

Assessed Valuation Study Response

Date: May 12, 2015
To: Livingston County Zoning Board of Appeals
Prepared By: Brad Steidinger, Real Estate Broker

Objective:

This report is in response to the assessed valuation study submitted by Michael S. MaRous and Alison Hastings on March 25, 2015. Michael S. Blazer, Attorney representing Invenergy, requested their services to interview supervisors of assessments or staff in 18 counties in Illinois to allow them to share their experience regarding the wind farm(s) impact upon the market values and/or assessed values of surrounding properties. They offered four overall conclusions of the study along with testimony by Mr. Marous on a previously submitted report by Brad Steidinger titled The Impact of Wind Farm Development on Residential Property in Livingston County, Illinois (Steidinger Exhibit 1). The focus of this report will be to look in depth at each conclusion specifically as it relates to Livingston County along with a response to the testimony of Mr. MaRous on May 7th, 2015.

Average home sales reporting method:

One of the criticisms offered by Mr. MaRous was the method used in Steidinger Exhibit 1 did not meet the standards of mass appraisal. The intention was to show home sale prices as they trended lower in the NW portion of the county and how the timing coincided with wind project developments. Nowhere in the report were there references or claims suggesting it to be an appraisal of any kind.

The sale price of homes is crucial as it relates to taxing and the real estate market in general. Tax assessors rely heavily on existing home sale prices when evaluating equalized assessed values. The method is also used by various organizations to find trends in real estate.

Following is information copied from the National Association of Realtors website stating their use of median and average prices.

Housing Statistics

2015 Statistical News Release Schedule

Existing-Home Sales

NAR releases national and regional existing-home sales price and volume statistics on or about the 25th of each month. Each report includes data for 12 months and annual totals going back three years. Reports are available for existing single-family homes, condos, and co-ops. Both median and average prices are included.

<http://www.realtor.org/research-and-statistics/housing-statistics>

The US Census Bureau also relies on this same data from NAR for their new home vs. existing homes sales reporting.

New vs Existing

New Home Sales vs. Existing Home Sales

The Census Bureau collects new home sales based upon the following definition: "A sale of the new house occurs with the signing of a sales contract or the acceptance of a deposit." The house can be in any stage of construction: not yet started, under construction, or already completed. Typically about 25% of the houses are sold at the time of completion. The remaining 75% are evenly split between those not yet started and those under construction.

Existing home sales data are provided by the National Association of Realtors®. According to them, "the majority of transactions are reported when the sales contract is closed." Most transactions usually involve a mortgage which takes 30-60 days to close. Therefore an existing home sale (closing) most likely involves a sales contract that was signed a month or two prior.

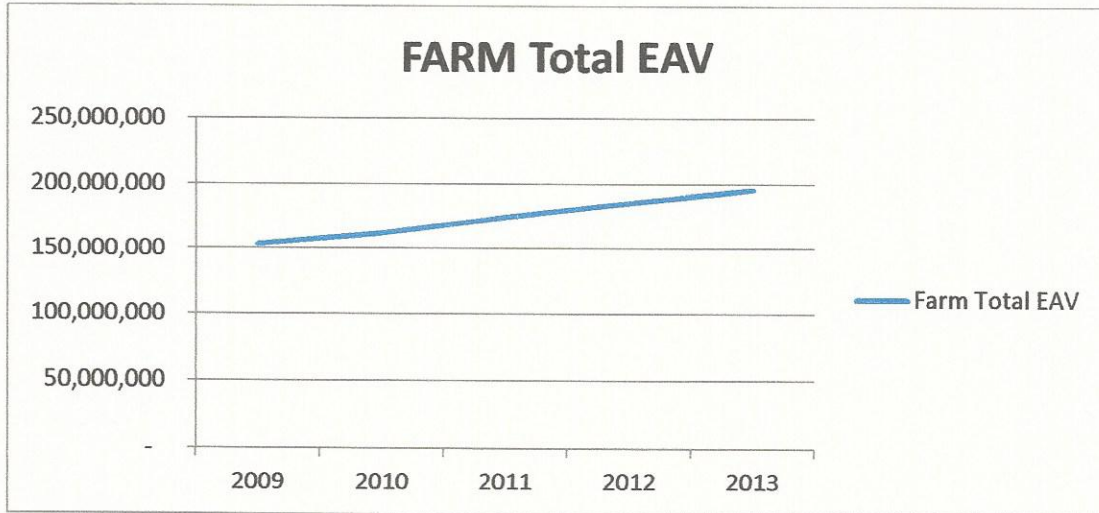
https://www.census.gov/construction/nrs/new_vs_existing.html

Mr. MaRous offers the professional opinion that based on the available studies and findings the proposed project will not have a negative impact on value. Mr. Marous is a professional appraiser with vast appraisal experience and by his statement of qualifications, has appraised more than \$15 billion worth of primarily investment-grade real estate in more than 25 states. However, in this proceeding neither Mr. MaRous or his company have presented appraisals or valuation methods for basis of their opinion. As Mr. MaRous stated, he is relying on the available studies and findings. Furthermore, his opinion on the effects of wind turbines as they relate to residential property values locally is based on a 9-10 question interview of the county assessor or assistant on the day of the call by his associate.

Following are comments and supporting data on the overall conclusions of the study found on page 1 of Pleasant Ridge Exhibit 312.

Conclusion # 4 “Agriculture properties are taxed based upon a productivity formula that is not impacted by market data and external influences.”

The total EAV of the county consists of 7 property types; farm, residential, commercial, industrial, mineral, state railroad, and local railroad. Farm EAV is the only individual EAV property type to increase each year from 2009 to 2013. This increase of \$42,490,801 represents 63.5% of the net gain in total annual EAV of the county’s \$66,884,808 over this period.



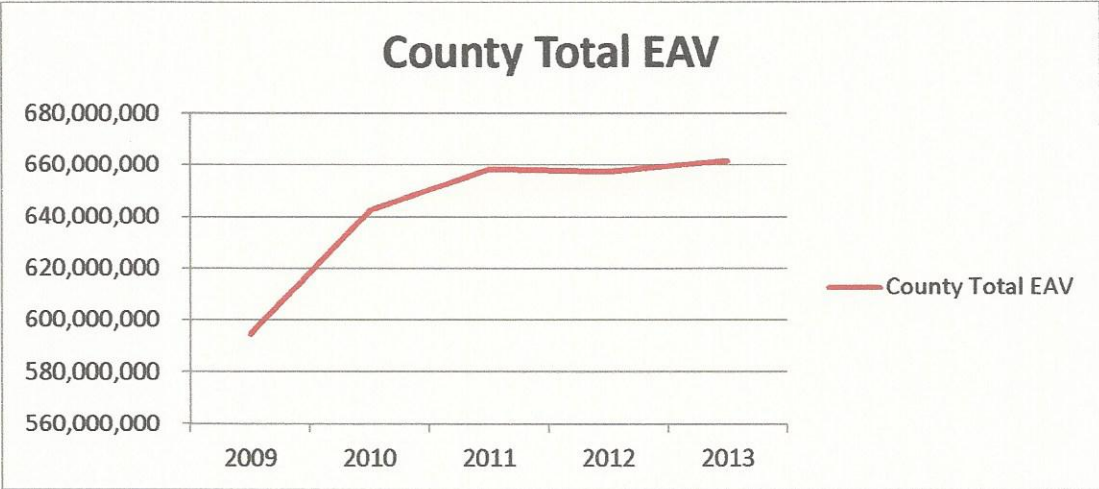
Summary of conclusion # 4:

Farmland in Illinois is taxed based on the agriculture use instead of cash or market value. As crop value and land productivities change, this will affect the farmland EAV.

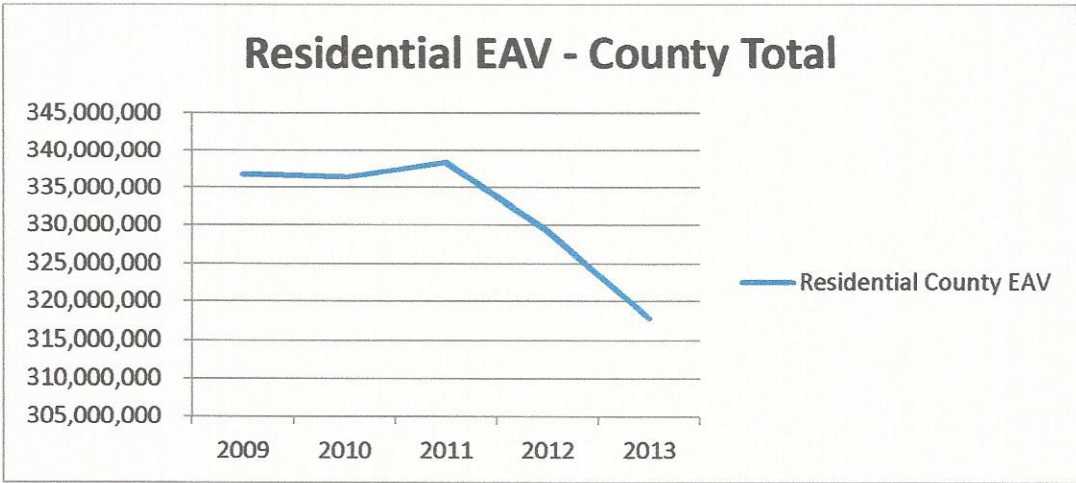
Conclusion # 1 “Without exception, the interviewees reported that there was no market evidence to support a negative impact upon residential property values as a result of the development of and the proximity to a wind farm facility.”

Conclusion # 3 “As the available market data do not support the claim of a negative impact upon residential values, residential assessed values have fluctuated consistently countywide as influenced by market conditions, with no regard for proximity to a wind farm.”

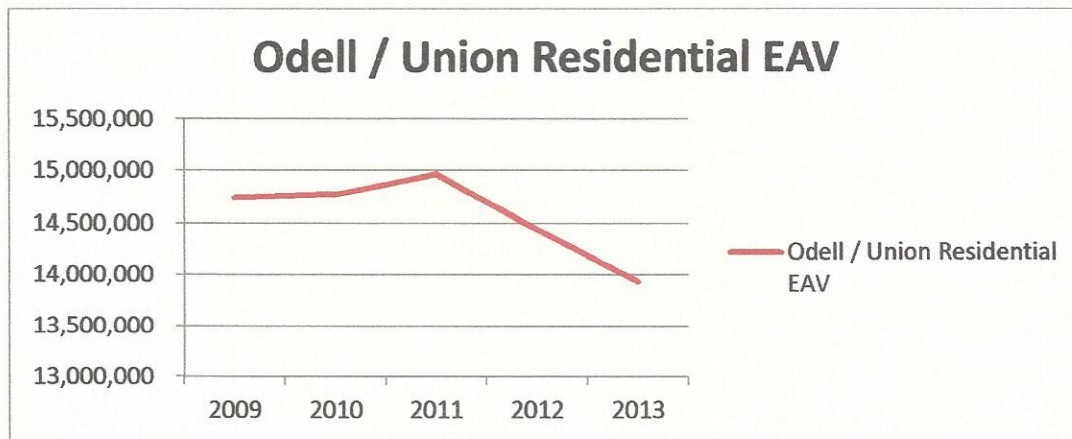
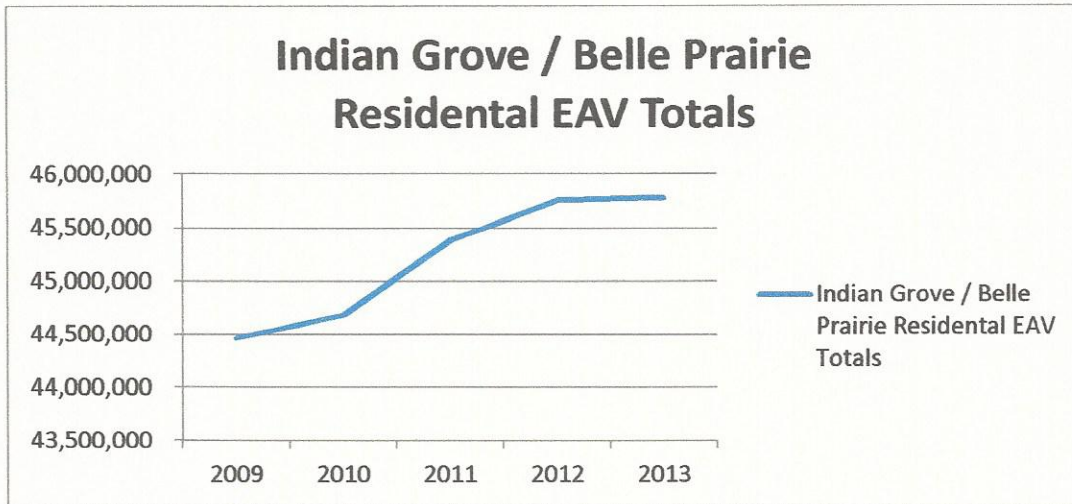
The annual total equalized assessed value (EAV) in Livingston County has been increasing over the past 5 years (2009-2013).



Residential EAV peaked in 2011 at \$338,490,739 falling 2.74% and 3.45% in 2012 and 2013 respectively.



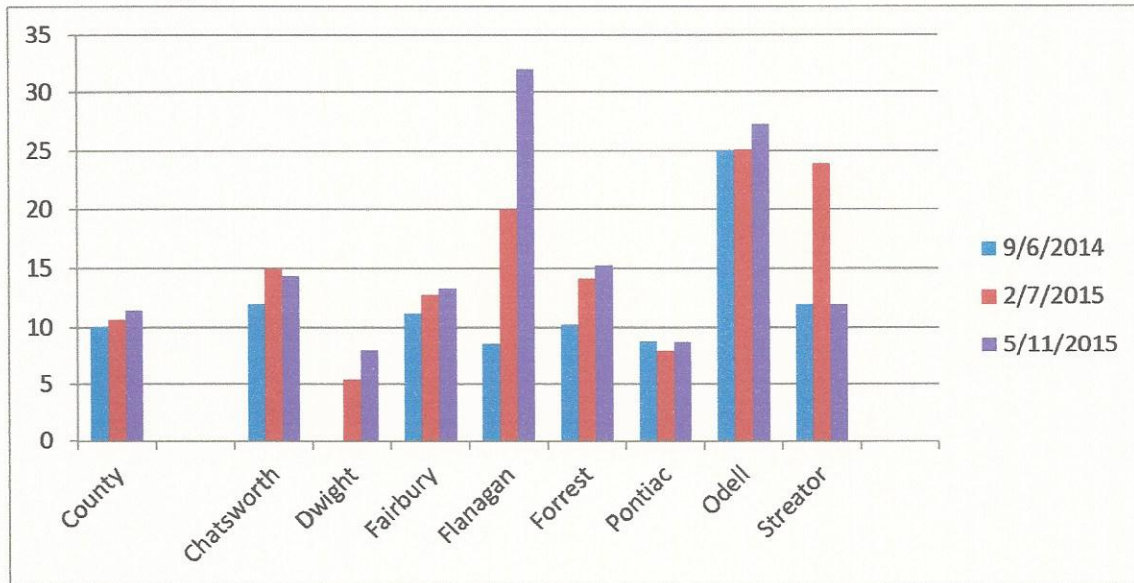
Below are the combined residential EAV for Indian Grove / Belle Prairie townships and Odell / Union townships.



Residential EAV in Odell / Union townships peaked in 2011 and fell 6.88% from 2011 to 2013. Meanwhile Indian Grove /Belle Prairie townships grew by .85% reaching their highest level in 2013. Property taxes are calculated in arrears. This results in the assessed value and taxes due for a given year being calculated and paid the following year. This means the highest residential value in Odell / Union townships was reached in 2010 before falling 3.47% and 3.54% the next two years respectively.

The chart below shows the months of supply of home for sale through the Livingston County Board of Realtors trending from September 6, 2014 thru May 11, 2015. This represents the number of months it would take to sell the current inventory on the market based on the sales rate over the last 12 months assuming no more homes for sale are added to the market. Higher supply and lower demand results in a buyer's market. A buyer's market gives purchasers the advantage in negotiating a sale price with sellers which typically would cause selling prices to be lower. Since we are experiencing a buyer's market in Odell average sales prices will likely continue to decline resulting in less residential EAV in the region.

Months of Supply



Summary of conclusions # 1 & # 3:

Livingston County data does not support either of the overall conclusions by Mr. MaRous. A countywide fluctuation influenced by market conditions would suggest EAV in all townships to move in the same general direction. As shown, two townships with wind turbines lost value and two townships without turbines gained value. Furthermore, according to Iberdrola Renewables' website, the wind farm located in these two townships became operational in March 2010. While there are other factors that would have affected this sudden loss in value, the timing coincides with the construction of wind turbines.

Conclusion # 2 “Exclusive of one tax appeal filing in Vermillion County, the assessor’s offices have not experienced a tax appeal based upon wind farm-related concerns.”

Filing an appeal can take a substantial amount of time in addition to the cost of appraisals. On the average, homeowners in Odell and Union Township have lost approximately 3.5% of EAV each of the last two tax years. This loss in EAV would translate to a lower tax bill. Receiving a tax bill that is has gone down roughly 3-4% per year would not likely encourage home owners to contest their taxes.

Summary:

Consideration needs to be given to an agreement to protect Livingston County’s collective residential EAV as a result of the Pleasant Ridge project and any further wind turbine projects. In 2013, residential EAV accounted for 48% of the total EAV in the county. If this number is not protected and the losses continue, Livingston County will lose a substantial portion of their operating budget. Coupled with a turnaround in farm EAV and a state mandated decline in wind turbine EAV, the results could be devastating.