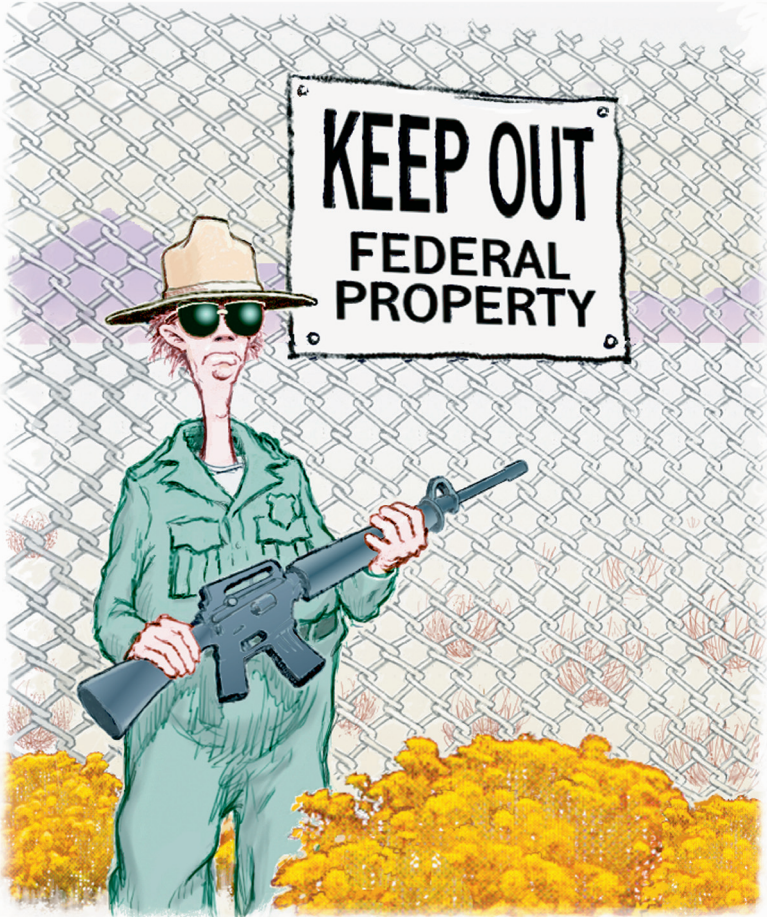


The Federal Land Stranglehold



*– and What Nevada
Can Do About It*

By Charles F. Barr

Executive Summary

The federal government owns or controls 86 percent of the land in Nevada and even more – 89 percent – in Clark County. The tight federal grip on this land is causing economic harm – and, in many cases, genuine hardship – to local developers, workers, renters and would-be homeowners.

The Bureau of Land Management (BLM) refuses to release more than a token amount of land each year for construction of homes, schools, parks and businesses. This artificial, government-induced scarcity of buildable land – in an area surrounded by mile after mile of wide-open spaces – has triggered massive increases in the price of remaining privately owned land, to the point where the average family can no longer afford the mortgage payments for a median-priced home.

Numerous multi-million-dollar residential and commercial projects have been cancelled or put on hold, resulting in thousands of lost construction jobs, simply because the high land prices have made such projects too costly to build. In addition, construction of affordable two- and three-story apartment complexes has been severely reduced, causing rents for existing apartments to rise sharply.

The resulting higher cost of living is having an increasingly negative impact on Clark County's ability to attract and retain the skilled and unskilled workers needed to support its growing economy. Lack of housing affordability is a major cause of the current teacher shortage, which is negatively impacting the quality of education for children in the county's primary and secondary schools.

A fundamental change in federal land policy is critically needed to restore housing affordability and maintain long-term economic growth in southern Nevada. Fortunately, Nevada is increasing its political clout at the national level. Nevada is now the home state of the U.S. Senate Majority

Leader and an early caucus state for the 2008 presidential election. The time is ripe to use Nevada’s growing political leverage at the national level to loosen the grip of the federal government on our land.

Overview

Federal control of land in Nevada has been a significant issue for Nevadans since the state’s inception in 1864. The Nevada Statehood Act gave the federal government most of the new state’s land, for the purpose of selling this land to help pay the Union’s Civil War debts.¹ These sales never took place. From the Civil War onward, Nevadans have been fighting the federal government for control of most of the land in the state. So far Nevada has been fighting a losing battle. Today – 143 years after statehood – the federal government owns or controls 86 percent of the land in Nevada, most of which is unavailable for development. According to the Clark County Department of Comprehensive Planning, about 89 percent of Clark County’s surface area is managed by the Federal government.²

In the absence of a significant release of federal land for housing and business construction, Clark County’s population density will increase by more than 75 percent, significantly diminishing the quality of life of its residents.

As of July 1, 2006, the estimated population of Clark County was 1,912,654.³ It is projected to rise to about 3,358,456 persons by the year 2030,⁴ creating a sustained demand for both housing and retail services in the Las Vegas area. In the absence of a significant release of federal land for housing and business construction, Clark County’s population density will increase by more than 75

percent, significantly diminishing the quality of life of its residents.

The Las Vegas area currently has about 2.65 persons per household,⁵ and Clark County currently has 718,358 housing units.⁶ If average household size remains constant, Clark County will need to add about 543,000 housing units between now and 2030 in order to accommodate population growth. Maintaining current population and housing densi-

ties will require the development of an additional 670 square miles of land during that time period. To achieve this goal, the amount of non-federal land in Clark County (presently about 572,000 acres, or 894 square miles⁷) must increase by about 75 percent.

The Bureau of Land Management, the federal agency that manages federal land, has been granted the authority to auction public land in Nevada by the Federal Land Policy and Management Act of 1976 (FLPMA),⁸ the Southern Nevada Public

Land Management Act of 1998 (SNPLMA)⁹ and the Federal Land Transaction Facilitation Act of 2000 (FLTFA).¹⁰ Since 1999, the BLM has auctioned only 20 square miles of public land in Clark County.¹¹ This is far short of the 29 square miles of suitable land *per year* needed to maintain Clark County's current population density.

These three pieces of legislation have failed to stimulate adequate land disposal by the BLM. The SNPLMA allows for sales of a restricted area of land surrounding metropolitan Las Vegas. The amount of land still available for sale within this boundary is around 50 square miles, and some of it is unsuitable for housing.

Current legislation also gives state and local governments first pick of land for "public uses." The specific parcels of land to be sold are determined by the Secretary of the Interior and

SNPLMA has . . . fostered complacency and erected further barriers to policies that would actually help Clark County.

local governments that have jurisdiction over those lands. No official procedure allows private parties to have any say in which land is made available. The law does allow for land to be released for affordable public housing, but does not take into account the positive effect an increased supply of private housing can have on the affordable housing problem.

Ultimately SNPLMA has not succeeded in alleviating the burden that public lands put on the housing markets. Instead it has fostered complacency and erected further barriers to policies that would actually help Clark County. The FLTFA and the FLPMA are also of no assistance to Southern Nevada. Both laws leave the decision to sell public lands to the Secretary of the Interior, subject to several requirements. Unfortunately, those requirements are designed to favor the federal government's retention of the land. The most conspicuous example of this policy is the portion of the FLPMA that allows land to be sold for the benefit of local communities *only* if that benefit cannot be achieved with lands remaining in the government domain. This positions BLM not as an entity that exists to manage public lands when no private owner is available, but as an agency designed to keep public land out of private hands.

Economic Effect on Southern Nevada

Until now the federal government's withholding of public land has directly affected few people, mostly ranchers and mining interests. This situation is rapidly changing. During the past few years, federal land policy has begun to impose significant economic costs on a majority of the population of Southern Nevada, and this situation continues to worsen.

The most visible consequence of the federal land near-monopoly has been a rapid rise in the price of privately held

land within Clark County. As sustained population growth and economic expansion have bumped up against the government's artificial land constraints, assessed values for many vacant and improved parcels have in the past few years more than doubled.

This land shortage has created a windfall for existing landowners (at least those who choose to sell), but has made a majority of the population worse off economically. It has become the principal driver of escalating housing costs, which have saddled many recent homebuyers with ruinously high mortgage payments, while denying many other families the ability to purchase a home at all. Meanwhile, renters have felt the sting of double-digit annual rent increases, because the high land costs have made it too expensive to build new moderately priced apartment complexes to accommodate a growing population.

According to a report recently published by the New York Federal Reserve Bank, "Housing is expensive because of artificial limits on construction created by regulation of new housing. . . . [T]here is plenty of land in high-cost areas, and in principle new construction might be able to push the cost of houses down to physical construction costs.¹² In Southern Nevada, the most significant barrier to new construction is the refusal of the federal government to release more than token amounts of idle public land for development.

Until recently, many newcomers have been attracted to Las Vegas because of lower living costs and a healthy job market. However, as Clark County's population continues to increase, housing prices will rise until it is no longer economically viable for new people to move there. There are signs that this is already starting to occur. On June 3, 2005 the *Las Vegas Sun* reported that the cost of living in Las Vegas was surpassing the cost of living in places from which most new residents have come.¹³ These included Arizona, Oregon, Utah and Washington, indicating that Clark County's cost of living is increasing at a faster pace than that of neighboring states.

Some of the most serious effects of federal land policy are being felt by a demographic group that is critical to the continuing success of Clark County's economy: low and moderate income workers, including the majority of school teachers and hotel/casino employees.

The cost of living for workers in Clark County's all-important hospitality sector is rising faster than wages, according to Culinary Union Local 226, which represents 60,000 of these workers. The median home price has surged more than 75 percent since the union's current contract was implemented in 2002. As the union's secretary-treasurer D. Taylor put it, "Las Vegas was the last city left where a housekeeper could buy a home. That's not true anymore."¹⁴

Federal land policy is also helping to fuel a continuing shortage of elementary and secondary school teachers. In the not-so-distant past, Clark County's relatively low cost of living was a major selling point for teacher recruitment. "However, with dramatically escalating housing costs and with new teachers more interested in purchasing power than retirement benefits, recruiting teachers is becoming increasingly difficult," says a recent report by statewide school officials. ". . . [S]ome teachers, after initially accepting an offer to teach in Clark County, subsequently rejected the offer after visiting Las Vegas and finding the housing available to them within their budget to be unacceptable for their families."¹⁵

Excessive federal ownership of land in Southern Nevada hurts low-income families most, because they are forced to pay out a larger proportion of their income into the increased housing costs created by this policy. As of 2004, 11.6 percent of families in the Las Vegas area had incomes below the poverty line.¹⁶ According to a December 8, 2004 article in

Not only does the artificial scarcity of land drive up rents and home prices – it also triggers other cost increases and dampens the region's economic growth.

the *Las Vegas Sun*, most families designated as “low-income” were paying more than one-third of their income on housing costs.¹⁷ Given the sharp rise in housing prices and rents since that article was written, that percentage is almost certainly higher today.

Not only does the artificial scarcity of land drive up rents and home prices – it also triggers other cost increases and dampens the region’s economic growth. Industrial and commercial rent increases are passed on to consumers in the form of higher prices, while cancellation of residential and commercial building projects leads to the loss of thousands of construction jobs.

Some might think slowing growth is beneficial for the Las Vegas area. But with no new sources of labor and increasing living costs for current workers, labor costs are likely to increase dramatically. Currently in the Las Vegas metropolitan area, 804,900 persons are employed in the service industry.¹⁸ Increased living costs will force hotel-casinos to offer higher wages to attract new workers and retain old ones, reducing profits and making new growth-oriented projects more difficult. As a result, the Las Vegas metropolitan area, especially the gaming industry, will be hindered in its ability to establish new sources of revenue.

In addition to putting the brakes on growth, soaring land prices will damage Clark County’s attempt to diversify its economy. Until recently, Southern Nevada was a magnet for companies trying to escape high-cost environments in California and elsewhere. This advantage has now disappeared. “Big corporations look at our land prices and they just turn away,” says a local business leader. “Our land prices make any deal out of the question, no matter what incentives we offer.”¹⁹

What Nevada Can Do

Until recently, Nevada has been considered a lightweight in the national political arena. With a relatively small population, few electoral votes, and a comparatively tiny congressional delegation, the state has been able to exert only a small influence on federal policy. The most visible example of Nevada's political weakness has been its inability to block ongoing efforts by the federal government to construct a nuclear waste repository at Yucca Mountain.

However, two recent events have greatly increased Nevada's political clout. The first was the rescheduling of the state's Democratic and Republican presidential nominating caucuses to January 19, 2008. This makes Nevada one of the earliest states to express a preference for major party presidential candidates, and assures that the leading candidates of both parties will be more sensitive to issues raised by Nevada voters. Several top-tier candidates have already made well-publicized campaign trips here, and more are planned. The second event was the ascent of U.S. Senator Harry Reid to the position of Senate Majority Leader, following the Democratic Party takeover of the U.S. Senate in November 2006. This gives him a significant amount of political leverage to weigh in on issues that are critical to Nevada's future.

Nevada's state and federal officials have a unique opportunity to press for a speedier transfer of federal land to the productive private sector.

Certainly the future of Nevada's economy is an important priority, and federal land policy will play a major role in determining the extent to which the state's robust economic growth continues. Conversion of idle government land to productive residential and commercial development will go a long way toward easing the shortage of affordable hous-

ing and maintaining long-term economic growth in southern Nevada.

Nevada is now a significant player on the national political stage, but this advantage will not last forever. Our economy is already feeling the pinch from the continued withholding of federal land, and any delay in addressing this crisis will make the consequences that much worse. At the moment, Nevada's state and federal officials have a unique opportunity to press for a speedier transfer of federal land to the productive private sector. If they succeed, their efforts will go a long way toward securing the continued growth of Nevada's economy well into the twenty-first century.

Endnotes

- 1 Bowman, D. "Shrinking the West: The Land Legacy Initiative." *Nevada Journal*, 1999. Online at: <http://nj.npri.org/nj99/05/land.htm>
- 2 Clark County Department of Comprehensive Planning. *Air Quality and Environmental Management Program Information*. http://www.co.clark.nv.us/daqem/epd/lands/lands_info.html.
- 3 Clark County Comprehensive Planning. *Clark County 2006 Population Estimates*. http://www.co.clark.nv.us/comprehensive_planning/05/Demographics.htm.
- 4 Clark County Comprehensive Planning. *Population Forecasts*. http://www.co.clark.nv.us/comprehensive_planning/05/Demographics.htm.
- 5 U.S. Census Bureau. *2000 U.S. Census, Clark County Nevada Quickfacts*. (2007). [Electronic version] Washington, DC: U.S. Government Printing Office.
- 6 U.S. Census Bureau. *2000 U.S. Census, Clark County Nevada Quickfacts*. (2007). [Electronic version] Washington, DC: U.S. Government Printing Office.
- 7 Clark County Comprehensive Planning. *Air Quality and Environmental Management Program Information*. http://www.co.clark.nv.us/daqem/epd/lands/lands_info.html.
- 8 US Code Title 43 Chapter 35 Subchapter II §1711-§1723.
- 9 Public Law 105-263.
- 10 Public Law 106-248.
- 11 Bureau of Land Management. *SNPLMA Quick Facts*. [Electronic version] (2006). http://www.nv.blm.gov/snplma/quick_facts/land_sales.htm.
- 12 Glaeser, Edward L. and Joseph Gyourko. *The Impact of Building Restrictions on Housing Affordability*. (2002). [Electronic version] <http://www.newyorkfed.org/research/epr/03v09n2/0306glae.pdf>.
- 13 Rademacher, Kevin. (2005, June 3) Cost of Living in Southern Nevada not as

- affordable. *The Las Vegas Sun* Online. <http://www.lasvegassun.com/sunbin/stories/text/2005/jun/03/518853134.html>.
- 14 Robison, Jennifer. (2007, April 15) In Depth: Culinary aims to expand on momentum; Rising cost of housing among key issues union plans to address. *Las Vegas Review-Journal* Online. http://www.reviewjournal.com/lvrj_home/2007/Apr-15-Sun-2007/news/13547091.html.
 - 15 Nevada Association of School Boards and the Nevada Association of School Superintendents. *INvest '07: Investing in Nevada's Education, Students and Teachers*. (November 2006). [Electronic version] <http://www.ccsd.net/pdf/iINvest07.pdf>
 - 16 U.S. Census Bureau. 2000 *U.S. Census, Clark County Nevada Quickfacts*. (2007). [Electronic version] Washington, DC: U.S. Government Printing Office
 - 17 Curran, Steven. (2004, December 8). Families Struggle with Vegas Housing Costs. *The Las Vegas Sun* Online. <http://www.lasvegassun.com/sunbin/stories/text/2004/dec/08/517951331.html>
 - 18 Nevada Workforce Informer, Current Employment Statistics. <http://www.nevadaworkforce.com/cgi/databrowsing/localAreaProfileQSMOREResult.asp?menuChoice=localAreaPro&criteria=Current+Employment+Statistics+%28CES%29&categoryType=employment&geogArea=3221029820&more=More>
 - 19 Wargo, Brian. (2007, April 30). Vegas an unattractive option for corporate home base. *The Las Vegas Sun* Online. <http://www.lasvegassun.com/sunbin/stories/sun/2007/apr/30/566689391.html?unattractive%20corporate>

Charles F. Barr

is a research analyst specializing in economic and demographic modeling as well as database design. His extensive experience includes many years in computer programming, specializing in business applications on large-scale IBM systems, as well as newspaper reporting and writing. Clients have included Citibank and the State of Nevada Demographer's Office. During the early 1990s he was a socioeconomic analyst at Science Applications International Corporation (SAIC), helping create models of the Southern Nevada economy using REMI software. Charles has two Masters degrees from University of Nevada, Las Vegas – one in Economics and one in Liberal Studies – as well as a Bachelor of Arts in History from University of Georgia. He can be reached at cfbarr@cfbarr.com.

Gregory Shabram, a 2006 summer research intern with the Nevada Policy Research Institute under the Koch Summer Fellow Program, and a pre-law student, contributed to this report.

The Nevada Policy Research Institute

is an independent research and educational organization dedicated to improving the quality of life for all residents of the Silver State through sound free-market solutions to state and local policy questions. The Institute assists policy makers, scholars, business people, the media and the public by providing non-partisan analysis of Nevada issues and by broadening the debate on questions that for many years have been dominated by the belief government intervention should be the automatic solution.

Committed to its independence, the Nevada Policy Research Institute neither seeks nor accepts any government funding. It enjoys the support of individuals, foundations and businesses who share a concern for Nevada's future and recognize the important role of sound ideas.

The Institute is a nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For more information on the Nevada Policy Research Institute, please contact:

Nevada Policy Research Institute

*1700 E. Desert Inn Road, Suite 405A
Las Vegas, Nevada 89169
(702) 222-0642 ♦ Fax (702) 227-0927
www.npri.org ♦ office@npri.org*

