

# Seasonal Homes in the Adirondack Park and Their Impact on Property Taxes

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## Abstract

*Seasonal homes are becoming more common all across the United States, including the Adirondack Park. Their presence affects communities in many ways, environmental, social, and economic. This study examines a subset of the latter—the impact of seasonal homes on local municipal property taxes. Our analysis indicates that, for towns and villages in the Adirondack Park between 1990 and 2000, an inverse relationship existed between seasonal homes and property tax rates. That is, the greater the share of seasonal homes in a municipality the lower the property tax rate. The effect was particularly clear in small and rural towns and villages. An alternative measure of tax burden, property taxes as a percentage of median household income, also appears to be negatively related to the presence of seasonal homes.*

## Introduction

The Adirondack Park is unique among parks in the United States. Within its 6 million acres we find a mixture of public and private properties, more than 100 municipalities, and commercial interests interspersed with pristine lands. Among the several hot button issues currently occupying the attention of park residents and officials is the impact of an increasing number of seasonal (i.e., second or vacation) homes. A survey by Graham Cox and colleagues (2007) reveals that two-fifths of North Country residents think that second home development is incompatible with the character of

their community. Particularly relevant to our study, they also find that more than 40% think that second home development is largely responsible for the rising property taxes in their community (Cox et al. 2007, Table 2).

Of course, the impact of seasonal homes, as part of “exurban development,” reaches beyond economic dimensions, to include environmental and social concerns. The environmental issues surround the encroachment of exurban development into previously wild areas. Preserving wildlife habitat and species diversity is becoming increasingly difficult as is conservation of natural areas for human recreation such as hiking. Michale Glennon and Heidi Kretser (2005) provide a comprehensive look at the ecological impact of exurban development, with specific attention to the Adirondack Park. They note,

The presence of humans, their structures, and the shelter and food sources they create for wildlife can lead to altered population dynamics and increased human-wildlife conflicts around local communities. . . . Increased recreation by humans in areas surrounding exurban developments has many potentially negative impacts to wildlife species, especially in heavily used areas with trails.

Social conflict also takes many forms and often overlaps with economic concerns. It can occur when newcomers have much greater financial resources than long-time residents, come from backgrounds that are widely different (e.g., come to the park after living many years in an urban environment), and have different voting preferences. These social conflicts then spill over to economic concerns. Unequal financial resources lead to increasing housing values in certain areas of the park (and upstate New York generally), perhaps driving out some long-time residents. Local

residents sometimes bitterly complain of the increasing tax burden that accompanies rising homes values (and, of course, rising government spending by the municipality to accommodate the newcomers). The popular press has reported stories of long-time residents of Adirondack Park having been forced to sell their homes because of their rising tax bill (i.e., *Albany Times Union* 1999, 2006).

On the other side, some seasonal homeowners have voiced concern over their lack of voting rights in their seasonal home district. New York, like most states, limits citizens to one person one vote, the location of one’s vote being determined by one’s primary residence. The perception of these seasonal owners is that property taxes in the seasonal home district are an unfair burden, given their part-time residency status. Economic theory of “tax exporting” lends support to their argument (Wildasin 1986, 124–128; Anderson 2004b). Under tax exporting, local residents vote for a greater level of public spending because part of the spending is paid by out-of-towners (i.e., is exported)—somewhat similar to the hotel tax, which is typically much higher than other local tax rates because nonresidents are paying most of it.

The economic impacts extend beyond local municipal spending and property taxes and include changes to consumer spending and employment. But the primary fiscal impacts of seasonal homes are tied to the demand for government services such as water, sewer, fire and police protection, road maintenance, and recreational amenities, funded mostly by local taxes. These fiscal issues present themselves most often in the form of changing property taxes.

This study focuses on the fiscal dimension, presenting an analysis of the

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## ANALYSIS

impact of seasonal homes on property taxes in 101 municipalities entirely or partially within Adirondack Park. We present regression results that identify the statistical relationship between the share of seasonal homeownership in a municipality and the property tax rate within that municipality. The findings indicate a negative relationship between the share of seasonal homes in a municipality and the property tax rate. That is, the greater the share of seasonal homes the lower the property tax rate. We also examine real estate taxes paid per dollar of income and find a similar relationship. This second measure assesses the impact of seasonal homes on the ability of local residents to pay their property tax from the income they earn. This factor seems particularly important given the rising home values and stagnant incomes of many communities in the park.

### Background

Nationally, according to the census, the number of seasonal homes increased faster than the overall housing stock in the 1990s, more than doubling in number since 1980 to reach nearly 4 million by 2000. Due to inaccuracies in data collection census data may be considered as a lower bound on the estimate of seasonal homes. Di et al. (2001) note, for example, one drawback with using census data: the census appears to underestimate the number of seasonal homes because some seasonal homeowners, despite specific instructions advising otherwise, completed census forms received at their seasonal homes, leading those homes to be counted as primary residences. Even so, Di et al. assert that "the census remains a useful data source on second homes with some distinct advantages," primarily that it provides a geographic link to other data to answer questions such as the main focus of our paper.<sup>1</sup>

The northeastern United States contains the highest share of seasonal homes as a percentage of all housing units and New York State contains the largest number of seasonal homes in the North-

east, with over 230,000 units in 2000. Excluding New York City, the proportion of seasonal homes in New York is about five percent of all homes and has been increasing, following the national trend. Seasonal homes as a percentage of all housing units varies considerably by location. In New York, for example, while less than one percent of all housing units are classified as seasonal in most urban counties, in many rural counties the share of seasonal homes exceeds 20 percent of all units (Table 1).

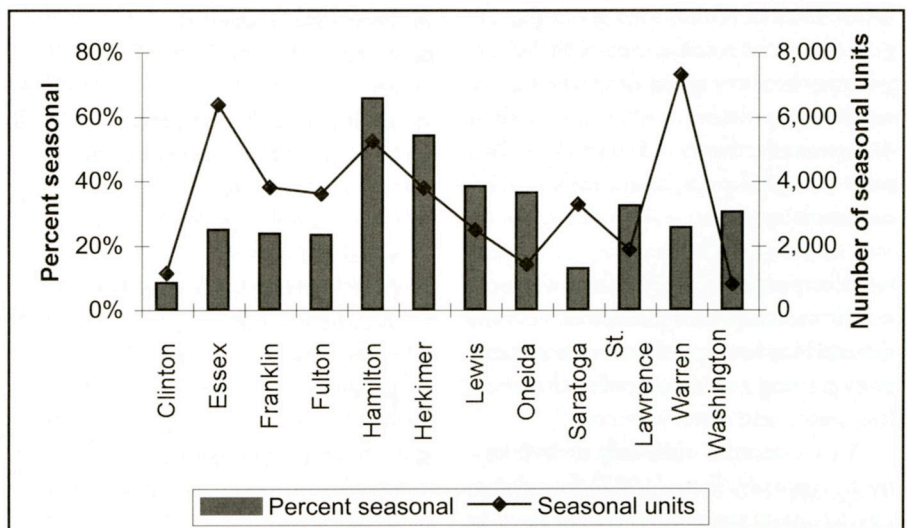
While the share of housing units in Adirondack Park municipalities classified by the census as seasonal declined slightly from 1990 to 2000, the percent-

age is still quite high. For the Adirondack Park region as a whole, seasonal homes constituted more than one-quarter of all homes. Many of the municipalities with the highest share of seasonal homes are in Hamilton County: Arietta has 82 percent of its units classified as seasonal; Morehouse, Inlet, and Lake Pleasant all are above 70 percent. Santa Clara in Franklin County is the only other municipality with more than 80 percent seasonal homes, but altogether 26 municipalities have more than 50 percent seasonal homes. Many of the municipalities with a low share of seasonal homes are villages (8 of the 14 lowest municipalities). Figure 1 shows

**Table 1.** Seasonal homes in New York State (excluding New York City), 2000

Type	Total housing units	Seasonal units	Seasonal share (%)
Towns	3,458,510	202,527	5.86
Rural*	558,059	116,799	20.93
Villages	744,654	15,934	2.14
Rural*	87,473	4,628	5.29
Adirondack Park Towns and Villages	157,327	40,464	25.72
Cities	1,016,303	4,308	0.42

\* 100% rural as defined by the Census.  
Source: U.S. Census 2000



**Figure 1.** Seasonal homes in Adirondack counties

the number and share of seasonal homes for each county.

With the increasing importance of seasonal homes, interest in the impact of these homes on local economies and government finances is once again gaining attention of economic researchers after a two-decade lull. Recent work by Weagraff (2004), Cho et al. (2003), Di et al. (2001), and Stynes et al. (1997) has complemented earlier work by Burby et al. (1972), Ragatz (1970), and Tombaugh (1970). The earlier work focused on two issues: development, designed to provide “planners and policy makers with a useful tool to evaluate the effects of policy alternatives on recreation area development patterns” (Burby et al.; also Ragatz), and the determinants of seasonal home location (Tombaugh).

A summary of the recent findings, which focuses on measuring the economic impacts of seasonal homes, is shown in Table 2. Cho et al. (2003) find that the presence of seasonal homes in a neighborhood has a significant influence on housing prices in the area, the effects being strongest in rural areas. Weagraff (2004) finds evidence that seasonal homes are associated with greater growth in employment, per capita income, and population in a large sample of coastal counties in the Northeast. Stynes et al. (1997), in a study of Michigan, survey seasonal homeowners to estimate their seasonal home use and spending patterns. They note that on a given day the population of some counties in Michigan may be six or seven times the official resident population, probably a familiar occurrence for many Adirondackers. Not only does this population influx affect consumer spending and employment (as well as the environment), and therefore have important implications for economic development, it also affects the demand for local public services, potentially putting a strain on police, highway, fire, water, and sewer services.

A two-decades old study of 240 Vermont towns by Fritz (1982) found that an increase in town property allocated to

vacation homes was significantly associated with an increased tax burden on residential property. The impact seemed to be more important the smaller the town. Anderson (2004a, b) provides an update with two new studies. In his first paper, Anderson examines the theoretical opportunity for local residents to export part of the local property tax. In his second paper, he presents empirical results indicating that a greater share of seasonal homes in a municipality’s tax base (in Minnesota) is associated with a slight increase in per capita municipal spending. Our paper adds to these research findings by studying the relationship between seasonal homes and two measures of the property tax burden in Adirondack Park.

Adirondack communities are special. Because they are within a protected area, the actions of citizens are constrained (e.g., in terms of building) as are the options for communities (e.g., in terms of economic development). These constraints lead to outcomes that distinguish park municipalities from others in New York State. Compared with non-Adirondack Park municipalities in New York State, Adirondack Park municipalities in 2000

- have lower median household income,
- have fewer residents,
- have more water and land area,
- are less densely populated,
- are much more rural (as defined by the census),
- have a much higher rate of seasonal homes,
- have a property tax rate that is about the same,
- receive 50 percent more non-property tax revenue per capita,
- receive 125 percent more intergovernmental revenue per capita, and

- did not see an increase from 1990 to 2000 in the share of housing units that are seasonal homes (Table 3).

One hundred four municipalities lie all or partly within Adirondack Park. We had to remove Altamont (Tupper Lake), Benson, and Morehouse from our study because we lacked property tax data for 2000. Remaining were 88 towns and 13 villages.

**Table 2.** Key findings in previous research of economic impact of seasonal homes

Seasonal homes:	
■	have a significant influence on area housing prices, especially in rural areas (Cho et al. 2003);
■	are associated with greater growth in employment, per capita income, and population in a large sample of coastal counties in the northeastern United States (Weagraff 2004);
■	create incentives for local governments to increase public spending (tax exporting) (Anderson 2004a);
■	foster increase in per capita municipal spending (Anderson 2004b); and
■	may increase the tax burden on residential property (Fritz 1982).

**Table 3.** Characteristics of Adirondack Park towns and villages, 2000 (averages except when noted)

Rural	0.88%
Median real estate taxes	\$1,327
Median household income	\$35,819
Population	2,795
Water area	5.1 sq. mi.
Land area	93.3 sq. mi.
People per square mile	239.8
Houses per square mile	110.2
Total housing units	1,558
Number of second home units	401
Municipality-wide assessed value	\$155,646,171
Municipality-wide full value	\$182,536,689
Property tax revenue	\$755,212
Property tax rate	0.0055%
Sales tax revenue, total	\$322,037
Non-property tax revenue per capita	\$103
Intergovernmental revenue per capita	\$262

## Analysis

### *Data and Model*

We focus on property tax as a measure of fiscal impact because it generally is the largest source of revenue for local governments. It represents 79 percent of all local taxes and 43 percent of all revenue in New York State outside New York City (Office of the State Comptroller 2006). Property taxes in New York currently are roughly five percent of personal income, significantly above the national average of about 3 percent, and grew at twice the rate of inflation in the 10 years ending 2005. Because the property tax is set locally, it varies considerably across the state.

To determine the required property tax revenue, local governments first determine their projected overall expenditures and then subtract projected revenues from other, nonproperty sources. The resulting estimated tax bill must be raised from the property tax levy, and the nominal property tax rate is set by dividing the property tax levy by the assessed property tax base (the effective rate uses the full market value of properties). Seasonal homes, to the extent that they require provision of additional local municipal spending, raise the required property tax levy. At the same time, new or improved seasonal homes may add to the property tax base and possibly to household incomes or other tax revenues (e.g., sales). To gauge the net impact, we use two measures of the burden of the property tax. The first is the effective property tax rate, which for homeowners and local officials is probably the most commonly discussed measure of tax burden.

The second measure is property tax revenue as a share of median household income, a measure commonly considered when evaluating state tax policy

(e.g., Reed and Rogers 2006). We use this second measure because residents may be more concerned with their tax bill (payment) as it relates to their income, since it is from their income that they are able to pay their property tax levy. In many areas, upstate New York included, residents voice concern over tax bills that are rising faster than incomes (e.g., Albany Times Union 1999, 2006). Even when tax rates fall, tax bills may rise if property values rise more than proportionately. This second measure of

**The results quite clearly indicate that seasonal homes in Adirondack communities are associated with slightly lower municipal-level (town or village) property tax rates and tax burdens as measured by real estate taxes (which include county and school taxes) per dollar of income. This association appears to be stronger for small and rural towns. These findings are likely at odds with the perception of many residents of the Adirondacks.**

tax burden is more comprehensive than the first because it includes county and school property taxes in addition to the town and village taxes. For all these reasons, this second measure provides a fuller picture of what is happening to the tax burden on residents.

We use regression analysis to identify the effects of seasonal homes on the local tax burden. Regression analysis is a statistical technique that can account for natural differences across towns and villages in terms of taxing and spending needs, allowing us to control for factors that also may affect the tax levy through their effect on demand for local expenditures. Thus, the effect of seasonal homes can be isolated. Regression analysis relates a dependent variable to "explanatory" or "control" variables. In this case, these control variables are geographic, population, and intergovernmental characteristics of the municipality. In particular, we

account for differences across towns and villages in terms of land area (in square miles), population (year-round residents), total number of housing units, per capita non-property tax revenue, per capita intergovernmental aid received by the municipality, and whether the town or village is a county seat. The control (i.e., explanatory) variable of primary interest is percentage of homes in the municipality that are seasonal homes. (Additional background on regression analysis can be found in introductory statistics or econometrics textbooks such as Mirer, 1988). Details of the data sources and statistical approach are available from the author upon request.<sup>2</sup>

We use data at the town and village level from the 1990 and 2000 U.S. censuses and from the New York State Office of Real Property Services.<sup>3</sup> For our first set of regressions we use as the dependent variable (i.e., what is being explained) the effective property tax rate, obtained by dividing total municipal-wide property tax revenue by the full market value of all taxable property within the municipality. We have these data and the data for the explanatory variables for both 1990 and 2000 and so are able to account for changes over time. Our second set of regressions uses total real estate taxes paid (including town or villages, county, and school) by full-time residents divided by median household income of those residents. As we were able to obtain this real estate tax information only for the 2000 census we are limited to a single year analysis for this second set of regressions.

### *Estimation Results*

A summary of results from our regression analyses is shown in Table 4. The

Table 4. Regression results

Sample	Dependent variable: Property tax rate		Dependent variable: Real estate taxes per dollar of income	
	Effect of seasonal homes	Confidence	Effect of seasonal homes	Confidence
All towns and villages	-0.0047	0.999	-0.0223	0.999
Towns only	-0.0033	0.995	-0.0143	0.949
Villages only	-0.0119	0.558	0.0910	0.699
Medium-size and large towns and villages	-0.0019	0.567	-0.0241	0.767
Small towns and villages	-0.0054	0.999	-0.0225	0.978
Rural towns and villages	-0.0071	0.999	-0.0121	0.883

first two sets of results include all towns and villages, with property tax rate as the dependent variable. We find that the higher the share of seasonal homes in a municipality the lower the property tax rate, all else being equal. The relationship is statistically strong (that is, we have a high degree of confidence in the results), although the dollar amount itself is less so significant. The value of effect of seasonals on tax burden indicates that the tax rate is 0.47 percentage point lower if all housing is seasonal versus if none were. Thus, if seasonal homes are 20 percent of all housing units, then the tax burden is about 0.1 percentage point lower.<sup>4</sup> Based on a typical town effective tax rate of 0.5 percent, the tax bill for a home with a full market value of \$100,000 would be about \$500, so the change in the tax bill attributable to the presence of seasonal homes is about -\$100 per home.

Looking at the real estate taxes paid by year-round residents per dollar of income of those residents, we also find that the higher the share of seasonal homes in a municipality the lower the level of tax burden. The results indi-

cate that if, for example, seasonals are 20 percent of all homes, the change in the tax bill is estimated at -\$156.10. (Remember that this measure of property taxes includes county and school taxes for full-time residents only.)

Because towns and villages typically have differing spending needs and taxing authority we separate the towns and villages for our next set of results. As one may expect (with 88 of 101 municipalities being towns) the findings for towns are similar to the findings for all municipalities. For villages, however, we can be much less sure that seasonal homes have an effect on property taxes. We note that

**The northeastern United States contains the highest share of seasonal homes as a percentage of all housing units and New York State contains the largest number of seasonal homes in the Northeast.**

with only 13 villages the number of observations is smaller than is normally used in statistical inference, so the lack of confidence may be partly reflective of sample size.

Because larger towns and villages may have spending and taxing requirements that differ from those of smaller ones, we separate our sample somewhat arbitrarily into 31 medium-size and larger municipalities with populations greater than 2,000 and 70 small ones. We see that the effect of seasonal homes is essentially zero for the medium and large towns and villages, while it is negative in the smaller municipalities. In fact, the effect of seasonals in these smaller towns and villages is very similar to the effects described earlier for all 101 municipalities.

Our last grouping looks at 78 rural-dominant municipalities (defined by the census as 100 percent rural). In these areas seasonals also appear to be associated with a lower property tax burden, although the relationship is stronger for property tax rate than it is for real estates taxes per dollar of income. In fact, the effect of seasonals on the property tax rate is about 50 percent larger in rural areas than for the overall sample. Thus, if seasonal homes were 20 percent of all housing units, then for an average home with a full market value of \$100,000 the change in the tax bill attributable to the presence of seasonal homes is about -\$140.<sup>5</sup>

**Concluding Remarks**

The results quite clearly indicate that seasonal homes in Adirondack communities are associated with slightly lower municipal-level (town or village)

property tax rates and tax burdens as measured by real estate taxes (which include county and school taxes) per dollar of income. This association appears to be stronger for small and rural towns.

These findings are likely at odds with the perception of many residents of the Adirondacks. We can only note that property taxes have been rising all over New York State (at twice the rate of inflation). Our results do not necessarily indicate that property taxes are

falling in municipalities with a greater share of seasonal homes, only that they are not rising as fast as in other, similar municipalities. The question remains why seasonals have the effect we report. The short answer is that increased municipal spending due to seasonal homes is not rising as fast as property values or incomes in the municipality.

Of course, these are statistical relationships for a given time period and so should be viewed with a healthy skepticism afforded all such analyses. Nonetheless, the information provided by the results of this analysis represents new, unbiased information that should be of value in the debate over the impact of seasonal homes in Adirondack Park.

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### Notes

1 The U.S. decennial census records the occupancy status of housing units, including data on second (seasonal) homeownership by municipality. The census defines second homes as vacant units used or intended for use only in certain seasons, for weekends, or other occasional use throughout the year. This definition includes housing units used for summer or winter sports or recreation, such as beach cottages and hunting cabins and quarters for workers such as herders and loggers. Time-sharing condominiums also are included in this category.

While local property assessors in New York State have a code (260) for seasonal homes, state and local officials have indicated to the authors that this measure is an unreliable indicator of seasonal homeownership, given its practical definition and variable implementation among local assessors. According to one assessor with whom we spoke, "All towns use 'property class codes.' Most of these second homes are technically four season or remodeled and labeled 'One Family Year-Round Residence' (code 210). Code 260 basically includes

only 'shacks with no indoor plumbing or electricity.'"

2 In summary, we estimate  

$$t = \alpha + \beta_1 \text{LAND} + \beta_2 \text{POP} + \beta_3 \text{HOUSE} + \beta_4 \text{NPTR} + \beta_5 \text{IGOV} + \beta_6 \text{COUNTY} + \beta_7 \text{SEAS}$$

where

$t$  = the tax burden: either the effective property tax rate or real estate taxes paid divided by median household income;

LAND = land area, in square miles;

POP = population (year-round residents);

HOUSE = total number of housing units;

NPTR = per capita non-property tax revenue;

IGOV = per capita intergovernmental aid received by the municipality;

COUNTY = county seat (government dummy: 1 if municipality is a county seat, 0 otherwise);

SEAS = percentage of homes in the municipality that are seasonal homes.

3 Data for 2000 were obtained from <http://www.orps.state.ny.us/>. The Office of Real Property Services supplied data for 1990 upon written request. We gratefully acknowledge the quick response. Detailed information on data sources is available from the authors upon request.

4 If, for instance, seasonal homes are 20% of all housing units (SEAS = 0.20), then  $\beta_7 \times \text{SEAS} = -0.0047 \times 0.20 = -0.00094$ . That is, the tax rate is about 0.1 percentage point lower. Based on an average home with a full market value of \$100,000 the change in the tax bill attributable to the presence of seasonal homes is  $-\$94$  per home.

5 For a typical town effective tax rate of 0.5%, the tax bill for a home with a full market value of \$100,000 would be about \$500 if no seasonal homes were present, and \$358 if 20% of homes were seasonals ( $\$100,000 \times (0.005 - 0.0071 \times 0.20)$ ).

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