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# Land Use Policy Issues

Today, there are 70,665 square miles of land in North Dakota. There are many potential uses for this land. Farmers would like to expand their acreages. Many communities would like to add new industry. Many people want to preserve or expand scenic areas, recreational sites and historic locations. The impending development of North Dakota's energy resources will undoubtedly cause both temporary and permanent changes in land use.

By the year 2000, there will still be just 70,665 square miles of land in North Dakota. If there were enough land for all perceived uses so that the conflicting uses of land could be widely separated, there would be little need for land use policies that are being proposed at all levels of government at the present time.

The land use policy issue is broad, since virtually all that humans do involves the use of land. Some of the major concerns involved in land use today include urban congestion, declining rural areas, world hunger, population, use of automobiles, flood control, strip mining, drilling for oil, transportation, recreation, wildlife, preservation of farmland, fall plowing, and the location of power plants, towns, schools, industry and livestock facilities.

With the many concerns about land use, there are many voices seeking to be heard. And that leads to one of the fundamental issues about land use policy today.

That issue is whether marketplace decisions through the private enterprise system and its "price mechanism" can satisfy society's concerns about land.

Through the price mechanism in the private enterprise system, individual producers determine what is produced, who produces it, how much is produced, and how resources are used. The price mechanism has been used in most of this country's land use decisions for the past 200 years. With the abundant land resources and a frontier to develop in past years, the price mechanism worked well.

Adapted by Ron Anderson and Norbert Dorow, NDSU Extension Economists, from "Land Use Issues of Today", Extension Bulletin Pm-655, Iowa State University, October 1975.

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Cooperative Extension Service  
North Dakota State University

BASIC ISSUE:



**Is the market place  
satisfactory for  
land use decisions?**

There was general acceptance of the belief that whatever use of the land benefited the individual the most was also the best for society.

The price mechanism could continue to serve as a tool of the decision-maker in land use policy, IF everyone were satisfied. But some of the voices calling for a land use policy are not satisfied with land use determined solely by the price system.

## THE THIRD PARTY

Economic decisions are made between buyer and seller. Historically in economic transactions, the deal made between the buyer and seller was no one else's direct concern. But when the commodity is land, a third party frequently is affected. And, there is growing sentiment that our economic system isn't equipped to consider gains and losses to the third party.

There are numerous illustrations of the third party effect. When a buyer purchases land in certain locations for a sanitary landfill, a junk storage area, a factory, a shopping center, or a concentrated livestock feeding operation, neighbors are often affected adversely. In the case of a new development that creates pollution, congestion or even a change in the local life style, society may be the affected third party.

The economic decision does not consider the third party in land transactions. Many people feel

the third party has a valid argument, or at least an interest in a two-party land use decision, and that the third party can be considered only in our political and legal system.

**SPECIFIC ISSUE: Third parties are affected by buyer and seller decisions.**



Some public or third party rights in land use are now recognized. These rights are reflected in laws concerning soil conservation, pollution control, zoning, eminent domain and taxing power. But in recent years, the trends of court decisions appear to indicate that the public or the third party has more rights in relation to property than we have thought or assumed in the past.

The third party reaction has changed some of the trends in the United States, too. Ten years ago, most of the nation was in favor of economic growth and development. Today, the approach is far more cautious. There is a growing list of examples where public concern and pressure — a third party effect — have halted proposed development projects.

**OTHER ECONOMIC ISSUES**

In addition to the third-party concern, there are other dissatisfactions with land use decisions made through the price mechanism.

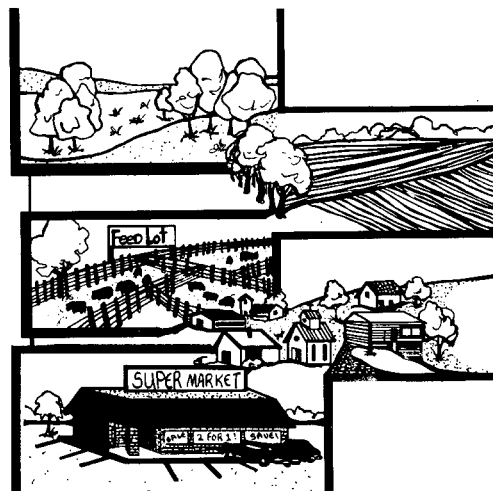
One issue is that land gravitates to its most intensive use under the price mechanism or market system when there are competing demands. This occurs because the intensive use usually gives the highest return for each dollar invested.

Therefore, an open green area will become farming or ranching if it is suitable. Farming will be developed into commercial feedlots, and feedlots could become residential, industrial or business sites with expanding urbanization. Since the more intensive use returns more on the investment, the buyer for a more intensive use can outbid all others in the market place.

Again, this system worked well when there was unlimited land and the nation promoted growth and development, and the system is not as rigid as it might appear. In the list of uses covered, it appears that if there were enough industrial growth, all our farming and ranch land might disappear into industrial or residential sites. Actually, what would happen in this example is that as food-producing land disappeared nationally and in the world, food prices would increase, and there would be an effort to produce more food on the limited land. Farming and ranching would intensify and become a more intensified use of land and change the priority of land uses as we know them today.

**SPECIFIC ISSUE:**

**Land will shift to more intensive uses under market system.**



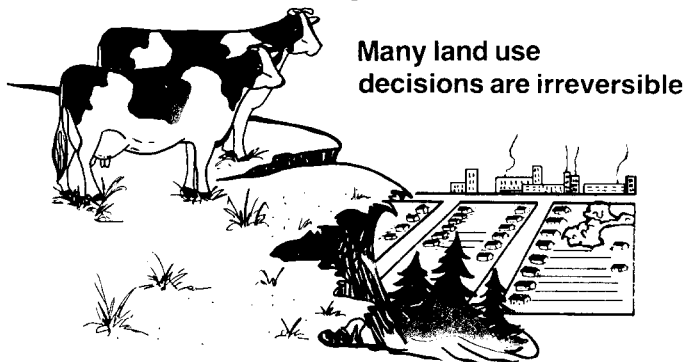
It is these subtle adjustments of the price mechanism to allot the use of resources that have made our economic system such a valuable one in the past. When we have attempted to modify the price mechanism in times of war, for instance, there are many side effects that create problems to be resolved. These side effects have been systematically resolved through the price mechanism — almost unnoticed. While some were not totally satisfied with the results of the price mechanism, most found it an acceptable impersonal means of resolving problems of resource allocation, where everyone played by the same rules.

So what is wrong with intensity of use determining land use? Nothing, maybe, if everyone is satisfied with the results. But again there are concerns.

## SOME LAND USE CHANGES ARE IRREVERSIBLE

One of the major concerns is that many land use decisions are irreversible. Land use changes in the past were not as critical when there appeared to be enough land for all uses, but now that frontier is gone. We know that North Dakota has no more than 70,665 square miles of land to utilize, and some land use changes are being questioned.

Many land use changes cannot be reversed – or at least, not easily. Ranch and farm land changed into a reservoir or a residential or industrial area cannot be easily changed back into agricultural uses. We could find in the future, then, that while ranch and farmland may become scarce and agriculture more intensified, we cannot reverse our land uses. The buyer of land for more intensified agricultural uses would not only have to outbid the other potential uses, he would also have the land reclamation costs. Again, many people feel our economic system may not be able to make needed adjustments as it has in the past. In a sense, because some land uses may be irreversible, the economics of today are being used to determine land use patterns for the future.



That is another way of saying that the economic decision places a priority on the short-run result.

## SHORT VS. LONG-RUN

The short-run result usually gets priority in the economic system because of the uncertainty of the future and the immediate demanding needs of today. Future returns are heavily discounted. Long-term soil conservation practices, for instance, are discounted in favor of current crop yields.

The short-run attitude causes people to view land as a commodity to be bought and sold like any other commodity. Many people are now saying that land should be considered a natural resource to be conserved for the future good of society.

The view that land is a natural resource is held not only by the general public or the third party.

The idea that man is a land conservator and not a land owner has been reflected strongly in the philosophy of the conservation movement among farmers for years. But the degree of limitation, or how land use is to be determined, may produce a stronger division of opinion.

The short-run economic emphasis tends to ignore long-run needs and long-term planning for future needs, future problems and future generations. It is this concern, along with the irreversibility of land use decisions and recognition of a fixed amount of resources, that has encouraged many of our recent examinations of the future.

Short-run decisions also tend to increase public costs. Studies show the service cost of water, sewer and transportation in areas where leapfrogging and ribbon development along highways have occurred in random fashion is higher than in areas planned for efficient use of services. Unplanned development creates another third-party effect for society, which most often bears the increased costs of community services.

Short-run decisions often emphasize economic return over the quality of living for the people involved. The economic return decision frequently leads to more investment, more jobs and more people in a given location. While development may enhance the economic climate, it may also have an adverse effect through pollution, congestion, etc.

People view land as a commodity.



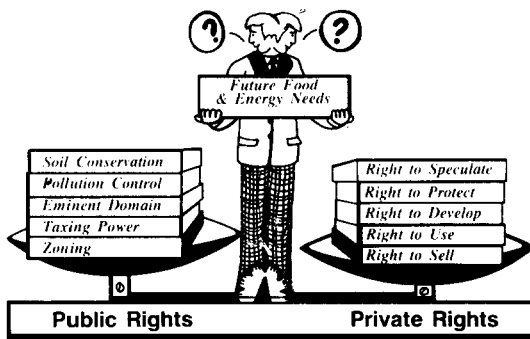
This is another example of the third-party effect. The buyer determines where the plant location is to be on the basis of cost and returns. The worker and his or her quality of life are not really considered – the worker is a third party, affected if he wants a job there, but not considered in the decision. And if the social costs of congestion and quality of life were considered, the long-run solution (selection of plant location) might be different than the short-run two-party decision.

## WINDFALL GAINS

A final criticism of the economic system of determining land use is that it occasionally leads to windfall gains. Some properties can become very valuable because of the location of an interstate highway, an airport, the growth of the city, or the location of a lake. The increase in value has nothing to do with the quality of the land or the quality of the management. The owner has done nothing – it is a matter of the accident of location. Often the gains occur because of a public decision to build a highway or airport. Some people say that such gains belong to the society which bears the cost of the improvements leading to gain and not to the individual owning the surrounding land.

This suggestion conflicts strongly with traditional attitudes and beliefs regarding ownership and the right to speculate in land. It illustrates clearly why land use policy is such a controversial issue.

**How can private property rights be balanced with public rights?**



## POLITICAL-LEGAL ISSUES

As indicated earlier, if the third party is to be represented in land use decisions, or if many of the other shortcomings of the economic system are to be modified, decisions must be made by the political and legal systems. Many of the questions previously resolved by the price mechanism, even though solutions were unsatisfactory to some, now become difficult questions to resolve philosophically, equitably and legally.

First, there are strong emotional objections to changing the political-legal system to include land use. From our strong tradition of Jeffersonian democracy, we hold three basic beliefs –

- \* That hard work is the ingredient for success.
- \* That we have the right to acquire land and property.
- \* That we have the right to use, protect, and maybe even abuse our land and property if we so desire.

When these beliefs are challenged, there is a strong emotional reaction. Likewise, there are many who react emotionally to changing the economic system which has worked successfully for us.

The general issue in the political-legal area is, "How can private property rights be balanced with public rights in land?"

Specifically, a knotty political-legal issue is to what extent police power can be applied constitutionally before it becomes a "taking" under the 5th and 14th Amendments to the U. S. Constitution. Under eminent domain, property can be taken for public use – but the land owner is compensated or paid for the property.

But what if you take only some of the land owner's rights to the property? Is zoning taking some of the rights? And at what point is the land owner entitled to compensation – or how much regulation can be allowed before the land owner is damaged?

These questions are related to the windfalls discussed under the economic issues. Should the windfall gains that accrue because of zoning, land use or an interstate highway go to the owner or society? And on the other side, what if someone's property value is reduced or nearly voided because of land use or zoning? This is the opposite of a windfall – it could be a wipeout.

An example of reduced value occurred in Fargo. The owner of a large older home planned to convert it into apartments. However, residents of the area were successful in getting it rezoned to single family residential, so this home owner will not realize his expected value. Should he be compensated?

In Colorado, a Denver suburb with limited water supplies is attempting to obtain water now being used to irrigate 37,000 acres of farmland in a nearby county. This illustrates the problem of land use as related to a fixed supply of water. Today, there's no frontier with ample land and water. The farmers can't move and they must compete with their city neighbors for existing resources.

This is the central question in developing a land use policy. Our land and water resources are fixed. How do we allocate our resources to care for competing needs of today and tomorrow? The solution isn't likely to please all the parties involved.

North Dakota citizens should take every opportunity to become knowledgeable regarding land use policy issues and participate in the process of policy development.