

Section 3.9 Socioeconomics

Summary of New Information contained in this Section

This section of the SDEIS adds information on the following topics:

- 3.9.2.1.2 Jobs and Employment during construction: The SDEIS cites an economic predictive model (Job and Economic Development Impact model) created by the National Renewable Energy Laboratory. Using this model, the authors predict that the project will add \$42 million to the local economy during the 2007 construction period.
- 3.9.2.2.1 This section summarizes a new study on housing values done for the Dairy Hills Wind Project in Perry, NY (in Wyoming County). General findings of this study were “that the proposed Dairy Hills Wind Power Project should have no impact on property values *for undeveloped properties or existing farms*. [The analyst] found that local property values will be much more susceptible to the local economy than to changes in the viewshed created by the proposed project. [The analyst] concluded that the project should have no impact on future sales or values of developed properties *given the prevailing conditions*” (emphasis added).
- 3.9.2.2.2 Jobs during operation: 12 full time employees with annual wages of \$390,000 plus other local economic benefits.
- 3.9.3.2.1 A decommissioning fund will be established (see other sections of the SDEIS) to allay homeowner concerns about abandoned turbines.
- 3.9.3.2.2 A PILOT agreement providing not less than \$750,000 per year for approximately 15 years will be negotiated.

This discussion addresses only three of these points: property values, the PILOT, and the decommissioning fund.

Real Estate Values

The supplement expands on the issue of whether or not the turbine project will result in depressed real property values.

The initial draft EIS cited the Renewable Energy Policy Project (2003) as evidence that there should be “no negative affect [*sic*] on property value.” The REPP study has been criticized for having significant flaws in its methodology (see footnote 1 at the end of this section).

The DEIS goes on to summarize the Master of Science thesis prepared by Ben Hoen (2006) in which the author analyzed the Fenner area in particular. His conclusion was that the turbines have no impact on housing values. This thesis has not been widely reviewed by the appraisal community and cannot be considered reliable without such review.

The supplement introduces a new study prepared by Cushman & Wakefield (2006) for a DEIS concerning a project in Perry, NY. This new study addressed the area around the proposed Dairy Hills Wind Project. We have found and read the entire study. It is a much better work than the prior two citations.

The SDEIS summarizes the summary contained in another DEIS (for the Perry project) and concludes with “nor is it [the Jordanville project] expected to have a depressing effect on local property values.”

We have major concerns with this conclusion:

1. The SDEIS summary of a summary of a study omits some essential conditional clauses that change the interpretation of the study’s conclusions with regard to Jordanville. See discussion below.
2. The Stark/Warren area is similar to Perry in that housing values are relatively low and agriculture is the primary use of land in the project area. But unlike Perry, the Jordanville area has a complement of retirees, second or vacation housing, and recreational attractions. In addition, adjacent communities (Richfield Springs, Otsego, and Springfield) have experienced recent growth in property values, in-migration of vacation homeowners, and an increased demand for developable properties. These are essential differences from the Perry market and might lead the authors of the Perry study to reach very different conclusions were they to study the Jordanville area.
3. The SDEIS introduces only this study. There is no local expert testimony. We discussed this situation with three local realtors. See below for their observations. Their mixed concerns verify our own concerns about impact on property values.

Discussion of the Cushman & Wakefield Study

The DEIS (at 3.9.1.1) describes housing in Stark and Warren in which there are an aggregate of 676 occupied housing units with a median home value of \$55,500 in Stark and \$63,500 in Warren. There is no information for any surrounding towns. The towns of Springfield, Otsego, and Richfield Springs will be affected by this project and their housing values may be even more seriously affected than the values of Stark and Warren.

The SDEIS (at 3.9.2.2) introduces the Cushman and Wakefield study to prove that housing values in the area will not likely be negatively affected by this project. But the

study used some key clauses: no impact on property values for “*undeveloped properties or existing farms*” and no impact on future sales or values of developed properties “*given the prevailing conditions.*”

The clause “undeveloped properties or existing farms” basically means land with no development potential due either to limitations caused by its natural features or the lack of demand for land other than as a productive resource.

A primary point made by Cushman and Wakefield is that “visual impacts cannot be said to have any impact on farm properties *where value is in the productivity of the land*” (emphasis added). This is a reasonable statement, but values in Stark and Warren are much higher than productive values. With dairy farms on the economic edge, farmland has little if any productive value, yet land is selling in the area at much higher prices. In the Town of Perry, farmland prices have been relatively steady over a ten year period with no discernable appreciation. This is not true in the Jordanville area and its surrounding communities.

The clause “given the prevailing conditions” means the market dynamics that exist today in Perry. These conditions can best be described by quoting directly from the study: “Property values (for residences) in the affected areas are as low as anywhere in NYS.” Cushman and Wakefield “did not find any new development and little executive housing near the revised project area where view considerations would be significant.” The town of Perry is described as a town with relatively low median incomes, slow growth and limited base economy. This is clearly not the case in Stark and Warren. Right across the town line and less than a few hundred yards from the Jordanville project area, subdivisions are in the application stage for what the C&W study calls “executive housing” and new development.

The study area (Perry) is significantly different from the Jordanville area. So different, in fact, that the study’s conclusions may not apply. Going deeper into the study, we found a review of a former study of the impact of utility transmission lines on real estate values. The conclusion of that report (Kroll-Priestley): those rural properties most sensitive to value impact from large scale utility projects were found to be those located in areas of recreational or second homes. The more remote farming communities will be less impacted than those near recreational or scenic destinations. The Jordanville area and surrounding communities are areas full of recreational tourism and second homes.

It should be clear that Cushman and Wakefield, if they investigated the Jordanville area would describe it as having a significant segment of recreational or second homes. The area land values would also be described as increasing significantly above productive values. Therefore, if we attempt to apply this study’s observations, we may logically conclude that the wind turbine project in Jordanville will have a significant negative impact on property values.

The study has a few other interesting points:

- i) Twenty turbines were eliminated from the Perry project and locations of others were shifted out of a total of 80 turbines, to mitigate concerns by adjacent property owners for their home values. It seems that regardless of the conclusions of the C&W study, there was enough local concern for property values that the size of the project was reduced by 25%.
- ii) The overall summary of the Cushman & Wakefield report (quoted in its entirety) reads: “The Dairy Hills Wind Farm Project should have no impact upon property values for undeveloped properties or existing farms. There appear to be no premium-priced executive or second homes located in the project area or viewshed, which would derive such a premium from their views. *[This is clearly not the case for the Jordanville project.]* The value of the existing stock of rural residential housing in the study area does not trade at a premium versus other comparable communities in Wyoming County and is significantly lower valued compared with otherwise comparable communities in the Lake Country of New York. Local property values will be much more susceptible to the local economy than to changes in the view shed created by the Project *[precisely because housing is at the low end of the price range]*. We find that the Project should have no impact upon the future sales or values of developed properties given these prevailing conditions.”

What this study says quite clearly is that anyone who has a home valued at the upper end of the price range or a second home and who values view sheds will be concerned about the visual impact. For those with low end housing, the visual impact has not been a deterrent to continued use and occupancy. This makes sense. The problem is whether or not Stark and Warren are going to protect those people who have properties in other nearby towns that will be affected by the project (such as Cooperstown, Otsego, Richfield Springs, and Springfield). SEQR requires the lead agency to consider the impact on surrounding communities.

- iii) The “academic literature” tells us that “high end residential development is more sensitive than low end housing” (to aesthetic impact) and that “analysis cannot be performed in sparsely populated rural areas.”

Discussions with Local Realtors

Studies done by people not familiar with the local real estate market should be measured against local expert opinions. We spoke to three such professionals, all of whom are very knowledgeable about the southern Herkimer – northern Otsego market and all of whom have at least twenty years of experience.

For each such person, we described the C&W study as follows: For a wind project in the town of Perry in Wyoming County, NY, the analyst described the local area as i) relatively low housing values compared with the rest of the state; ii) no “executive” housing market and no second home market; and iii) farms that are valued based on the productive capacity of the land instead of the development value of the land. In this market, C&W concluded that the presence of wind turbines will not have a negative impact on property values. We then asked each professional to comment on these statements with respect to the Jordanville project area.

Realtor A, Richfield Springs

I have a lot of customers interested in land and housing in Warren and Stark. All of them want homes with views of the beautiful countryside. These views add value to the area. Although I do have one client that likes the looks of wind turbines, all the others would stay away from houses where the views are dominated by turbines. There are many retirees moving here from other states who find that our property prices are great bargains compared to their home states. They would like to buy land in the Jordanville area, not for its productive use, but rather for its aesthetic value. I believe that the turbines will have a negative impact on land appreciation and the values of higher priced homes.

Realtor B, Mohawk

The Jordanville area has not experienced significant development pressure. Land values have tended toward values based upon agriculture and recreation (hunting). Recent land appreciation has been in evidence as people who would like to buy in Cooperstown can get better bargains in Jordanville.

There is a very clear line that separates the Cooperstown market from the Jordanville market. It is known as Route 20. Below Route 20, views are everything; above Route 20, affordability rules. Two very different worlds.

I have some experience in Fairfield which is neither Cooperstown nor Jordanville but probably in between the two. Here we have seen higher growth and significant residential development. I sold 3 of 4 home lots recently and ALL buyers have opted to not build until the wind turbine proposal is sorted out. These lots are within 1,000 ft of the closest turbine.

All 3 have been bought because of the views and the buyers are no longer considering building housing if the turbine project in Fairfield goes through.

The issue is clearly that higher priced housing owners value the views and buyers will not pay high prices for views of wind turbines. For farmers hanging on by fingernails, the turbines are a source of essential income and there is no concern about the views.

Realtor C, Cherry Valley

Cannot say one way or the other whether the impact will be good or bad on real estate values.

It will be important for the towns to be conscientious in approving an industrial project such as a wind farm. A poorly planned project will be detrimental to values.

I am not very familiar with the Jordanville area, but in Cherry Valley, I have had a few customers who have told me to not show them anything near the proposed turbine site and other customers for whom the turbines are not important. I now have a home under contract right in the area planned for turbines in Cherry Valley. Value is in the eyes of the beholder and those eyes are focused based upon attitudes. A positive attitude about turbines will mean that for that buyer value will not be diminished.

Public perception and attitudes are also very important. If the community adopts a negative attitude or if the sponsor fails to be conscientious in its community relations, then values will be negatively impacted. Community dissension (as we now have in Cherry Valley) will also diminish values.

It will be harder to sell full priced homes that are within visual range of a completed turbine project.

Although these realtors are not unanimous in their opinions, there certainly is enough evidence to suggest that the Jordanville area and its surrounding communities are very different from the town of Perry. Their comments (based upon local market familiarity) would lead one to be concerned about housing and land values surrounding a wind project.

PILOT

3.9.3.2.3 “The specific terms of the PILOT agreement have not been negotiated.” “The specific sharing of the payments [between the county, the school district and the two towns], however, has not yet, however, been negotiated.”

This is a critical element of the entire proposal. How can the SEQR weighing test be accomplished when the economic benefit is still undetermined? It is important to see the details of this agreement to ascertain the extent to which the taxing bodies are protected from inflation, get an increasing income based upon any increasing sales or profits, and have this income stream secured.

The duration of the PILOT agreement is an “assumed 15 years.” This period needs to be worked out now. And what happens after the agreement comes to an end?

Decommissioning Fund

The SDEIS states that the sponsor will establish a decommissioning fund to remove the improvements once they reach the end of their economic lives. The sponsor will submit “prior to the start of construction...evidence of the financial mechanisms that are in place to assure the removal of each wind turbine in the event it is not in active service for one year or more.” A decommissioning plan will be prepared to include a financial structure.

This very vague commitment needs much further clarification. The SDEIS should contain specifics about exactly when the decommissioning fund will be established, what entity will hold the funds, what controls will be placed on the use of the funds, who may use the funds, and how will the amount of the fund be determined. Further, the decommissioning fund should include adequate resources to remove the meteorological towers, the transmission lines, and the sub-station. Restoration of the project area also needs to be included (to include road repairs, excavation and removal of concrete foundations, and all other elements that might be required).

The decommissioning fund should include a provision for periodic updating of its adequacy and a requirement that the sponsor replenish the fund as needed.

The “evidence of financial mechanisms” sounds like it may be almost anything but cash. Specifics should be provided in the SDEIS. The decommissioning fund should be fully established (with either cash, a bond from an acceptable insurance company, or a clean letter of credit from an acceptable commercial bank) prior to construction. Any deferral of this obligation puts a substantial and unacceptable burden on both the two towns and the land lessors.

Other

The SDEIS contains no further information on TV reception. The DEIS identified this area as one that requires mitigation. The extent of the issue is still not known nor has the sponsor indicated exactly how mitigations will be achieved. This is a real concern for those homeowners for whom the wind turbines are between their homes and the transmitting towers for local TV channels.

FOOTNOTES:

1. Testimony of Kevin L. Zarem, MAI, Before the Public Service Commission of Wisconsin June 10, 2005:

The REPP Report fails to properly screen data leading to critical flaws. The variable being tested for, impact on market value due to the presence of wind turbines, is not properly isolated for comparison purposes. According to the PSC Report, 70% of the data used in the REPP Report was found to be related party transactions and is therefore, in my opinion, not representative of market value; and 72% of data used in the REPP Report does not have actual views of wind turbines, the effect being tested for. The REPP Report data appears only to have been broken out into sales within a 5-mile "view shed" of the wind turbines and sales from comparable communities outside of the view shed. Actual views from each sale site are a critical variable in addressing impacts due to wind turbines, and this attribute does not appear to have been addressed in the REPP Report. Important variables effecting value such as land size, highest and best use (i.e. residential or agricultural), and the construction characteristics of building improvements on the site, if any, must also be accounted for to properly isolate an effect if one does exist. If these characteristics differ among the comparables, the results will likely be significantly skewed. Based on my review of the REPP Report, it appears as though the only differences accounted for among the comparables are date of sale, sale price, and location inside or outside of the defined 5-mile view shed.

The selection of the comparable community in the REPP Report is based on a combination of demographic statistics and the impressions of local assessors' noted to be an inherently subjective process within the REPP Report. The proper analysis should involve paired data analysis which varies only in the views of wind turbines discussed below.

Prepared by Advocates for Springfield
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