Deriving Willingness to Pay Estimates for Colorado Water Rights: The Lake Sherwood Area in Fort Collins, Colorado

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Abstract
Economic theory suggests that as a person’s value for a good or service increases, the more that he or she is willing to pay (WTP) for that good. This study explains the WTP for higher water levels in a residential lake. From surveys of residents of six homeowners associations in the Lake Sherwood area in Fort Collins, Colorado, a Dichotomous Choice Contingent Valuation Method study was performed. Using a logistic regression model, the most significant variable explaining the household’s WTP was the importance of the lake to their property value. Homes that had lakefront property had a higher percentage of yes vote responses and were generally willing to pay more for water than their neighbors off of the lake. The mean WTP per year in higher HOA fees is $124.94 and the median WTP was $113.51.