

# PROPERTY - VALUE & VIEWS

## Summary and Key Questions – Economics

These pages are to assist you in navigating the chapters that deal with economics of construction of PSE's Energize Eastside. You can view the complete text at [energizeeastsideeis.org](http://energizeeastsideeis.org). *Suggestion: go to Individual Phase 2 Draft EIS Files or Individual Phase 1 EIS Files and click on the Chapter and specific Section you are interested in.*

Link to Phase 2 EIS Report Section on Economics Impact: [Here](#) (Section 3.10, May 2017)

Link to Phase 2 EIS Economic Considerations Supplemental Analysis Report: [Here](#) (September 2016)

Link to Phase 1 EIS Economic Impact Report: [Here](#) (January 2106)

### Summary:

The Energize Eastside Phase 2 Draft EIS addresses economic impact to the three topics listed below. CENSE asserts this is an incomplete analysis of economic risks (there are additional risks not addressed) and the assessment to the three areas noted is flawed and incomplete. The questions and concerns are noted in the following section:

1. Potential **loss of property tax revenue**, especially to the smallest affected city (Newcastle), due to reduced property values.
2. Potential **cost to place the 230 kV transmission lines underground**. PSE is not recommending this, but is noting what cost to a “requesting party” would be (covered by a bond).
3. Monetary value of lost **ecosystem services** due to reduced tree cover. Trees improve air quality by absorbing CO2 and potentially harmful gases, such as sulfur dioxide and carbon monoxide, from the air, and releasing oxygen

### Key Questions & Concerns:

The questions under the first 3 areas are those included in the EIS. The additional concerns are questions not covered in the EIS.

1. **Loss of property tax revenue (Section 3.10.1 & 3.10.4.1)**
  - a. Property values: The Phase 2 EIS cites a single study<sup>1</sup> conducted in the Salt Lake City area statistically significant findings of ~2-5% negative impact on property tax values for homes notes within 300 meters of 138kV power lines. PSE asserts this study shows no negative impacts from 345kV lines, but fails to discuss the study also notes this is due to specific large green belt requirements for the 345kV lines in the Salt Lake City study. PSE failed to include reference to recent study *more relevant* to Energize Eastside<sup>2</sup> project reported that for *higher priced homes in the Seattle area* had a **11.2% negative impact** when abutting a high voltage transmission line.
  - b. Property Tax revenue impact: The EIS references the overall property assessed values for Bellevue, Kirkland, Newcastle, and Renton, and portion of the property taxes that fund city governments (in addition to schools, King County, Library, EMS, etc.). Newcastle is examined as a “worse case/most impact city” scenario and notes \$3.8M of property tax revenue funds 50.2% of Newcastle city government annual budget. CENSE see the following problems with this methodology:
    - i. No specific data is provided on the impact of EE on property tax revenue for Newcastle (or any other city), even though the EIS notes 86 homes in Newcastle immediately adjacent to transmission lines. **This data should be provided in the EIS.**

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<sup>1</sup> Tatos 2016

<sup>2</sup> [Bottenmiller & Wolverson 2013](#)

- ii. The EIS focuses on impact to City government budget, but fails to note any reduction in property tax income also has a **negative impact on other public services** (schools, library, EMS, and King county)
  - iii. The EIS notes that reduction in property tax value through reductions in assess values, that **city governments would most likely be forced to raise property tax rates to maintain revenue**. (1<sup>st</sup> paragraph 3.10.4.1)
  - iv. The EIS cites a study<sup>3</sup>, created and funded by a consortium of energy companies (Electric Power Research Institute) which claims that negative impact on property values diminishes with time. This conclusion is **not supported by other studies, and is also not supported by common sense understanding** “If anyone was considering 2 identical house, one next to a transmission line and one not – would you pay equal value for each home” (2<sup>st</sup> paragraph 3.10.4.1)
2. **Place the 230 kV transmission lines underground. (Section 3.10.2 & 3.10.4.2)**
- a. The EIS notes a cost of \$16-25 million per mile to place transmission lines underground (variance is due to complexity of being to place within existing corridors vs. under streets). PSE has stated that its position is that any cities and/or property owners requesting underground alignments would be required to pay for undergrounding the lines. PSE’s position is based on their utility rate tariff rule, which they have interpreted to require the parties requesting the undergrounding, or the “requesting party,” to pay for the marginal or additional cost above what it would have cost for overhead lines. The actual costs for portions of transmission lines moved underground would vary considerably depending on how many payees would serve as “requesting parties”. **Costs shown could be as much as \$1677 per year<sup>4</sup> per mile and per payee. (Table 3.10-5 & 3.10-6)**
3. **Value of lost ecosystem services (Section 3.10.3 & 3.10.4.3)**
- a. Individual trees as well as groups of trees provide ecological benefits and environmental values. Trees improve air quality by absorbing CO2 and potentially harmful gases, such as sulfur dioxide and carbon monoxide, from the air, and releasing oxygen. Trees also store carbon, reduce soil erosion, remove pollutants, and provide food and habitat for birds and other wildlife. Each year, an acre of trees absorbs the amount of carbon produced by driving a car for 26,000 miles, and an individual urban tree contains about four times more carbon than individual trees in forests. **Approximately 9,400 trees were inventoried in the study area in 2015 and 2016.** The EIS references a model<sup>5</sup> that assigns cost/value to the carbon storage provide by tree, replacement tree costs, and “services value<sup>6</sup>” totaling in aggregate approximately \$18.7 million in one-time cost and \$37,858 in annual services value for all segments in aggregate. The actual values from this model would be less than that amount and determined by the actual route selected. **The position PSE assumes is that since the 7,779 tree in the Bellevue portions of the route constitute less than 0.2 percent of the total urban tree cover for all of Bellevue, and therefore are “not considered to be a large amount”.** CENSE has the following concerns:
    - i. Even if PSE were to replace the existing tree at “structural value costs” of \$18.6M, it would take years/decade for new plantings to grow and mature to provide the same level of ecosystem services as the current trees.
    - ii. The costs of ~\$18.7M will ultimately be passed along to PSE rate payers, and with questionable energy demand for the project, and other alternatives available to meet demand, this is an avoidable cost that should not burden ratepayers.
4. **Costs to PSE customers (not covered by EIS)**
- a. The IES only speaks to economic direct impact to city governments and ecosystem services, and potential economic impact to “requesting parties” for any underground potion of the proposed routes. The EIS is silent on what the economic impact of this project will be to PSE customers. Public

<sup>3</sup> Mullins 2003

<sup>4</sup> 20-year bond

<sup>5</sup> The Watershed Company, 2016b

<sup>6</sup> Gross Carbon se3questionation, avoided runoff, and pollution removal

information posted on an [Energize Eastside web page](#) claims “Once the project is built and added to the annual capital budget, we expect that \$1 to \$2 of the average monthly bill for residential customers will go towards paying for the project”. CENSE has the following concerns:

- i. PSE is a utility chartered with serving public energy needs. **PSE should be forthcoming with detailed information on overall forecasted project costs for Energize Eastside, and amounts already identified in PSE capital budgets.** The current statements amount to a “just trust us” approach.
- ii. Analysis by an independent utility financing expert hired by CENSE concluded<sup>7</sup> that assuming project costs of around \$250 million (best estimates given an absence of data from PSE) that the total cost to customers would require **\$31-32 million in incremental annual PSE revenue**, which would **accrue to an aggregate total between of \$1.45-2.03 billion dollars**<sup>8</sup> over the lifetime of the transmission line.

5. **Loss to homeowners by reduced property values (not covered by EIS)**

- a. In “The Price Effects of HVTLs on Abutting Homes<sup>9</sup>”, it’s noted that in a study of homes of similar values to the areas impacted by Energize Eastside, *higher priced homes in the Seattle area* had a **11.2% negative impact** when abutting a high voltage transmission line. Quoting the article: “Given the Seattle Study Area higher-priced home subset’s \$1,035,105 average treatment group sale price, the Seattle Study Area’s typical abutting, higher-priced home **would have sold for \$130,882** more if not abutting an HVTL.” CENSE has the following concerns:
  - i. In the EIS, no reference is made of the environmental impact to economics of property owners who will be negatively impacted by reduced property resale values.

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<sup>7</sup> See <http://cense.org/Lifetime%20Cost.pdf>

<sup>8</sup> Depending on term, see link above for details

<sup>9</sup> [Bottenmiller & Wolverson 2013](#)