

MEMORANDUM

DATE: October 3, 2014
TO: Michael S. Blazer, Attorney at Law
FROM: Michael S. MaRous, MAI, CRE
SUBJECT: Market Research
Cayuga Ridge Wind Farm
Odell, Illinois

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In accordance with your request, I have conducted research for data that address the issues raised by the following statement:

Property values will be affected. According to house sale data derived from the Livingston County Board of Realtors statistics, the average residential property sale value in all of Livingston County was \$97,468 in 2004. Ten years later (2014) it is \$97,269 – a change of less than negative 0.20%. Odell residential house sales averaged \$108,445 in 2004. Ten years later (2014) the average is \$80,375 – A LOSS OF 25.88%. Further study of Odell data shows the highest average house sale value was in 2009 before it dropped substantially over the next several years. The wind farm in Odell was operational in March of 2010! LOSS OF PROPERTY VALUE INCLUDES ALL RESIDENTIAL HOUSE SALES, NOT JUST RURAL FARMS! (Emphasis in original.)

These data must be evaluated in the context of the overall economic conditions in order to evaluate the contention that the 25.88 percent loss in average sale price during the 10 years between 2004 and 2014 is due to the proximity of the wind farm near Odell. Therefore, I have researched the overall economic conditions in the area; residential property values overall in northern Illinois during this period; and the specific figures for Livingston County for both residential sales and for agricultural land.

**Overall Economic Conditions**

The Cayuga Ridge Wind Farm is located southeast of Odell, in Livingston County, Illinois. The 150-unit facility came on line in 2010, and it can be presumed that the planning for the construction became public knowledge sometime around August 2007 when the Livingston County Board began hearing the zoning request. Construction occurred between 2008 and 2009.

As zoning approvals were attained and construction began, the United States entered what is now referred to as the Great Recession. The following is a summary of relevant economic conditions during the period of 2008 to 2013 that were published annually by the Federal Reserve in the “Beige Book” for the Seventh District, which includes Illinois.

According to the November 2007 report, the problems in the economy were beginning to surface. The amount of residential construction and the number of house sales began to decline, and credit was becoming difficult to secure. Contract cancellations were beginning to result from potential purchasers having failed to sell their own homes. Agriculture land sales were relatively unimpacted.

The November 2008 report included fairly dire information and predictions. Housing prices continued to fall. Consumer spending had fallen again, credit remained tight, and even worse from the perspective of Livingston County, the prices of corn, soybeans, milk, hog, and cattle all had fallen.

The December 2009 Beige Book for the Seventh District saw little improvement in projected economic activity. The Fed reported some improvement in agriculture prices, however, “... margins for crop farms were thought to range from negative to slightly positive. Milk and hog prices were up some, but cattle prices lagged. Losses continued for livestock operations.” In a somewhat stunning statement, the Fed predicted “Expectations increased that financially stressed farmers would be forced to sell or liquidate assets.”

Conditions in December 2010, as reported in the Beige Book, were cautiously optimistic in the Seventh District, with farm earnings improved by good weather and a high-quality corn crop. Prices for corn, soybeans, milk, hogs, and cattle all were above the 2009 levels, especially corn prices.

By November 2011, the Fed again was reporting contacts as “cautiously optimistic.” Agricultural conditions were somewhat mixed with corn and soybean harvests strong. Prices for corn, cattle, milk, and hog prices increased over 2010; soybean prices were lower. The report indicated “another surge in farmland values ...” in the District.

Again, in November 2012, the economy was being judged as “cautiously optimistic.” Single-family housing construction increased, and prices appeared to level off. “For the first time in several years, homebuilders reported new land development projects were underway, although these remained limited to a handful of desirable locations.” Corn and soybean prices fell, but remained above their lowest levels of the recession. Farmland values continued to rise.

At the end of 2013, economic growth was described as “modest.” Residential construction grew “slightly.” “Housing sales, prices, and rents continued to rise, but at a slower rate than earlier in the year.” Inventories of houses for sale remained at “record lows, but contacts expected them to rise as increasing house prices induce more people to list their homes.”

## Local Economic Conditions

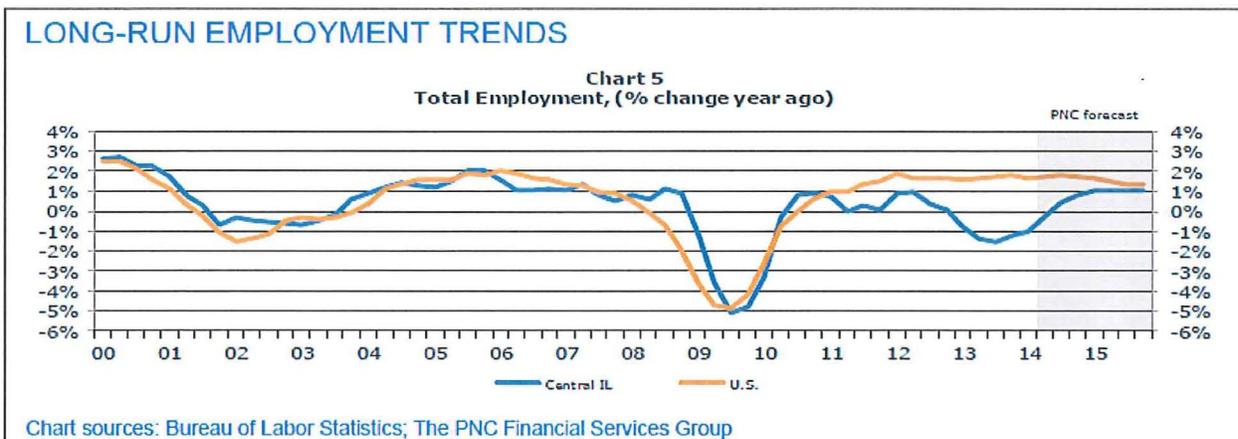
As might be expected given these grim economic conditions, unemployment rose precipitously in Livingston County, in the Chicago Metropolitan Area, in the state of Illinois, and in the nation as a whole during these years as the following data illustrate.

| UNEMPLOYMENT RATES |                |              |          |      |
|--------------------|----------------|--------------|----------|------|
| YEAR               | LIVINGSTON CO. | CHICAGO SMSA | ILLINOIS | U.S. |
| 2006               | 4.4%           | 4.5%         | 4.6%     | 4.6% |
| 2007               | 4.7%           | 4.9%         | 5.1%     | 4.6% |
| 2008               | 6.0%           | 6.1%         | 6.4%     | 5.8% |
| 2009               | 10.1%          | 10.0%        | 10.0%    | 9.3% |
| 2010               | 10.6%          | 10.4%        | 10.5%    | 9.6% |
| 2011               | 8.8%           | 9.8%         | 9.7%     | 8.9% |
| 2012               | 8.2%           | 9.0%         | 8.9%     | 8.1% |
| 2013               | 8.6%           | 9.2%         | 9.2%     | 7.4% |
| Current            | 7.3%           | 6.2%         | 6.2%     | 7.0% |

Source: IDES

As these data indicate, unemployment in Livingston County closely paralleled that of both the state of Illinois and the Chicago SMSA as a whole.

The following table compares the change in employment in Central Illinois with the change nationally and also illustrates this parallel.



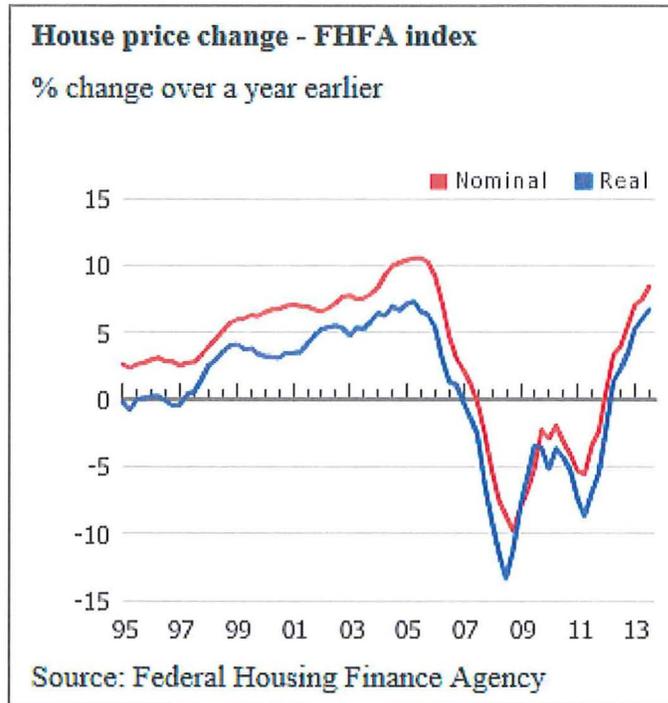
Recovery from the economic stressors in the area during the Great Recession were exacerbated by local factors, including the closing of the Dwight Correctional Center in March 2013. Planned since early 2012, the actual closing was delayed by a lawsuit by employees. Although 148 of the 350 employees found employment at the Pontiac Correctional Center, the loss of these jobs and the economic synergy of the Dwight Correctional Center have yet to fully play out.

Carl Borngasser, Livingston County Board member, was quoted in March 2012 concerning a proposed oil pipeline as saying “I hope there’s new jobs with it because we do need them.”

There is evidence that but for the Cayuga Ridge Wind Farm, the recession would have been worse in Livingston County. In an article in September 2010 by Stephen Graff, entitled “VP 100: Illinois Wind Farm Breathes New Life Into Businesses,”<sup>1</sup> Larry Vaupel, Director of the Livingston County Economic Development Council, discusses the success of the loan and grant program using the \$6,000,000 payment to the county from the Cayuga Ridge developer. Local businesses were loaned money to stay open, and new jobs were created. In addition, there were construction jobs created, and the article quotes Livingston County Board Chairman Bill Fairfield as estimating that for every 10 wind turbines, one full-time maintenance position was created.

### Overall Housing Prices

It comes as little surprise that given the grim economics of the period in question, housing prices would have fallen significantly. This was true nationwide, and is exemplified in the following graph.



The following graph compares Central Illinois with the U.S. over a 14-year period.

<sup>1</sup> <http://energy.gov/articles/vp-100-illinois-wind-farm-breathes-new-life-businesses>. Accessed September 24, 2014.

# LONG-RUN HOUSE-PRICE TRENDS

**Chart 7**  
Case-Shiller House Price Index, (% change year ago)

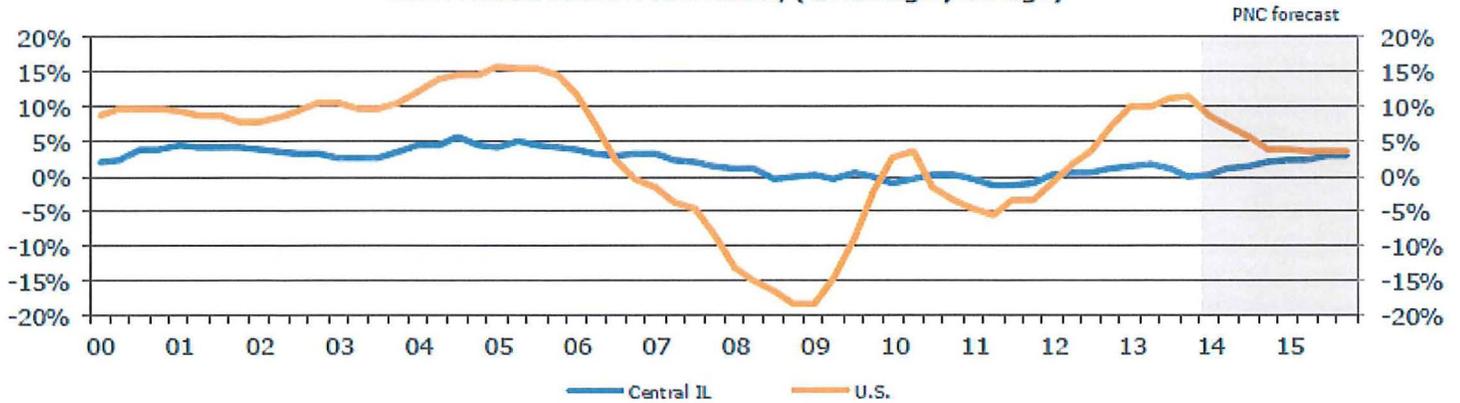


Chart source: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

More detailed information exists on housing prices during the recession for the Chicago SMSA. The following table summarizes the change in average sale prices for this area as a whole. Although these data do not specifically cover Livingston County, they do include some similar small towns near North Central Illinois, and some of these are included in this excerpt.

| Town                                         | MLS Area | Actives | January 1, 2012 Statistics |                       |                       |                         |                    | January 1, 2008 Statistics |               |                |                    |                         |
|----------------------------------------------|----------|---------|----------------------------|-----------------------|-----------------------|-------------------------|--------------------|----------------------------|---------------|----------------|--------------------|-------------------------|
|                                              |          |         | Average List Price         | Under Contract (Ctg.) | Under Contract (Pend) | # of Sales Last 12 mos. | Average Sale Price | MONTHS SUPPLY              | MONTHS SUPPLY | Percent Change | Average Sale Price | 48 mo SP Percent Change |
| Channahon                                    | 410      | 64      | \$ 216,139                 | 16                    | 6                     | 103                     | \$ 177,911         | 6.14                       | 9.40          | -34.62%        | \$ 245,461         | -27.52%                 |
| Peotone                                      | 468      | 30      | \$ 230,257                 | 4                     | 2                     | 30                      | \$ 183,743         | 10.00                      | 12.60         | -20.63%        | \$ 247,677         | -25.81%                 |
| University Park                              | 5466     | 39      | \$ 89,844                  | 4                     | 6                     | 36                      | \$ 79,410          | 10.17                      | 14.33         | -28.99%        | \$ 176,326         | -54.96%                 |
| Yorkville                                    | 560      | 135     | \$ 316,275                 | 32                    | 5                     | 259                     | \$ 212,109         | 5.47                       | 13.58         | -59.69%        | \$ 309,512         | -31.47%                 |
| Zion                                         | 99       | 172     | \$ 117,048                 | 38                    | 14                    | 227                     | \$ 80,304          | 7.40                       | 11.32         | -34.64%        | \$ 152,238         | -47.25%                 |
| City of CHICAGO                              | 8000     | 5,025   | \$ 311,161                 | 1,038                 | 738                   | 7,710                   | \$ 233,725         | 6.36                       | 10.92         | -41.79%        | \$ 369,463         | -36.74%                 |
| TOTALS (all areas in report):                | 8099     | 30,484  | \$ 349,731                 | 6,235                 | 2,576                 | 42,392                  | \$ 256,420         | 7.14                       | 9.68          | -26.19%        | \$ 372,461         | -31.16%                 |
| ALL AREAS (including areas not listed above) | ALL      | 34,265  | \$ 343,892                 | 6,857                 | 2,772                 | 46,423                  | \$ 251,183         | 7.34                       | 9.73          | -24.62%        | \$ 365,211         | -31.22%                 |

*A balanced market typically has a 3.00 to 4.00 months supply. Less than that is undersupplied, more is oversupplied.*  
*Average Sales Price changes may be exaggerated if significant amount of New Construction is reported in the MLS.*  
*Average Sales Price noted from previous year to current year should not be construed as Appreciation - it is percent of change of average sales price.*

Data Source: MRED LLC  
Midwest Real Estate Data, LLC

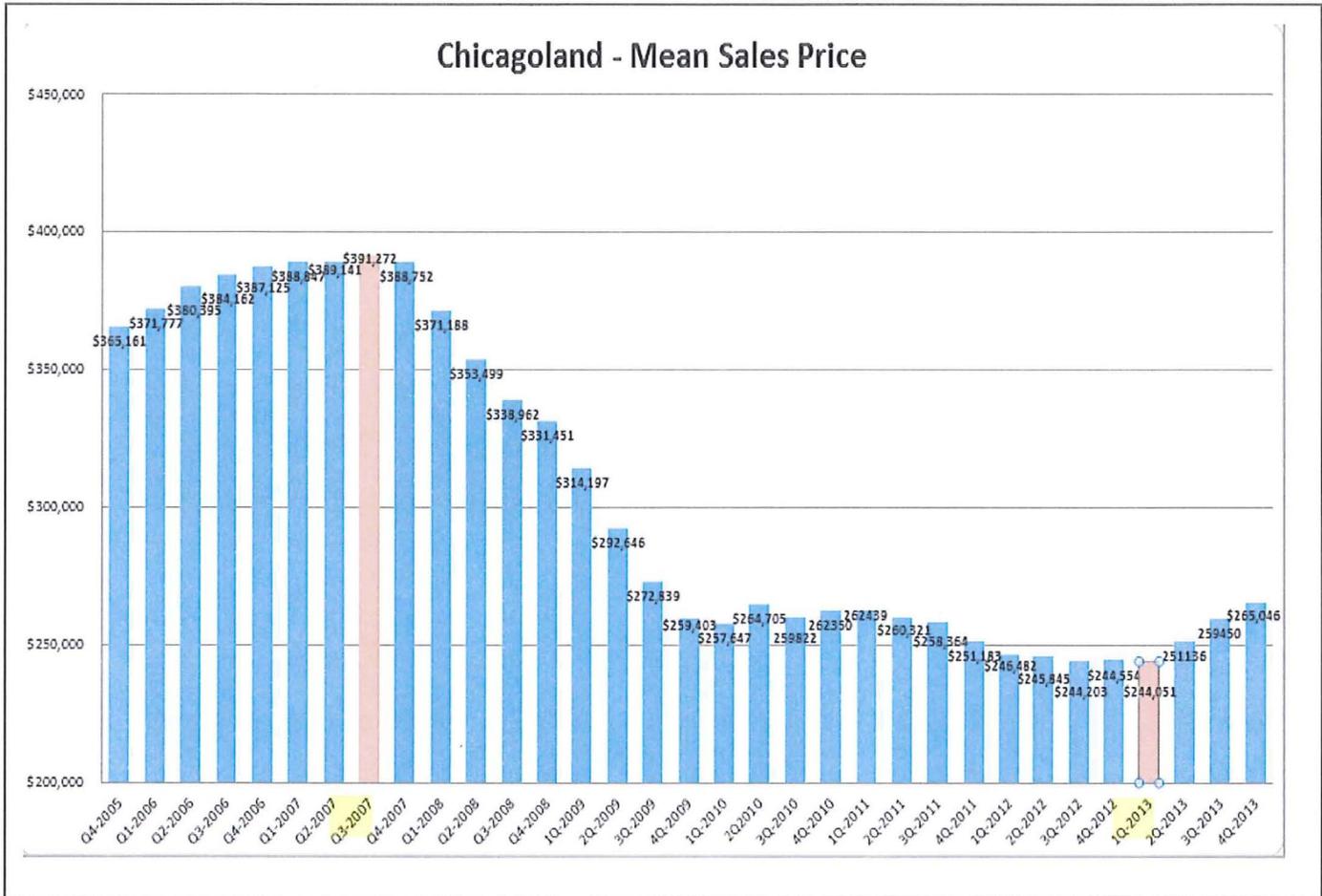
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From January 1, 2012, to January 1, 2013, Midwest Real Estate Data (MRED) data indicated that average sale prices fell an additional 2.64 percent, for a total of 33.86 percent from January 1, 2008.

Positive growth in the average sale price of 8.38 percent was reported between January 1, 2013, and January 1, 2014.

The following table illustrates this precipitous fall in average residential sale prices. This table indicates that prices began to fall during the third quarter of 2007, and it should be noted that the decline during the end of 2007 is not reflected in the overall decline calculated previously of 33.86 percent.

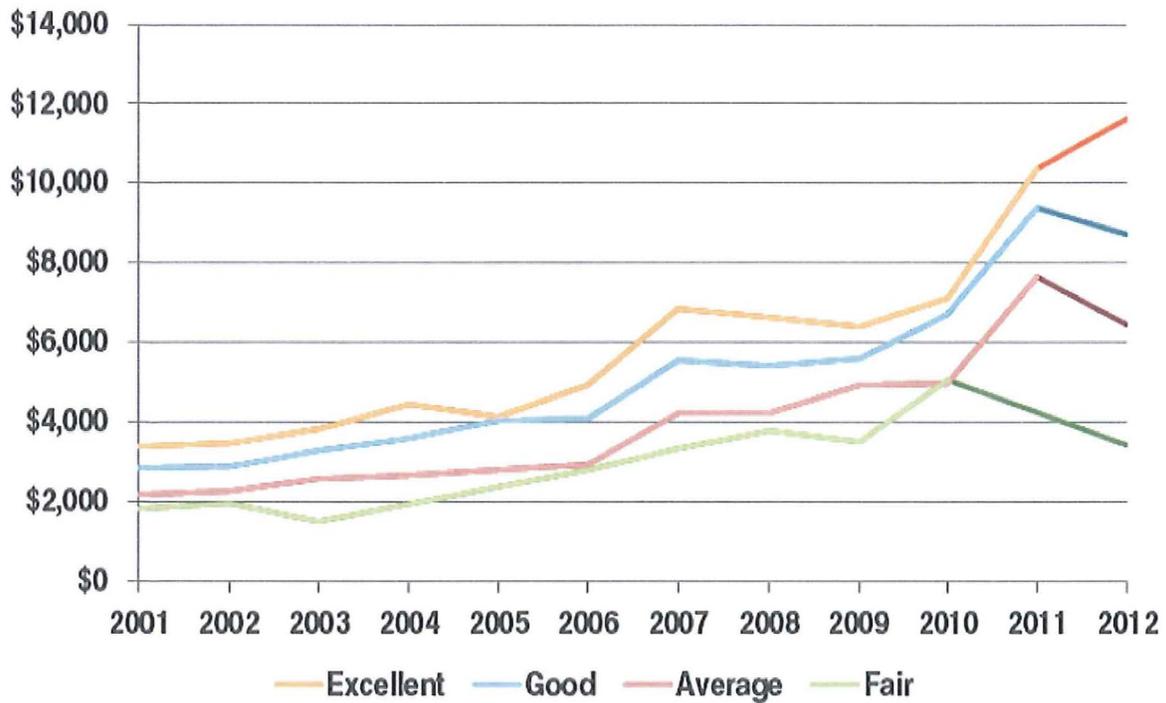
### Agricultural Land Values



The last sentence in the paragraph cited on the first page implies that the location of the wind farm had a deleterious effect on agricultural land values in Livingston County. However, the evidence is to the contrary. According to the “2013 Illinois Land Values and Lease Trends” published by the Illinois Society of Professional Farm Managers and Rural Appraisers, Region 4, North Central, in which Livingston County is located, land values for land being used for agriculture have increased steadily over the recent past, with a minor downturn in land with lower productivity in 2011. Values appear to be dependent on land productivity, with prices dependent “heavily on grain prices, potential crop use, interest rates, and the supply of farmland available in the overall marketplace.”

The following table illustrates agricultural land prices between 2001 and 2012 by productivity rating.

## Region 4 Land Values Summary Chart: 2001-2012



### Odell & Livingston County Housing Sales Analysis

In order to more fully examine the data relative to sales in proximity to the Cayuga Ridge Wind Farm, I have used MRED to analyze sales from 2007 through 2014. These data are summarized in the table below and maps illustrating the location of these sales by year are included at the end of this memo. These sales include properties in unincorporated areas with Odell mailing addresses.

### ODELL SALES

| YEAR       | # OF SALES | # OF SHORT SALES OR FORECLOSURES | AVERAGE SALE PRICE | AVERAGE MARKETING TIME | CHANGE IN AVG. SALE PRICE |
|------------|------------|----------------------------------|--------------------|------------------------|---------------------------|
| 2007       | 6          | 1                                | \$151,633          | 253                    |                           |
| 2008       | 6          | 2                                | \$86,583           | 215                    | -42.9%                    |
| 2009       | 4          | 1                                | \$149,000          | 163                    | 72.1%                     |
| 2010       | 5          | 3                                | \$76,280           | 60                     | -48.8%                    |
| 2011       | 5          | 2                                | \$133,199          | 423                    | 74.6%                     |
| 2012       | 2          | 2                                | \$21,000           | 41                     | -84.2%                    |
| 2013 -2014 | 5          | 1                                | \$141,200          | 314                    | 572.4%                    |

Source: MRED

The small numbers of sales lead to the kind of volatility that these transactions develop in terms of average marketing times and average sale prices. Although there is little data to consider, it does not appear that proximity to the Cayuga Ridge Wind Farm had any relationship to either the sales, the marketing time, or the value.

For example, in 2011 after Cayuga Ridge was operational, the two highest sales were located nearest the wind farm. These are identified as Sales #1 and #5 on the map for 2011 that is attached to this memo.

The highest average sale price in Odell overall was in fact the \$149,000 average in 2009; this fact is cited as indicating that the wind farm had a negative impact on property values. However, by 2009, the approval of the wind farm was public knowledge, the location had been widely disseminated, and construction was well underway. The highest sale price during this time period was \$325,000; this sale had the effect of skewing the average significantly upward due to the small number of sales. The median sale price was \$105,500. In fact, this is the highest sale reported in MRED for the period 2007 to 2014. The sale property is located at 22720 East 2500 N Road, approximately 1 mile north of the wind farm.

The following data are taken from MRED for Livingston County as a whole. Livingston County is a large area, and includes Dwight and Pontiac, as well as Odell. Most of the sales in the county are from these larger communities.

### LIVINGSTON COUNTY SALES

| YEAR | # OF SALES | # OF SHORT SALES OR FORECLOSURES | AVERAGE SALE PRICE | AVERAGE MARKETING TIME | CHANGE IN AVG. SALE PRICE |
|------|------------|----------------------------------|--------------------|------------------------|---------------------------|
| 2005 | 26         | 0                                | \$57,346           | 143                    |                           |
| 2006 | 30         | 0                                | \$65,293           | 191                    | 13.9%                     |
| 2007 | 87         | 2                                | \$113,154          | 149                    | 73.3%                     |
| 2008 | 51         | 4                                | \$97,305           | 178                    | -14.0%                    |
| 2009 | 67         | 14                               | \$90,162           | 156                    | -7.3%                     |
| 2010 | 48         | 20                               | \$77,415           | 155                    | -14.1%                    |
| 2011 | 43         | 11                               | \$86,719           | 229                    | 12.0%                     |
| 2012 | 73         | 26                               | \$82,988           | 187                    | -4.3%                     |
| 2013 | 74         | 24                               | \$89,748           | 172                    | 8.1%                      |
| 2014 | 59         | 21                               | \$75,051           | 194                    | -16.4%                    |

Source: MRED

Between the peak of the market in 2007 and September 24, 2014, average residential sale prices in Livingston County fell 36 percent. Excluding 2014, which could well be the result of the Dwight Correctional Facility closing, and excluding 2013, which also mirrored improvement in the housing market nationally, the average sale price in Livingston County fell 27.7 percent, below the average for the Chicago metropolitan area as a whole.

One interesting phenomena is the reduction in the number of foreclosures in 2011 and the 12 percent improvement in average sale price in 2011. Although it is not possible to identify the cause of this temporary improvement without significant additional research, it certainly does **not** support a contention that the wind farm had a negative impact on single-family house values.

MRED includes sales of properties that were sold via the Multiple Listing Service (MLS) and exclude transactions that are private sales. In addition to the sales from the MLS, I am aware of the sale of a one-story brick-constructed house and out-buildings situated on 3.63 acres at 24810 N 2300 E Road, unincorporated Odell. This 2,112-square foot house is constructed over a full basement, and has four bedrooms, and one full bathroom. It was sold in August 2013 for \$205,000, a figure that is well above the average sale price for that year. This transaction is considered an arm's length transaction by the Livingston County Assessor.

The following aerial photograph illustrates the location of this house relative to wind turbines in the area as well as to a Commonwealth Edison substation.



I have compared this transaction with the sale of a similar property located at 16710 E 2700 North Road, also in unincorporated Odell. Included in the MRED data, this house is situated on approximately 3 acres, was constructed in 2008, and is comprised of 2,430 square feet. The house has 8 rooms, 3 bedrooms, and two full- and one half-bathrooms. There are a number of out-buildings. The house sold for \$215,000 in April 2013. Except for having a crawl space and not a full basement, this property is superior to the house at 23090 N 2500 E Road.

As the following aerial photograph illustrates, there are no wind turbines near the house at 16710 E 2700 North Road.



Based on this analysis of the sale of two similar properties that sold under similar market conditions, it does not appear that the proximity of either the turbines or the substation had an impact on the value of the house at 23090 N 2500 E Road.

## Conclusions

The data on the economy indicate that there was significant and long-term damage to economic conditions in Livingston County during the Great Recession, which resulted in increased unemployment in the area. In turn, this exerted downward pressure on residential property values as more and more people were unable to keep up with the mortgages on their existing houses.

Nationwide trends were more volatile between 2000 and 2014, however, the stagnation in value discussed in the data in the paragraph cited was a nationwide trend, as well as the overall trend in Central Illinois, and in the Chicago metropolitan area.

The loss in value in Odell was cited as 25.88 percent. However, the small number of sales do not lend themselves to such a gross calculation. Furthermore, the change in value between the beginning of the recession in late 2007/ 2008, to the present is in fact a loss of approximately 6 percent. Taking into consideration the closing of the Dwight facility and the continuing foreclosures in the area, this loss is not unexpected.

Of more significance is the fact that the highest sale price of any single-family house sold between 2007 and 2014 with an Odell address was located north adjacent to the wind farm. Further, a comparison of the sale of a house in unincorporated Odell in proximity to wind turbines and a Commonwealth Edison substation with a similar house selling under similar market conditions, but without such proximity, did not indicate any negative impact on value.

The paragraph on the first page cited a change of less than 0.2 percent in overall housing values in Livingston County between 2004 and 2014. Considering the extent of the economic downturn, the significant losses during the recession in the county, and the high number of foreclosures continuing in the county, this number is consistent with the general trend of values in Central Illinois previously discussed.

As with all other areas where there remain a high rate of foreclosures, the average sale prices have not improved much. The data presented on average sale prices do not appear to be affected by Cayuga Ridge Wind Farm, except perhaps that the improved figures during 2011 may well reflect the benefits of the increased employment in the area, as well as the grants to assist local businesses by the \$6,000,000 donation to the county.

Finally, agricultural land values in the county appear unrelated to the proximity of the wind farm.

