Appendix J

Property Values Supplement

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Attempts to correlate proximity to transmission lines with impacts to property values are complicated by the interaction of several relevant factors, including geographic region, land use, variability in perceptions over time, and limited sales data for similar properties before and after construction of transmission lines. Researchers have generally used survey-based techniques and statistical analyses to make inferences and draw conclusions about the relationship between transmissions lines and property values. In general, surveys provide useful insights for estimating price effects based on public opinion, yielding what researchers refer to as "stated preferences." Statistical analyses, on the other hand, reflect the actual behavior of property buyers and sellers in terms of recorded sales prices, providing what researchers refer to as the "revealed preferences." In other words, there is often incongruity between what people think and how they actually behave. Measuring both perceptions and actual behaviors helps researchers understand the relationship between transmission lines and property values.

A recent literature review (Jackson and Pitts 2010, reference I1) examined 17 studies on the relationship between transmission lines and property values to compare their results and to develop some general conclusions. The 17 studies, spanning the time period between 1956 and 2009, were compiled and reviewed by Real Property Analytics, Inc., a private firm specializing in the valuation of property potentially affected by external environmental factors. The Real Property Analytics review was published in the Journal of Real Estate Literature, which is a publication of the American Real Estate Society. The studies evaluated impacts from transmission lines ranging from 69 kilovolts (kV) to 345 kV. They were placed into one of three categories designated by the authors:

- Survey-based studies;
- Statistical sales-based analyses using multivariate analysis to isolate the impact of transmission lines by holding other variables statistically constant; and
- Sales-based analyses not using multivariate analysis, but utilizing factors such as sale/resale analysis, price per square foot comparisons, case studies and "paired sales" analysis, where the values of two homes that are similar in all respects except for proximity to transmission lines are compared.

Upon completion of their review of the studies, Jackson and Pitts (2010, reference I1) concluded the following:

"The studies reviewed…generally pointed to small or no effects on sales prices due to the presence of electric transmission lines. Some studies found an effect but this effect generally dissipated with time and distance. The effects that were found ranged from approximately 2% to 9%. Most studies found no effect and in some cases a premium was observed."

Jackson and Pitts discussed the utility of both survey-based and statistically-based methods, quoting one of the research papers to note that statistical analyses "reflect what buyers and sellers actually do, opposed to what potential buyers say they might do, under specified hypothetical circumstances"

Selected findings from Jackson and Pitts's literature review are provided below, along with the year and type of study:

Survey-based studies

- Kinnard, 1967 – Questionnaires were sent to property owners intersected by or abutting transmission line right-of-way (ROW) in 17 Connecticut subdivisions. Over 85 percent indicated they would purchase again in the same location. Kinnard concluded that property value is not significantly affected by proximity to transmission lines.

- Morgan et al., 1985 – A questionnaire asked participants to rank the risk from transmission lines, electric blankets and 14 other common hazards. Electric blankets and transmission lines were ranked as presenting the least risk. Participants were then provided with information on electric and magnetic fields (EMF) and associated potential health effects. Subsequent questionnaire responses indicated a change in perception and an increased concern about the risk of EMF.

- Solum, 1985 – Presented a questionnaire to 180 agricultural, recreational, or residential property owners in northwest Wisconsin whose land was encumbered by transmission lines. All three types had some level of concern over the proximity of the lines, but for varying reasons. Further interviews indicated that all but one of the properties sold at a market price comparable to non-encumbered properties and that none of the buyers had reduced their purchase offers due to the presence of the transmission line.

- Delaney and Timmons, 1992 – Survey results from 219 real estate appraisers found that 84 percent believed that transmission line proximity results in an average ten percent lower market value. Ten percent of respondents found no effect and six percent thought transmission lines increased property value due to larger lots for similar price.

- Kung and Seagle, 1992 – Sent a questionnaire to homeowners in Memphis and Shelby Counties, Tennessee. Half of the respondents considered the transmission line an eyesore; however, 72 percent of those who thought the lines were an eyesore also said the lines had no effect on the purchase price. Prices of homes adjacent to the transmission line are similar to prices of other homes in the same neighborhood.

- Priestly and Evans, 1996 – Conducted a survey of 445 homeowners living near transmission lines in the San Francisco area. Eighty-seven percent of the 267 respondents felt the transmission line was a negative element in their neighborhood.

Statistical Sales Price Analyses

- Brown, 1976 – Conducted regression analysis on sales of farm land in Sakatchewan, Canada, between 1965 and 1970 and found that the relationship of land value to the number of power line structures was not statistically significant and that the lines did not negatively affect property value. Brown also found that the structures can be an impediment to farming operations.

- Colwell and Foley, 1979 – Examined 200 property sales over a ten-year period in Decatur, Illinois and found that sales price increases as distance from a transmission line increases. Property values were approximately six percent lower within 50 to 200 feet of the transmission line, but there was no difference in property value beyond 200 feet.

- Colwell, 1990 – Followed up the study above and confirmed that the selling price of residential property increases as distance from the transmission line increases. The rate of increase slows with distance and eventually disappears.

- Rigdon, 1991 – Evaluated 46 properties sold in Marquette County, Michigan over a five-year period and found no statistically significant relationship between sales price and proximity to a transmission line easement.

- Hamilton and Schwann, 1995 – Reviewed previous literature and found that transmission lines can reduce adjacent property values, but that the reduction is generally less than five percent of property value and that the reduction diminishes at 600 feet.

- Des Rosiers, 1998 – Reviewed property values of 507 homes in the Montreal area and found an average drop in property value of 9.6 percent for homes immediately adjacent to the line. He also found an average increase of up to 9.2 percent in value for homes one to two lots away from the transmission line and no effect beyond 500 feet.

- Wolverton and Bottemiller, 2003 and Cowger, Bottemiller and Cahill, 1996 – Two studies, both conducted in Portland, Vancouver, and Seattle, the 2003 work repeating the 1996 study with more rigorous analytical methods. Both applied statistical methods to paired-sales analysis and found no price effect on residential property from proximity to transmission lines. The data also show no difference in appreciation rates between homes near a transmission line and homes further away.

- Chalmers and Voorvaart, 2009 – Studied residential properties sold in Connecticut and Massachusetts between 1999 and 2007 and found proximity to transmission lines to have an insignificant effect on sales prices.

Sales-based analyses

- Carll, 1956 – Compared property values and interviewed owners, buyers and brokers along a transmission line in Los Angeles and found that residences adjoining the ROW had not sold at a discount and that lenders did not adjust loan amounts for lots adjacent to the ROW.

- Bigras, 1964 – Reviewed over 1,900 deeds of sale and mortgages in Quebec and found that prices for vacant land adjacent to transmission lines were generally higher than the average price of all transactions. Land adjacent to transmission lines was sold faster and was developed to a higher degree than land away from the lines.

Jackson and Pitts (2010) concluded from these studies that proximity to transmission lines results in little or no effect on property value. In studies where transmission lines were found to have impacts to property

values, the decrease in values typically ranged from approximately two percent to ten percent. In some instances, increases in property value were found. The following additional studies and reviews generally reach a similar conclusion.

Between 1978 and 1982, Jensen and Weber and the Jensen Management Company conducted three studies in west-central Minnesota. The studies in 1978 and 1982 are of particular interest since they consider effects to agricultural land. The 1978 study found that the landowners cited an inconvenience to the presence of the line, but had not paid less for their land (Weber and Jensen 1978, reference I2). The 1982 study, however, found there was a broad range of effect from no effect to a 20 percent reduction, which depended on the amount of disruption to farm operations (Jensen and Weber 1982, reference I3).

In the final EIS on the Arrowhead-Weston Electric Transmission Line Project, the Wisconsin Public Service Commission (PSC) addressed the issue of property value changes associated with high voltage transmission lines. This document summarized the findings of approximately 30 papers, articles, and court cases covering the period of 1987 through 1999. The Arrowhead-Weston EIS provides six general observations (Reference I4):

- The potential reduction in sale price for single family homes may range from zero to 14 percent.
- Adverse effects on the sale price of smaller properties could be greater than effects on the sale price of larger properties.
- Other amenities, such as proximity to school or jobs, lot size, square footage of a house and neighborhood characteristics, tend to have a much greater effect on sale price than the presence of a power line.
- The adverse effects appear to diminish over time.
- Effects on sale price are most often observed for properties crossed by or immediately adjacent to a power line, but effects have also been observed for properties farther away from the line.
- The value of agricultural property is likely to decrease if the power line poles are placed in an area that inhibits farm operations.

The Arrowhead-Weston Electric Transmission Line Project environmental impact statement (EIS) reported that in Midwest states such as Minnesota, Wisconsin and the Upper Peninsula of Michigan, the average decrease appears to be between four and seven percent. The EIS noted that it is very difficult to make predictions about how a specific transmission line would affect the value of specific properties.

An additional potential adverse effect of transmission lines on adjacent properties is on the ability of homeowners and developers to obtain Federal Housing Administration (FHA) and/or Housing and Urban Development (HUD) loans. Section 2.2(J) of the current HUD guidebook 4150.2 addresses this issue in the following FAQ:

FAQ: Is a property eligible for FHA if there are overhead or high voltage power lines nearby?

The appraiser must indicate whether the dwelling or related property improvements is located within the easement serving a high-voltage transmission line, radio/TV transmission tower, cell phone tower, microwave relay dish or tower, or satellite dish (radio, TV cable, etc).

1) If the dwelling or related property improvement is located within such an easement, the lender must obtain a letter from the owner or operator of the tower indicating that the dwelling and its related property improvements are not located within the tower's (engineered) fall distance in order to waive this requirement.

2) If the dwelling and related property improvements are located outside the easement, the property is considered eligible and no further action is necessary. The appraiser, however, is instructed to note and comment on the effect on marketability resulting from the proximity to such site hazards and nuisances.

In general and for safe operation of the line, a residence cannot be located within a transmission line ROW; thus, all residences near the project would fall into category 2 (a dwelling located "outside the easement"). For this category, the HUD appraiser is directed to comment on any effects on marketability resulting from the transmission line. These comments could affect loan values if an appraiser believes the residence is nevertheless located so near the transmission line that the line could be a hazard or nuisance.

References

I1. Jackson and Pitts, 2010. The Effects of Transmission Lines on Property Values: A Literature Review. Journal of Real Estate Literature. Volume 18, No 2.

I2. Weber, William V. and Glenn A. Jensen. 1978. A Study of High Voltage Power Line Easements and their Effect on Farm Land Values in West Central Minnesota. Luverne, Minnesota: Jensen Management Service.

I3. Jensen, Glenn A. and William V. Weber. 1982. High Voltage Transmission Lines and their Effect on Farm Land Value in West Central Minnesota. Luverne, Minnesota: Jensen Management Service, Inc.

I4. Final Environmental Impact Statement, Arrowhead –Weston Electric Transmission Line Project, Volume I, Public Service Commission of Wisconsin Docket 05-CE-113, October 2000, pg 212-215.