

## **Land Banks in Nantucket, Martha's Vineyard, and Cape Cod<sup>1</sup>**

Report to the Brookline Land Bank Committee, Harold Petersen, January 23, 2019

### **Nantucket.**

The Nantucket Land Bank was authorized by a special act of the Legislature in 1983. (Acts of 1983 Chapter 669, Massachusetts Legislature). Land acquisition was to be funded by a 2% real estate transfer fee to be paid by the buyer in most transactions, with a permitted deductible for first-time home buyers. It had been recommended by Nantucket Town Meeting in April 1983 by a vote of 446 to 1. Following legislative authorization, the Land Bank was approved at a special town meeting in January 1984 by a vote of 293 to 12. To the best of my understanding, there has been no serious effort to either reduce the transfer fee or to close the land bank. As of today, nearly half of the land on Nantucket Island is preserved as open space.<sup>2</sup>

### **Martha's Vineyard**

The Martha's Vineyard Land Bank was authorized by a special act of the Legislature in 1985. (Acts of 1985 Chapter 736, Massachusetts Legislature). The authorization was very similar to that granted to Nantucket two years earlier. There would be a 2% real estate transfer fee with a permitted deductible for first-time home buyers. The Land Bank was approved by voters in all six of the Martha's Vineyard towns in 1986. I have not found any evidence of an effort to withdraw since then by any of the six towns. To date the Land Bank Commission has acquired approximately 3100 acres, which is about 5% of the land on Martha's Vineyard.

### **Cape Cod**

Both the Nantucket and the Martha's Vineyard bills had been filed by Sen. Paul Doane, a resident of Cape Cod. There was an understanding in the legislature that the islands were unique in being geographically isolated, were jewels to be preserved, and were at risk due to rapid development. There was an "understanding" with the real estate lobby that the real estate transfer fee would not go beyond these two cases. But the Cape was not that different from the Islands and it was undergoing the same pressures. In 1987 Sen. Doane, with the support of the other legislators from the Cape, filed a bill for a land bank on the Cape. The bill was very similar to that for Nantucket and Martha's Vineyard. This bill died in the House by a vote of 70 to 76. Sen. Doane then retired from the legislature, but others made a similar effort in 1989. By this time the economy had faded and there was little appetite in the legislature for any new taxes. The effort failed.

Over the next nine years Cape residents continued to push for a land bank. The realtors were strongly opposed to a real-estate transfer fee but by the late nineties were willing to

---

<sup>1</sup> Much of the information given on establishment of the land banks is taken from an article called "Saving Cape Cod," by Carol Gerwin, in *CommonWealth*, Aug. 1, 1999.

<sup>2</sup>From the Nantucket Land Bank web site. A significant amount, but well less than half of this restricted land was purchased by the land bank.

support a land bank to be funded by a 3% surcharge on property tax bills. With the joint support of the preservationists on the Cape and the real estate lobby, the Cape Cod Land Bank was authorized by a special act of the legislature in 1998. (Acts of 1998 Chapter 293, Massachusetts Legislature). The funding would be through a 3% surcharge on property tax bills, and the individual towns on the Cape would vote whether to be members or not. In November 1998 all 15 towns on the Cape voted to become members of the Land Bank. The state was to provide matching funds of up to 50% of the amount raised through the surtax. (Section 10 of Chapter 293 of Acts of 1998)

### **Community Preservation Act.**

The Land Bank on the Cape proved to be a model for the Community Preservation Act as passed by the Massachusetts Legislature in 2000. In 2004, via a budget amendment, the state discontinued matching funds for the existing Cape Land Bank but allowed municipalities on the Cape to opt out of the Land Bank in favor of accepting the Community Preservation Act. By 2005 all 15 had done so.

### **Land Banks and Property Values**

It is an open question as to whether a real-estate transfer fee or a property tax surcharge will reduce or enhance property values in a town. We might expect that a tax or a fee in and of itself would make it more costly to buy and/or to hold property and thus reduce demand, thereby reducing prices. But if the proceeds are used to make the community more attractive, then this impact would increase demand and tend to increase prices. Moreover, if the land bank is successful in deterring development, then it might reduce supply and thereby increase prices. We have no definitive evidence on whether the Massachusetts land banks have on balance increased or decreased property values. We do, however, have some data on total values of real estate, by town in Massachusetts, for every two years from 1970 through 2018. This is called equalized valuation, as gathered on a consistent basis by the state, and is available online through the Massachusetts Department of Revenue, Division of Local Services. Through this we can get a glimpse into what happened to the total values of real estate from a period just prior to and just following the adoption of a land bank.

The total value of real estate changes due both to price changes and to development, or to what we call new growth. If the purpose of a land bank is to stem development in favor of preservation, then we might expect to see some reduction in new growth. Changes in equalized valuation give at least some rough data on the combined impact of the land bank on real estate prices and new growth.

The attached graph plots equalized valuation for Nantucket, Martha's Vineyard, Cape Cod, and Brookline for fiscal years 1982 to 2018. (Brookline is added merely out of local interest.) Valuation for a fiscal year is as of January 1 of the prior calendar year and is typically based on selling prices in the 12 months prior to that January 1 (selling prices in 2016 for fiscal 2018). All values are in log form, so that vertical distances on the chart show percentage changes, and the values are indexed to fiscal 1982. We see that both Nantucket and Martha's Vineyard outpaced the Cape in growth of total property value over the entire 36-year period.

Do the data give any insight into the impact of a land bank on real estate prices? To test this we might look at the changes in equalized valuation from immediately before to immediately after the approval of a land bank. We might presume these immediate changes are more due to changes in real estate prices than to development, since development typically takes a number of years to plan and to execute. Projects well under way when a land bank is approved are likely to be completed, but the impact on price might well be immediate.

In an effort to test for price impact, I chose to conduct three linear regressions. First, I used as a dependent variable the annual percent change in equalized valuation over each two-year period for Nantucket minus that for Martha's Vineyard (Nantucket vs Vineyard) and for independent variables dummy variables for calendar year 1982-1884 (Nantucket Land Bank) and for 1984-1986 (Martha's Vineyard Land Bank). The results are as follows:

$$\begin{array}{rcccl} \% \Delta \text{ Nant. vs. Vineyard} & = & 0.85\% & - & 5.07\% \text{ Nant. Land Bank} & + & 2.69\% \text{ (Vineyard Bank)} \\ & & \text{(t statistics)} & & (0.88) & & (-1.27) & & (0.68) \end{array}$$

Nantucket's growth in equalized valuation relative to Martha's Vineyard was negative in the years surrounding approval of its land bank in 1983 and was positive in the years surrounding the approval of Martha's Vineyard's land bank in 1985. This suggests that the immediate impact of the land bank, with its 2% transfer fee, was to reduce real estate prices, but the results are not statistically significant. (The "t" values are less and 2.00)

A second regression was done by looking at Nantucket's change in equalized valuation minus that of the Cape, with results as follows. Since the Cape land bank was approved in 1998, the dummy variable for the Cape is for calendar years 1996-2000.

$$\begin{array}{rcccl} \% \Delta \text{ Nant. vs. Cape} & = & 2.28\% & - & 1.37\% \text{ Nant. Land Bank} & + & 3.60\% \text{ (Cape Land Bank)} \\ & & \text{(t statistics)} & & (1.95) & & (-0.29) & & (1.06) \end{array}$$

Nantucket's equalized value increased relative to the Cape by a bit less in the years surrounding approval of its land bank (1982-84) and by more relative to the Cape in the years surrounding approval of the Cape land bank (1996-2000), but the results are not statistically significant.

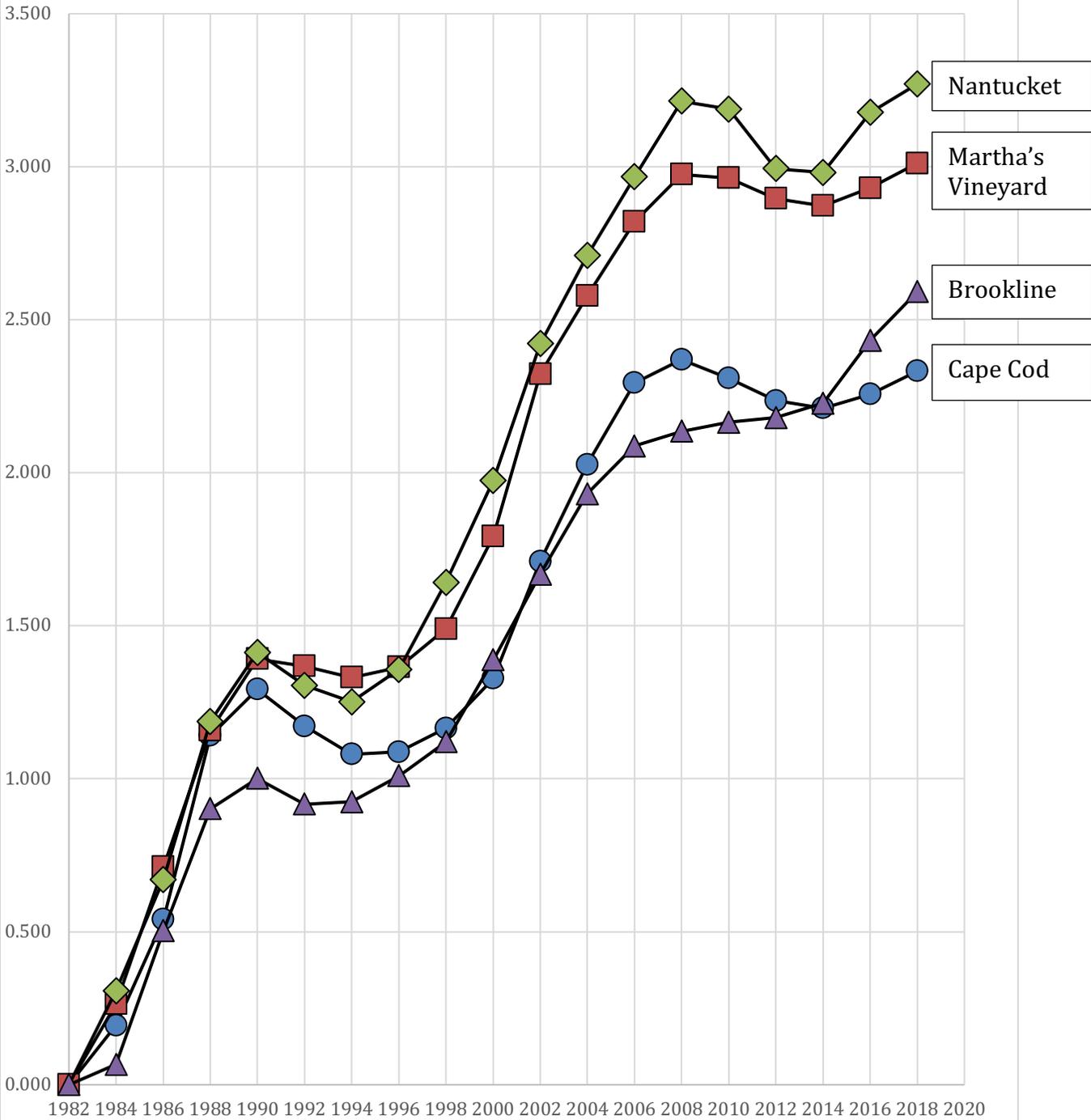
Finally, a third regression uses the difference between Martha's Vineyard change in equalized valuation minus that of the Cape, with results as follows:

$$\begin{array}{rcccl} \% \Delta \text{ Vineyard vs Cape} & = & 1.82\% & - & 9.59\% \text{ Vineyard Land Bank} & + & 5.38\% \text{ (Cape Land Bank)} \\ & & \text{(t statistics)} & & (3.11) & & (-4.10) & & (3.15) \end{array}$$

Martha's Vineyard's equalized valuation fell relative to the Cape in the years surrounding its land bank approval (1984-86), and rose relative to the Cape in the years surrounding the Cape's land bank approval, and here the results are statistically significant.

The results suggest an immediate negative impact of new fees or taxes on real estate prices, since the signs of the coefficients all point in that direction, but they should be interpreted with great caution. Any immediate impact may well be reversed within a few years.

### Log of Equalized Valuation (Total Assessed Value), Fiscal Years Ending 1982-2018, Indexed to 1982=.000



Source: Massachusetts Department of Revenue, Division of Local Services. The dates are for fiscal years ending in that year and represent values for the calendar year two years prior..

—●— Cape Cod —■— Martha's Vineyard —◆— Nantucket —▲— Brookline