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CHANGES ASSOCIATED WITH THE USE OF REMOTE SUBDIVISION PARCELS—A COMPARATIVE ANALYSIS OF THREE OWNERSHIP SURVEYS IN SIX NORTHERN CALIFORNIA LAND PROJECTS*

BY

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Introduction

A dream of many urbanites is to own a piece of rural property for supposed relief from the pressure of city life, as a place to retire, or as a means of cashing in on apparent, ever-increasing land prices. In the late 1960's and early 1970's, large tracts of nonprime land in various states were subdivided and marketed to people with this dream. In California, more than a half-million acres were subdivided between 1963 and 1969, and over 200,000 acres followed in the three-year period, 1970-1972. This dramatic commitment of land to new uses caused concern to legislators and the public about possible environmental damages and potential negative fiscal impacts on local rural governments.

We initiated a research project in 1972 to examine some of the impacts of rapid subdivision development in remote areas of rural California. The area chosen included two counties (Siskiyou and Modoc) on California's northeastern boundary with Oregon and Nevada. The research program included an intensive survey of motivations, expectations, and planned, ultimate uses expressed by purchasers of these remote rural subdivision properties.[1/] This paper adds a new dimension to the previous findings by reporting our initial results from a 1979 resurvey of owners of the same parcels that were contained in our 1972 sample for Siskiyou County. The new survey contains information for continuing owners (i.e., owners who were also owners in the 1972 sample) as well as information for new owners who have made purchases since 1972, from either a previous owner of the parcel or, in some cases, from a subdivision's developer.

This paper first briefly reviews the nature of subdivision development in Siskiyou County. The 1979 survey is then described. The analysis which then follows relates to changes in use intentions and differences in buyer motivation and in the planned ultimate use for parcels. The analysis uses responses to both the 1972 and 1979 surveys as well as from a small survey undertaken in 1974, which is described in the text.

Subdivision Development in Siskiyou County

Siskiyou County which lies just south of the Oregon border, was chosen as an appropriate area to research the potential impacts of subdivision development on parcel purchasers and on local governments. Lumbering and extensive agriculture dominate the economy, but there is also a growing tourist industry which is providing some economic balance. The climate, topography, and economic structure of this region are more like southern Oregon than like the rest of California. While Siskiyou is one of the larger counties in California (6,318.3 sq. miles), it had a population of only 33,000 people in 1970--an increase of about 2,500 over the number recorded in the 1950 Census. It obviously had been by-passed by the post-WWII population surge that seems so pervasive everywhere else in the State.

Development of remote subdivisions, or "land projects,"[2/] began in 1965. From 1965 through 1969, 17 subdivisions with 3,422 lots (7,871 acres) were created in Siskiyou County. Subdivision development continued at a rampant pace from 1970 through 1972 creating an additional 2,048 lots in 10 subdivisions (9,942 acres). After 1972, creation of additional lots and projects dropped dramatically. Over the next five years (1973-77), only 505 lots were added to the subdivision inventory for Siskiyou County--and all of these occurred prior to 1975. Two probable causes for this change are increasingly restrictive legislation[3/] and the economic vagaries of the 1970's.

We have information from both the 1972 and 1979 surveys from owners of parcels in six Siskiyou County remote subdivisions. The typical remote subdivision of our study consists of bare lot sales, with the construction of residences and acquisition of utilities generally the responsibility of the buyer.[4/] As seen in Table 1, the subdivisions included in the sample had diverse characteristics. Power and water were provided only in Subdivision A. Access to lots within all but two subdivisions was by bladed dirt or gravelled roads. Owners in all of the projects except certain units of Subdivision A must install individual septic tanks for sewage. Subdivision A rates high in man-made amenities, having a marina, small store, recreation area, and building improvements. Subdivision F has a central lodge facility, while the remaining subdivisions have little in the way of improvements. Subdivision A is also rated above the others with respect to natural setting having <u>some</u> pine and fir tree cover. The other projects are characterized by the more arid scrub and juniper vegetation cover of the Northeastern Plateau region. Although most of the subdivisions in Siskiyou County share a view of Mt. Shasta, (a magnificent volcanic cone rising 14,000 feet above sea level), none have the thicker conifer cover or lake or stream view which we think would be required for high scenic values, although Subdivisions A and F are on or close to lakes.

TABLE 1

CHARACTERISTICS OF SELECTED SAMPLE OF NORTHEASTERN CALIFORNIA REMOTE SUBDIVISION, 1972

Sub-Division	Subdivided Total Area Acres	Total Number of Lots	Typical Lot Size	Amenity Level Man-Made	Amenity Level Natural	Average Price Per Lot
A	1,200	3,097	Small	High	Medium	$9,521
B	6,100	2,129	Medium	Low	Low	$6,086
C	2,500	880	Medium	Low	Low	$4,925
D	4,700	1,642	Medium	Low	Low	$2,203
E	800	252	Medium	Low	Low	$2,713
F	400	595	Small	Medium	Medium	$6,673
	15,700	8,595				

Results From the 1979 Survey of Property Owners

Whether consumer or community problems develop, depends ultimately on the characteristics and intentions of lot purchasers. The objective of both the 1972 and 1979 surveys was to determine the motivations and intentions of owners of parcels contained in the area's remote recreational subdivisions. We expect that attitudes, motivations, and intentions will have been affected by changing economic conditions in the economy, by the energy crisis, (important because over three-quarters of the parcels were originally marketed to residents of the San Francisco Bay and Los Angeles-San Diego areas), and by stronger legislation affecting the subdivision and marketing of land in rural areas. The nature of several types of changes in responses to the two surveys is discussed below.

1. Changes in planned ultimate use by continuing owners. In our 1972 survey, we asked parcel owners to reveal the planned ultimate use they expected for their purchased parcel—camping, mobile home site, home site, no use, or sale. Of those responding to our 1979 survey, 144 had previously answered the "planned ultimate use" question in the 1972 survey. These continuing owners appear to have substantially changed their intentions or expectations about parcel use. In 1972, 86 owners (60 percent) planned to ultimately use their property as a home or mobile home site, while 21 (15 percent) planned no use and 26 (18 percent) had plans for the ultimate sale of the parcel. By 1979, and for the same owners, only 42 (30 percent) still had a home or mobile home site as their planned ultimate use, and over half of the respondents (78 owners, 54 percent) would offer the sale of their property. The apparent change in planned use (via the 1972 survey) and actual use in 1979 is statistically significant on the basis of a χ^2-test for independence ($\chi^2 = 42$ with 40 d.f.).

Furthermore, not only have there been significant changes in planned ultimate uses, but the time of the expected use has been delayed or postponed by some owners. Fifty-nine owners responded to a question about the expected date of use in both surveys. In 1972, 83 percent felt that they would achieve their planned ultimate use by 1980, but by 1979, only 39 percent had achieved their ultimate use or still had plans to by 1980—and the percentage of respondents who did not know when the date of ultimate use might occur increased five-fold (from 2 to 10 percent). The χ^2-statistic ($\chi^2 = 299.7$ with 270 d.f.) supports statistical independence for the distribution of year of use responses between the two surveys at the 10 percent level of significance.

We have previously reported that 61 percent of our respondents to the 1972 survey planned to use their property for a home or mobile home site and that 85 percent of them planned to do so before 1980 (see, Dickinson and Johnston, 1973). Our 1979 survey data indicate that less than 10 percent of our continuing owners have actually been able to carry through with their plans (see Table 2).

Substantial changes in planned use again is documented by our survey findings. Of the continuing owners who in 1972 planned ultimately to site a home or mobile home on their property, 29 percent (37 of 126 owners) had either already sold their property (25 percent) or were interested in an immediate sale (4 percent). And of the 35 owners who had bought for investment, planning to sell their property in the future, only 9 have sold and an additional 3 are still trying to sell. "No-use" is the primary 1979 use for most of the remaining parcels. In fact, nearly 60 percent of our

TABLE 2

PLANNED ULTIMATE USE IN 1972 AND PRIMARY USE IN 1979
FOR CONTINUING OWNERS SELECTED SISKIYOU COUNTY SUBDIVISIONS (N=207)

Use	Planned Ultimate Use in 1972 (percent of respondents)	Primary Use in 1979 (percent of respondents)
Camping	6.8%	3.9%
Mobile Home	10.6%	.5%
Home Site	50.2%	6.8%
No Use	15.5%	57.5%
For Sale	16.9%	6.3%
Sold	--	24.6%
Other	0	.5%
TOTAL	100.0%	100.0%

continuing owners have made no use of their property, whereas only 15 percent had that expectation in the 1972 survey. These, and other observations to be gained from Table 2, support the inference that 1979 primary use is statistically different from ultimate use as stated by continuing owners in their response to the 1972 survey.

2. Realization of Ownership Expectations. We have since 1972 also questioned Siskiyou County owners in a short 1974 survey about whether their expectations that they had at time of purchase had been met or not; results were reported in Dickinson, et al., (1978). We asked the same question of continuing owners in the 1979 survey. In 1974, 45 percent (59 people) of the sample responded positively (i.e., their expectations had been or were being met adequately), while 53 percent responded negatively. In 1979, only 30.5 percent felt that their expectations had been met (see Table 3)—the χ^2-statistic testing independence is rejected ($\chi^2 = 24.99$ with 2 d.f.). Thus, it appears that over time the level of satisfaction experienced by owners has changed, and, in fact, diminished.

TABLE 3

RESPONSE TO THE QUESTION: "DID OWNING THIS PROPERTY MEET YOUR EXPECTATIONS?"
SELECTED SISKIYOU COUNTY SUBDIVISIONS, 1974 AND 1979 SURVEYS (N=131)

Response	1974 Survey Response	1979 Survey Response
	(percent)	(percent)
Yes	45.0	30.5
No	52.7	69.5
Uncertain	2.3	0.0

3. Buyer Motivation For Prior to 1972 and Post-1972 Purchasers. To assess motivation for purchase, each respondent was requested to subjectively assign percentages (adding to 100 percent) to those factors that described his/her reasons for purchase at the time of buying. The reasons were aggregated into three categories: 1) recreation, 2) retirement and 3) investment. We have previously examined the intensity of motivation by defining a "highly motivated" or dominant purchase response as one for which over 50 percent of the respondents' motivation is associated with a single

TABLE 4

AVERAGE AND DOMINANT MOTIVATIONS FOR PURCHASE, SELECTED SISKIYOU COUNTY SUBDIVISIONS, 1972 and 1979 SURVEYS

Owner Purchasing	Average Motivation for Purchase 1/				Dominant Motivation for Purchase 1/			
	Recreation	Retirement	Investment	Number	Recreation	Retirement	Investment	Number
—Prior to 1972	33%	24%	42%	387	29%	17%	54%	197
—After 1972	20%	49%	30%	110	10%	60%	31%	68

1/ Percentages may not add to 100% due to rounding.

motivational class, i.e., recreation, retirement, or investment. For purchasers who had bought their property prior to 1972, 51 percent (197 out of 387) of the transactions were characterized by a dominant motivation (Table 4). The percentage of dominant motivations rose to 57 percent (68 out of 110) for purchasers buying their parcels after 1972.

In our 1979 survey, a substantial number of the post-1972 buyers made their purchases in 1977, 1978, and 1979. We note a different pattern of average motivations for this group as compared to pre-1972 buyers. The emphasis (motivation) has shifted from recreation (reduced from 33 to 20 percent) and from investment (reduced from 42 to 30 percent) to retirement (increased from 24 to 49 percent).

When comparisons are made of dominant motivations (i.e., purchases with a single motivation class accounting for more than 50 percent of the buyer's motivation), the evidence is even stronger. Of pre-1972 buyers, with a dominant motivation, investment ranked as the most important (54 percent), followed by recreation (29 percent) and retirement (17 percent). The dominant motivation of post-1972 buyers has shifted to retirement (60 percent). The shift results from nearly equal reductions in investment and recreation as the dominant motivations for purchasing parcels in these remote subdivisions.

Both the average motivation and the dominant motivation criteria show that investment and recreation are less important and that retirement is more important with more recent (post-1972) buyers. It is possible that these new purchasers will ultimately register higher levels of satisfaction then earlier (pre-1972) buyers, because they are not so strongly motivated to turn a profit.

4. Planned Ultimate Use, 1972 and 1979 Surveys. Given that motivations for pre- and post-1972 buyers have changed, a major question is whether planned ultimate use for the two groups is different. In 1972, purchasers were asked about their planned ultimate use. Sixty-one percent indicated home or mobile home, 8 percent camping, 12 percent no use and 20 percent "other" (primarily for sale). In 1979, new owners (i.e., the post-1972 buyers) indicated their planned ultimate use as two percent camping, 75 percent home or mobile home, 10.4 percent no use and 12.5 percent "other." The χ^2-statistic ($\chi^2 = 34.8$ with 4 d.f.) confirms that post-1972 buyers' planned ultimate use are different from those of pre-1972

buyers. Specifically, a higher percentage plan to build a home on their lot.

Conclusions and Observations

In reporting on our original work, we noted the expressed interest of purchasers to eventually build on their property. Our limited estimates based on our sample data collected in 1972, indicated a 50 percent increase in total single family structures by 1980 if purchasers were able to carry through with their stated plans and intentions. As has been reported here, only a small percentage (10 percent) of land owners who planned to build have actually done so. Thus, the build-out rate for Siskiyou County Subdivisions over the 1970's is approximately 1.0 percent per year which is in line with other studies reporting build-out rates in remote rural subdivisions.

The question then arises as to whether the planned ultimate use of post-1972 buyers will yield the same degree of disparity between planned and actual use. Several factors have changed which may bear heavily on the answer. First, new subdivisions of this type are no longer being approved by planning boards. County governments in California have, for a long time, been carefully scrutinizing all proposals for major new developments which would possibly demand county services. Thus, the ever-increasing supply of subdivision lots for initial sale has been sharply curtailed. Second, subsequent to 1972 several class action suits were filed which involved subdivisions in our sample. These suits alleged consumer fraud both in terms of false and misleading statements about the investment potential of these properties and the lack of promised amenities by the developer. Subsequent legislation, with more effective regulation, has tempered these marketing excesses. Third, a persistant set of negative economic conditions such as rising fuel prices, construction costs, and interest rates have existed throughout the decade. These have severely reduced the demand for these types of properties except for the more seriously motivated purchaser.

It must be remembered that the dominant motivation of the post-1972 group is primarily retirement oriented. Purchasers appear less interested in speculating in capital-appreciation and, thus, may not be as likely to be discouraged by the lack of a resale market. Because of more restrictive subdivision regulations new lots are not now being developed. Therefore, owners of property in existing developments—particularly in those with some amenities—will probably see some development to meet local housing needs. While only time will tell, it is entirely possible that the parcels in these subdivisions are gradually being passed into the hands of people better equipped with the will and the means to carry through with their plans. As time progresses, new owners may be more successful in their plans for retirement homes on their property than were early, initial buyers who appear to have been motivated more by speculative and investment prospects.

FOOTNOTES

1/ Information about research design and results are included in a series of publications including: Dickinson and Johnston (1973), Johnston and Hansen (1974), Hansen, et al. (1976), and Dickinson, et al. (1978).

2/ Under California Law, a land project is a development with 50 or more unimproved parcels located in a remote area with less than 1,500 registered voters within two miles of the project.

3/ See Simko et al. (1978; pp. 267-271) for a concise summary of regulations pertaining to subdivision lands in California.

4/ See Parsons (1972) for an excellent descriptive article on Northern California activity by the "land subdivision industry." The latter term is borrowed from Allan, et al. (1978) which provides additional useful background information. Ragatz (1974) is also of historical interest, being written at the height of the "industry" boom.

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