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ESA and Property Values

ASSESSMENT OF ENDANGERED SPECIES ACT ENFORCEMENT ON REAL PROPERTY VALUES

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- *The Endangered Species Act (ESA) is often cited as having a negative impact on the prices of affected property.*
 - *This study develops several statistical models that measure the impact of the ESA on property values.*
 - *On the basis of the data from three counties in Washington State, the author finds that in areas with above average enforcement of the ESA, overall property values were reduced between 4.8% and 9.1%.*
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Property owners have frequently cited enforcement of the Endangered Species Act (ESA) as one factor having an adverse effect on the value of affected properties. This study looks closely at the impact of the ESA on three counties in Washington State.

THE STUDY

The research began with the development of maps illustrating private land ownership, land use, political and growth management boundaries, watersheds, and species-specific habitats in three Washington State counties: Clallam, Clark, and Snohomish. The maps illustrated the parts of each county that were most affected by ESA regulation because they provided habitat to an above average number of species. Supplemental maps also were created that illustrated precipitation and distances outside growth boundaries—information used in some of the models.

Simultaneously, property transaction databases were assembled for each county. These databases included information on real property sales, property characteristics (bedrooms, baths, building size, land size, condition, etc.), and key property types (single family, condominium, commercial, land). Additional economic variables were added to the analysis to capture the characteristics of the overall market.

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Based on this data collection, statistical models were developed that measured the impact of the ESA on inflation-adjusted transaction prices of property in several classes in each county.

FINDINGS

This analysis shows that enforcement of the ESA, despite its success at preserving the viability of some species, has reduced selected property values in the affected communities. This result appeared consistently across local markets, despite the difficulty of estimating similar models. The results of the study indicate the following:

- In virtually every case, ESA enforcement exerted a **significant negative** influence on property values. Overall property value reductions due to above average enforcement of ESA ranged from 4.8% in Snohomish County to 9.1% in Clallam County.
- The results by market segment generally were consistent across the models, despite their unique specifications. The impacts were greatest in the most natural resource-dependent jurisdiction studied, namely, Clallam County.
- ESA enforcement also negatively impacted the fiscal health of the three counties in the study by reducing the property tax revenue generated by the properties that are subject to an above average level of ESA enforcement.
- The governments of the State of Washington, the three analysis counties, the incorporated cities within those counties, and the special taxing jurisdictions (hospitals, libraries, etc.) within those counties collectively received \$15.5 million less in property tax revenues from the affected properties than otherwise would have been collected.

IMPORTANCE FOR REALTORS®

This study suggests that there is evidence of significant negative impacts on property values due to ESA enforcement. Consequently, designation and protection of species can negatively affect land use and, in certain cases, entire regional economies. The NATIONAL ASSOCIATION OF REALTORS® supports amendments to the ESA that recognize economic impacts, provide incentives to encourage species protection, and compensate private property owners when they have been wholly or substantially deprived of the economic value of their property.