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Land Use Decisions

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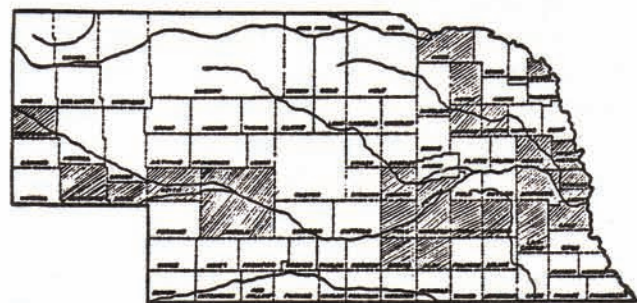
Many people, including farmers and ranchers, have grown suspicious of city or county planning programs and their influence upon private land use decisions. These private landowners fear various forms of public influence and control will further limit their freedom to choose that land use which they feel is best. Yet, often these same landowners recognize the public's interest in such activities as soil conservation and the control of noxious weeds where they appreciate the support of government programs. Indeed, many public programs affect private land use decisions, such as those designed to influence wildlife habitats, environmental quality, and the preservation of prime agricultural land.

New challenges associated with scarce energy and the natural environment have focused attention upon the conflict between public and private interests in land. A review of the characteristics of these public and private interests seems useful for the evaluation of present and future land use policies.

Land Use Traditions

Traditionally, a strong preference for private ownership and control has dominated U. S. land policy. These private landowners are expected to be independent, free to choose the best use of their land with little interference from government. Although land use regulations or incentives which reflect public interests in land appear at many levels of government, they have been applied sparingly and reluctantly when compared with other nations.

This preference for private ownership is evident in the 58 percent of the nation's land that is privately held. A few large states, such as Alaska



■ Counties in which Comprehensive Plans & Zoning Regulations were adopted.

Figure 1. Nebraska County Planning & Zoning 1977

and Nevada, with about 90 and 85 percent federally owned land, reduce this percentage. In Nebraska, private landowners control more than 93 percent of this state's 48.9 million acres.

The freedom of these private landowners to decide the best use of their land is a central part of this tradition. Although private landowners have accepted some public land use controls, zoning, another public tool for land use control, has not been widely applied, especially in rural areas. Nearly one-third of Nebraska's counties have prepared comprehensive plans and zoning resolutions. Most of these counties are located in or near the more heavily populated areas, accounting for more than 2/3rds of the state's population.

A second, equally important tradition, grows from a preference for economic or market forces rather than political-legal interpretations of society's interest in land use. Changing prices along with a desire for the highest profits have encouraged owners and operators to shift land toward the "best" economic use. This most intensive, or best use, is not determined by maximum yields alone, but by the economic returns or profit

expected from alternative land uses. Consequently, over time, the land use decisions of private landowners are expected to respond to changing public needs as reflected by the forces in the market. This expectation rests upon the assumption that the collective effects of these individual land use decisions will be in the best interest of the nation as well.

New Conditions and a New Challenge

Many public policies and programs, introduced to modify or reinforce market incentives, have encouraged development of the nation's abundant land resources. This nation's 200 years of unparalleled growth and development is evidence that these policies and the forces of the market have served the nation well. Consequently, any proposal to alter the market's influence is likely to be considered reluctantly.

Looking into the future, new and different conditions are becoming apparent. These conditions suggest a re-evaluation of policies concerning the development of our land resources is in order. Increasing population and income, along with more sophisticated tastes and preferences, combine not only to increase the level of demand but the array or diversity of land uses as well. The stress created by these demands and the relatively fixed supply of land and other natural resources available to satisfy them has become more and more apparent.

Although different views of growing world population, environmental, and energy concerns are obvious, few people would argue that historic assumptions made in the good old days are equally appropriate today. World population, now estimated at 4 billion, has doubled since 1930 and is expected to double again shortly after the turn of the century at the current growth rate. An increasing concern for the balance between world population growth and requirements for food and fiber is evident. Equally obvious is the growing concern for adequate supplies of energy and other non-renewable natural resources. A reappraisal of assumptions traditionally made about these natural resources is needed; a re-appraisal which recognizes the challenge placed before our nation as these diverse demands confront increasingly scarce and uncertain supplies of many natural resources.

The Central Question

Underlying these land use concerns is the central question: Are current market forces guiding private decisions in a satisfactory manner? Moreover, are current non-market forces, operating through various policies and programs, effectively representing the public interest? Given the present challenges to traditional goals and policies, this is a most appropriate time to re-examine both market and non-market influences upon land use decision-makers.

Market Dilemmas

Market forces encourage buyers and sellers to enter the market and shift land toward its most profitable use. These decisions are made for a particular place or parcel of land, but often have effects which fall on 3rd parties—individuals and groups other than the buyer and the seller. These *3rd Party Effects*, or externalities as they are sometimes called, are most often associated with the costs found in environmental concerns such as air and water pollution or the creation of undesirable odors and noise. However, 3rd Party Effects may also be in the form of benefits which spill over onto others. Examples are found in the farmer's conservation practices to limit erosion, which also benefit those concerned about downstream sedimentation. In either case, there is no economic incentive for market participants, the buyer and seller, to account for those effects which spill over onto these 3rd parties. As these spillovers become more extreme, we move toward a case of market failure.

Decisions concerning land may result in another troublesome 3rd Party Effect. Many land use decisions result in an *irreversible transfer* to uses which limit the alternatives of succeeding generations. Private land use decisions based on current market information do account for the future to some extent. The value of land is essentially the present value of expected future income. Consequently, shifts of land to more intensive uses generally reflect the influence of values in today's market of the anticipated increase in net returns. However, values, wants, and needs reflected in the price structure of today's market may be altered dramatically in the future. Where decisions are irreversible, the mar-

ket fails to account for the value of leaving our options open.

These irreversible decisions are most apparent when historic sites, archeological resources or the habitats of endangered wildlife species are lost forever. But, prime agricultural land which transfers to highways, residential developments, airports and industrial parks and similar uses also has a certain irreversible character.

Irreversible transfers are a focal point for those who argue too much emphasis has been placed upon land as a commodity valued under current market conditions and too little upon land as a resource to be preserved and conserved for future generations.

Non-market Dilemmas

"The Public interest" is an elusive beast. The public is comprised of many subsets of publics, each with unique interests and concerns. Consequently, a basic non-market dilemma grows from the diverse and often conflicting character of public interests.

For example, the Homestead Act passed in 1862 encouraged settlement of the frontier, reflecting a public interest in growth and private ownership. However, seemingly conflicting interests in conservation and preservation were apparent in the Forest Reserve Act of 1891, which encouraged the establishment of nationally controlled parks and game refuges. Today, equally diverse public interests are apparent. Although public interests have been expressed in many other ways, zoning—a police power usually delegated to local government—often receives the most attention. However, the conflicts in current public interests are most evident when we also recognize that government powers to condemn, tax, spend and to inform also influence private land use decisions.

In addition to society's conflicting interests, public decisions can have substantial economic impacts on private landowners. These economic impacts, popularly called "windfalls" (gains) or "wipe-outs" (losses), refer to changes in property values which are not the result of a change in either management or the productivity of land. Windfall gains arise as public investments in new schools, highways, parks or playgrounds create an opportunity for near-by landowners to shift their

land into a more intensive, higher rent-producing use. Conversely, economic losses can and do fall upon private landowners as a result of public actions which either reduce the productivity of land in its present use or restrict future opportunities to use it for a more profitable purpose.

The U. S. Constitution addresses this problem, attempting to protect the private landowner by protecting the taking of his property without just compensation. The 5th amendment states "—nor shall private property be taken for public use without just compensation." Clearly, when the government "takes" property through condemnation, the owner must be compensated for his loss. Yet, what is a "fair" market value or "just" compensation when public investment has contributed to its value? Equally difficult is the compensation owed to private landowners for losses resulting from government regulations which limit alternative land uses. This non-market dilemma focuses attention upon two questions; when is land "taken", and what compensations is "just"?

The level of government at which public interests should be considered and expressed poses still another dilemma. The preference for local control appears to be widely accepted. Yet, political boundaries, like barbed wire fences, do not fit all public concerns about land equally well. Some land use decisions have impact well beyond the jurisdiction of local government and additional resources may be required to deal with these concerns.

Consequently, the search for the public interest in land use goes on at many different government levels. National policies and programs reflect concerns for flood control, soil conservation, and many other land uses. Meanwhile, a similarly wide range of public interests are expressed at the local government level in plans for improved schools, parks, roads, sewage and waste disposal facilities.

The Search for Balance

The search for balance between public and private interests in land will never be wholly resolved. Political-legal adjustments in the role of the market will be consciously made by participating citizens.

There are but three choices:

- to use our land resources and destroy them,
- to use our land resources and conserve or maintain them,
- to leave our land resources in their natural state.

We have used all three choices in the past. Undoubtedly we will use all three in the future as we search for that pattern of land use which strikes the best balance between the needs of both present and future generations.

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File Under: GENERAL AGRICULTURE
B-3, Public Policy
Issued May 1977, 15,000