even HUD has on occasion encouraged consumer confidence.

> At times, the federal government's land-sales regulators themselves have been more than willing to boast of their promotional effect on the business they were commissioned to regulate in the public interest. HUD's Office of Interstate Land Sales Registration (OILSR) had barely been in operation for 10 months in February, 1970 when it expressed its satisfaction today with greater confidence under a consumer protection law. . . .[135]

HUD officials admit that the mere existence of national consumer protection legislation (especially when it receives a lot of publicity) tends to lull consumers into a state of artificial security.

Even when all goes well with the delivery of an accurate property report, the success of the law must still rely on the consumer to read the report. All full disclosure legislation can do is provide the buyer with information--there is no way of guaranteeing he will read it, much less ponder it (which he should, since the amount of technical information contained in a property report is far too detailed to digest on the spot). If the consumer does not take the trouble to inform himself with

the data provided, there is little the Interstate Land Sales Full Disclosure Act can do.

> . . . where an individual gets absolutely full and complete disclosure about pertinent aspects of the land, and the salesman tells him something else orally and the individual fails to read the property report and buys on the salesman's oral misrepresentation, there's practically nothing we can do to help the individual.[136]

In addition, disclosure laws are at a serious disadvantage when forced to compete with a sales pitch for the consumer's attention. The property report is often presented to the buyer in the middle of a high-pressured sales pitch often accompanied by an artificial climate of urgency. Many consumers buy on the spot, giving their purchase little, if any, thought. Policing the verbal claims made by land salesmen is virtually impossible, and leaves the consumer alone to fend for himself.

National Environmental Policy Act. The National Environmental Policy Act (NEPA) requires federal agencies to consider the environmental consequences of their actions, and prepare and circulate environmental impact statements as specified in section 102(2)(C) of the act. The large majority of impact statements filed have pertained to roads, watershed protection, and flood control projects by the Department of Transportation and the Corps of Engineers.[137]

It has been argued that recreational land sales should be subject to the requirements of NEPA. In 1974, a suit was filed in federal court by two Oklahoma environmental groups "to force the preparation of environmental impact statements on interstate land sales registrations filed with OILSR."[138] OILSR, which once considered filing one EIS for its entire registration procedure, held the position that registration only involves the collection of project information, and does not constitute a major action since OILSR has no authority to approve or disapprove any actual plans for a project. The lower court ruled in favor of the environmentalists, and the case was appealed to the U.S. Supreme Court.[139] On June 24, 1976, the court held that while NEPA does apply to the Interstate Land Sales Full Disclosure Act, the impact statement requirements cannot be reasonably applied to the 30-day registration review process.

Clean Air Act Amendments of 1970. The amendments to the Clean Air Act of 1973 (77 Stat. 392) give authority for the protection and control of the nation's air quality to the Environmental Protection Agency (EPA). Regulations which were formerly the responsibility of state and local authorities are now in the hands of the EPA.[140] The goals of the 1970 legislation are to protect the public health through the enforcement of primary air quality standards, and also to protect against damage to the natural environment, property, economic values, and personal well-being, through enforcement of secondary air quality standards.[141] States must prepare implementation plans for meeting national air quality standards, which must be approved by the EPA. The act as amended has had effects on automobile design, transportation planning, energy production, and land use. Its effects on recreational land development, however, have been minimal to date. It is possible that, at some future date, the Clean Air Act could influence the design or location of large-scale developments.

Water Pollution Control Act Amendments of 1972. The Federal Water Pollution Control Act, passed in 1956, established a program of water quality standards and federal aid to local authorities for pollution control. By 1970, it was clear that the program had not stopped deterioration of the nation's rivers, lakes and streams, and several branches of the federal government began to take action to solve the problem.[142] In December of 1970, EPA and the Army Corps of Engineers began a permit and fine system for pollution discharges under the authority of the Refuse Act of 1899. Obviously a stop-gap measure, the system "broke down and collapsed of its own weight."[143] After extensive hearings and debate, and a presidential veto, Congress enacted the Water Pollution Control Act Amendments of 1972.

This legislation aims to eliminate all polluting discharges into navigable waters in the U.S. by 1985, and in the interim, to achieve a level of water quality which protects aquatic life and preserves waters for recreational use by 1983. EPA, which administers the act, is responsible for water quality standards and a permit system to be run in cooperation with the states. Federal aid is available for areawide water quality planning and construction of municipal waste water treatment works.

Like air pollution, water pollution is caused by both point and nonpoint sources. Inadequate sewage disposal systems can pollute both surface and ground water. Erosion and runoff from construction sites can cause siltation of streams and lakes, damaging aquatic life and water quality.

To date, EPA's enforcement activities have been focused on point sources--primarily industrial discharges and municipal sewage treatment plants. In some areas where municipal treatment works are inadequate, EPA may refuse to permit new hook-ups until the facility meets EPA standards.

Section 208 of the act describes the content of the areawide waste treatment management plans, calling for the evaluation and control of nonpoint sources of pollution and specifically mentioning construction-related pollution. Land use controls are a suggested means of controlling nonpoint sources, but details are left up to regional planning agencies.[144] These water quality plans, with their resulting land use controls, are the one part of the Water Pollution Control Act most likely to have an impact on recreational land development.

Coastal Zone Management Act. Another Federal law which could have important indirect effects on recreational land development is the Coastal Zone Management Act passed by Congress in 1972.[145] The purpose of the act is to protect coastal areas by encouraging state management programs for the wise use of land and water resources. Administered by the National Oceanic and Atmospheric Administration, the act makes grant monies available to the 30 coastal states for up to two-thirds of the cost of developing and administering state coastal zone programs.

State grants are supporting such activities as resource inventories, the preparation of environmental impact guidelines, and the development of plans and regulations for the use of coastal areas.[146] Rhode Island plans to use a portion of its funds to study the impacts of energy and recreational needs on its coastal zone.

One important provision of the 1976 amendments to the Coastal Zone Management Act requires that state management programs receiving funds under the act include a planning process for the protection of and access to public beaches and other public coastal areas of environmental, recreational, historical, esthetic, ecological, or cultural value.[147] Also, the act authorizes funds through 1980 for states to use in acquiring access ways to public beaches.

It is too early to tell what specific effects this legislation will have on recreational land development, but since development pressures are high in coastal areas, state management and regulatory programs stimulated by federal dollars may help to reduce some of the conflicts between land development and coastal environments which have occurred in the past.

Flood Disaster Protection Act. Flood-related losses in the U.S. are estimated at $1 billion annually, and they are increasing each year as more development occurs in flood plains.[148] Administered by HUD and the Federal Insurance Administration, the Flood Disaster Protection Act of 1973 increases the amounts of insurance available and requires flood-plain management in communities which are receiving federal financial assistance under a number of different programs. To be eligible for insurance on public and private property, a county or municipality must have HUD-approved land use regulations covering flood-prone areas. Such regulations are typical zoning ordinances and building codes. Flood-prone areas include the 100-year flood plain on inland lakes, rivers and streams; ocean and Great Lakes shorelines which are subject to storm erosion; and areas prone to mudslides (mainly in California).[149]

Counties and municipalities which do not participate in the Flood Insurance Program will not be eligible for assistance under the FHA, Veterans Administration, Small Business Administration, and other federal agency programs. In addition, banks and savings and loan institutions under federal supervision will not make loans on uninsured personal property and real estate in flood-prone areas.[150]

Federal Income Tax Laws. The federal government may also have an influence on the recreational land development industry through its income tax policies. Until recently, many second homeowners enjoyed what amounted to a small "tax shelter" if they rented their second home out during a portion of the year.[151] The Internal Revenue Service (IRS) allowed second homeowners to charge their expenses,

including annual depreciation allowances, against rental income, resulting in a net operating loss which could be claimed as a tax deduction against ordinary income.

In mid-1972, the IRS released new retroactive tax regulations implementing portions of the Tax Reform Act of 1969. The new rules permit second homeowners to count expenses equal to but not exceeding rental income received, and only if the owner can show that the property was purchased as a bona fide profit-making venture rather than primarily for his own use. With the closing of this tax loophole, second homes now receive the same tax advantages as primary homes. Whether or not these new regulations have had any dampening effect on second home construction is unknown, but historically most second homes have been held for the private use of their owners rather than being rented out. Second homeowners can still deduct mortgage interest payments from their income tax.

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APPENDIX A

Recreational Land Subdivisions, Lots, and Acres Filed with the U.S. Office of Interstate Land Sales Registration Ranked in Order of Number of Lots 1974

State	Recreational Land Subdivisions	Recreational Lots	Acres
United States	3,900	3,375,821	7,146,229
1. Florida	547	919,672	1,942,155
2. Texas	463	717,239	876,390
3. New Mexico	81	342,341	1,030,208
4. Arizona	426	260,728	467,015
5. California	252	159,944	622,329
6. Colorado	214	87,810	824,700
7. Pennsylvania	136	75,146	135,435
8. Virginia	112	57,019	85,303
9. Missouri	137	54,538	64,715
10. Arkansas	76	52,695	101,449
11. Tennessee	64	45,577	52,057
12. Michigan	111	44,710	67,713
13. Mississippi	38	44,686	32,297
14. North Carolina	127	38,424	92,204
15. Georgia	55	35,380	42,369
16. Nevada	33	34,129	70,208
17. Ohio	34	32,648	21,725
18. Washington	88	26,682	53,408
19. Hawaii	30	24,454	67,944
20. West Virginia	28	23,817	10,753
21. Illinois	26	22,317	35,328
22. Indiana	34	22,190	13,341
23. Maryland	50	21,975	29,061
24. Kentucky	60	20,863	30,033
25. Oregon	38	17,453	30,695
26. Oklahoma	53	16,644	13,003
27. Utah	45	15,257	49,247
28. Louisiana	44	15,162	8,888
29. New Jersey	20	14,676	8,377
30. South Carolina	39	13,058	40,027
31. Kansas	15	12,198	5,817
32. Iowa	23	11,930	10,294
33. Alabama	30	11,896	12,904
34. Wisconsin	50	10,524	30,617
35. Maine	29	10,267	23,003
36. Minnesota	17	9,464	21,891
37. Massachusetts	39	9,290	7,860
38. New Hampshire	51	8,298	23,350
39. New York	15	7,083	10,492
40. Vermont	27	6,756	20,080
41. Idaho	43	5,901	14,735
42. Nebraska	9	3,990	4,863
43. Delaware	17	3,801	1,247
44. Montana	22	2,828	20,688
45. Connecticut	4	2,155	2,958
46. Wyoming	8	1,276	12,607
47. Alaska	3	553	1,536
48. South Dakota	4	377	3,000
49. North Dakota	0	0	0
50. Rhode Island	0	0	0

Source: U.S. Department of Housing and Urban Development, Office of Interstate Land Sales Registration, Unpublished material obtained from the files, January, 1974.

APPENDIX B

Second Homes by Number, Per Cent of Total Second Homes, and Per Cent of Total Housing Units, Ranked by Number Per State
United States, 1970

State	Second Homes[1]	Per Cent of Total Second Homes[1] (Per Cent of 2,143,434)	Total Housing Units	Second Homes As A Per Cent of Total Housing Units
United States	2,143,434	100.0	68,418,094	3.1
1. Michigan	188,864	8.8	2,954,451	6.4
2. New York	181,138	8.5	6,298,385	2.9
3. Texas	130,580	6.1	3,825,299	3.4
4. Wisconsin	100,336	4.7	1,472,257	6.8
5. California	96,639	4.5	6,994,533	1.4
6. Pennsylvania	92,813	4.3	3,924,503	2.4
7. Minnesota	83,855	3.9	1,276,082	6.6
8. Maine	73,562	3.4	397,140	18.5
9. North Carolina	66,811	3.1	1,641,131	4.1
10. Missouri	64,330	3.0	1,673,332	3.8
11. New Jersey	61,033	2.9	2,387,535	2.6
12. Massachusetts	51,746	2.4	1,890,319	2.7
13. Ohio	47,936	2.2	3,465,161	1.4
14. Virginia	46,525	2.2	1,492,887	3.1
15. Indiana	45,367	2.1	1,730,020	2.6
16. Washington	45,010	2.1	1,220,447	3.7
17. New Hampshire	43,908	2.1	280,962	15.6
18. Florida	41,735	2.0	2,526,536	1.7
19. Illinois	38,722	1.8	3,701,866	1.1
20. South Carolina	36,242	1.7	812,148	4.5
21. Colorado	35,467	1.7	757,053	4.7
22. Georgia	33,683	1.6	1,471,132	2.3
23. Kentucky	33,332	1.6	1,064,436	3.1
24. Tennessee	32,680	1.5	1,300,183	2.5
25. Alabama	32,663	1.5	1,120,219	2.9
26. Louisiana	30,833	1.4	1,150,313	2.7
27. Iowa	29,192	1.4	958,560	3.1
28. Mississippi	28,364	1.3	699,168	4.1
29. Maryland	28,014	1.3	1,248,747	2.2
30. Oklahoma	27,758	1.3	925,238	3.0
31. Arkansas	27,658	1.3	675,593	4.1
32. Vermont	27,291	1.3	165,068	16.5
33. West Virginia	26,230	1.2	597,266	4.4
34. Oregon	20,946	1.0	744,602	2.8
35. Kansas	20,724	1.0	791,022	2.6
36. Nebraska	18,521	.9	514,617	3.6
37. Arizona	16,380	.8	584,116	2.8
38. Montana	16,225	.8	246,603	6.6
39. Idaho	15,335	.7	244,681	6.3
40. Connecticut	15,325	.7	980,849	1.6
41. South Dakota	15,000	.7	225,183	6.7
42. New Mexico	14,527	.7	325,715	4.5
43. North Dakota	14,301	.6	256,222	5.6
44. Rhode Island	9,974	.4	317,193	3.1
45. Delaware	8,134	.3	180,212	4.5
46. Utah	7,979	.3	315,734	2.5
47. Alaska	6,705	.3	88,428	7.6
48. Wyoming	5,711	.3	116,323	4.9
49. Nevada	4,277	.2	172,558	2.5
50. Hawaii	3,053	.1	216,066	1.4

[1]Second homes are enumerated by combining the United States Bureau of the Census categories, "Rural Seasonal Vacant" and "Other Rural Vacant." This combination basically includes housing units which are intended for occupancy during only certain seasons of the year.

Source: United States Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970 Detailed Housing Characteristics (Washington: Government Printing Office, 1972), Final Report HC(1)-B1-52, Table 32.

APPENDIX C

Households Owning Second Homes, Ranked by Number per State, United States, 1970

State	Total Households	Households Owning a Second Home	Per Cent of Total Households	Per Cent of Total Households Owning a Second Home[1] (% of 2,889,771)
United States	63,446,641	2,889,771	4.6	100.0
1. New York	5,913,861	289,164	4.9	10.1
2. California	6,573,861	264,342	4.0	9.1
3. Michigan	2,654,059	185,778	7.0	6.4
4. Texas	3,433,996	164,785	4.8	5.7
5. Pennsylvania	3,702,304	153,311	4.1	5.4
6. Florida	2,284,786	146,020	6.4	5.1
7. Massachusetts	1,759,692	112,962	6.4	3.9
8. Illinois	3,502,138	110,933	3.2	3.8
9. Ohio	3,289,432	105,129	3.2	3.6
10. New Jersey	2,218,182	101,680	4.6	3.6
11. Minnesota	1,153,946	77,099	6.7	2.7
12. Wisconsin	1,328,804	76,216	5.7	2.6
13. Washington	1,105,587	65,376	5.9	2.3
14. Indiana	1,609,494	59,506	3.7	2.1
15. North Carolina	1,509,564	56,265	3.7	1.9
16. Missouri	1,520,567	55,750	3.7	1.9
17. Virginia	1,390,636	53,133	3.8	1.8
18. Georgia	1,369,225	50,380	3.7	1.7
19. Louisiana	1,052,038	46,877	4.5	1.6
20. Connecticut	933,269	45,777	4.9	1.6
21. Alabama	1,034,113	43,108	4.2	1.5
22. Maryland	1,175,073	42,990	3.7	1.5
23. Tennessee	1,213,187	38,451	3.2	1.3
24. Arizona	539,157	36,674	6.8	1.3
25. Maine	302,923	35,666	11.8	1.2
26. South Carolina	734,373	34,829	4.7	1.2
27. Colorado	690,928	34,775	5.0	1.2
28. Kentucky	983,665	32,601	3.3	1.1
29. Oklahoma	850,803	31,151	3.7	1.1
30. Iowa	896,311	30,104	3.4	1.0
31. Oregon	691,631	30,032	4.3	1.0
32. West Virginia	547,214	23,999	4.4	.8
33. Kansas	727,364	22,925	3.2	.8
34. Mississippi	636,724	20,154	3.2	.7
35. Arkansas	615,424	19,863	3.2	.7
36. New Mexico	289,389	18,671	6.5	.6
37. New Hampshire	225,378	17,345	7.8	.6
38. Montana	217,304	15,983	7.4	.6
39. Nebraska	473,721	15,207	3.2	.5
40. Rhode Island	291,965	13,337	4.6	.5
41. District of Columbia	262,538	12,905	4.9	.4
42. Idaho	218,960	12,641	5.8	.4
43. Utah	297,934	12,222	4.1	.4
44. Vermont	132,098	11,835	9.0	.4
45. North Dakota	181,613	10,562	5.8	.4
46. Delaware	164,804	9,517	5.8	.3
47. South Dakota	200,807	9,410	4.7	.3
48. Hawaii	203,088	8,463	4.2	.3
49. Alaska	79,059	8,389	10.6	.3
50. Nevada	160,052	8,139	5.1	.3
51. Wyoming	104,600	7,340	7.0	.3

Source: United States Department of Commerce, Bureau of the Census, U.S. Census of Housing, 1970, Detailed Housing Characteristics (Washington: Government Printing Office, 1972), Final Report HC(1)-B1-52, Table 37.

APPENDIX D

Shifts in the Distribution of Second Homes By State, 1950, 1960, and 1970, and Per Cent Change 1950-1970 and 1960-1970

State	Per Cent of Total Second Homes in United States			Difference in Per Cent: 1950-1970	Difference in Per Cent: 1960-1970
	1950	1960	1970		
1. Michigan	9.6	8.5	8.8	- .8	.3
2. New York	15.4	12.9	8.5	-6.9	-4.4
3. Texas	4.1	4.0	6.1	2.0	2.1
4. Wisconsin	5.0	4.5	4.7	- .3	.2
5. California	5.6	6.3	4.5	-1.1	-1.8
6. Pennsylvania	4.2	4.4	4.3	.1	- .1
7. Minnesota	3.9	4.0	3.9	0	- .1
8. Maine	3.6	3.4	3.4	- .2	0
9. North Carolina	1.3	1.9	3.1	1.8	1.2
10. Missouri	1.2	1.8	3.0	1.8	1.2
11. New Jersey	7.5	6.3	2.9	-4.6	-3.4
12. Massachusetts	5.4	4.6	2.4	-3.0	-2.2
13. Ohio	2.2	2.1	2.2	0	.1
14. Virginia	.9	1.2	2.2	1.3	1.0
15. Indiana	2.1	2.0	2.1	0	.1
16. Washington	2.1	1.9	2.1	0	.2
17. New Hampshire	2.3	1.8	2.1	- .2	.3
18. Florida	2.4	3.8	2.0	- .4	-1.8
19. Illinois	1.9	1.9	1.8	- .1	- .1
20. South Carolina	.7	1.1	1.7	1.0	.6
21. Colorado	1.9	1.3	1.7	- .2	.4
22. Georgia	.7	1.2	1.6	.9	.4
23. Kentucky	.4	.8	1.6	1.2	.8
24. Tennessee	.5	.8	1.5	1.0	.7
25. Alabama	.6	1.0	1.5	.9	.5
26. Louisiana	.6	1.1	1.4	.8	.3
27. Iowa	.7	.9	1.4	.7	.5
28. Mississippi	.6	.9	1.3	.7	.4
29. Maryland	1.7	1.3	1.3	- .4	0
30. Oklahoma	.5	.9	1.3	.8	.4
31. Arkansas	.7	1.0	1.3	.6	.3
32. Vermont	1.0	1.0	1.3	.3	.3
33. West Virginia	.4	.7	1.2	.8	.5
34. Oregon	1.2	.9	1.0	- .2	.1
35. Kansas	.4	.6	1.0	.6	.4
36. Nebraska	.3	.5	.9	.6	.4
37. Arizona	.5	.7	.8	.3	.1
38. Montana	.5	.7	.8	.3	.1
39. Idaho	.5	.7	.7	.2	0
40. Connecticut	2.2	1.7	.7	-1.5	-1.0
41. South Dakota	.3	.4	.7	.4	.3
42. New Mexico	.4	.5	.7	.3	.2
43. North Dakota	.2	.4	.6	.4	.2
44. Rhode Island	1.1	.8	.4	- .7	- .4
45. Delaware	.3	.3	.3	0	0
46. Utah	.2	.3	.3	.1	0
47. Alaska	--	.2	.3	--	.1
48. Wyoming	.2	.3	.3	.1	0
49. Nevada	.1	.1	.2	.1	.1
50. Hawaii	--	.1	.1	--	0

Sources: U.S. Department of Commerce, Bureau of the Census: (1) U.S. Census of Housing: 1950, United States Summary (Washington: Government Printing Office, 1953), Final Report H-A1, Table 17, ("Seasonal Vacant Dwelling Units"); (2) U.S. Census of Housing, 1960, States and Small Areas, United States Summary (Washington: Government Printing Office, 1963), Final Report HC(1)-1, Table 3, ("Units Held for Occasional Use" minus "Vacant for Migratory Workers" plus "Other Seasonal Vacant Units"); (3) U.S. Census of Housing, 1970, Detailed Housing Characteristics, United States Summary (Washington: Government Printing Office, 1972), Final Report HC(1)-B1, Table 32, ("Rural Vacant" plus "Other Rural Vacant").

Appendix E

Estimated Ownership of Recreational Properties by Type of Property and Region of the U.S., 1973

Type of Property	United States	Northeast	North Central	South	West
Number of Households	67,430,000	16,075,000	18,451,000	20,825,000	12,079,000
Number of Households Owning Recreational Properties	5,732,000	1,410,000	1,462,000	1,712,000	1,148,000
Per Cent of Total Households in Region	8.5	8.8	7.9	8.2	9.5
Number of Households Owning Vacant Recreational Lots for Speculation/Investment	877,000	199,000	240,000	249,000	189,000
Per Cent of Total Households in Region	1.3	1.2	1.3	1.2	1.6
Number of Households Owning Vacant Recreational Lots for Future Building	1,416,000	298,000	357,000	461,000	300,000
Per Cent of Total Households in Region	2.1	1.9	1.9	2.2	2.5
Number of Households Owning Single Family Detached Second Homes	3,237,000	864,400	813,400	926,300	632,900
Per Cent of Total Households in Region	4.8	5.4	4.4	4.5	5.2
Number of Households Owning Resort Condominium Units	202,000	48,200	61,800	65,800	26,200
Per Cent of Total Households in Region	.3	.3	.3	.3	.3

Source: Unpublished survey designed by Richard L. Ragatz and conducted for this study by the Opinion Research Corporation, Princeton, N.J., October, 1973, using a stratified sample of 7,190 U.S. households. Data on numbers of households was obtained from the U.S. Department of Commerce, Bureau of the Census, Demographic Projections for the United States (Washington: Government Printing Office, 1973). Current Population Reports, Series P-25, No. 476, Tables 7 and E, pp. 25-26.

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