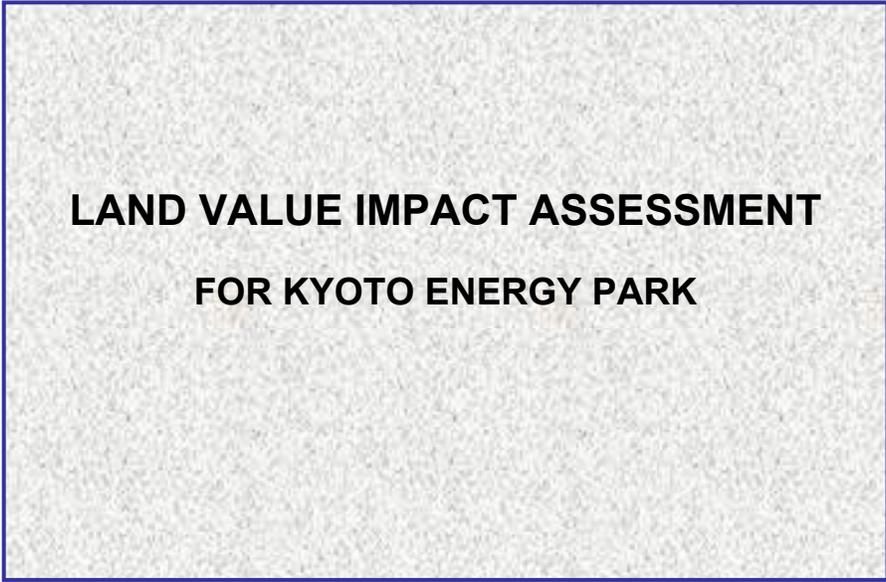


Kyoto energypark

Appendix K(i)

Duponts Property Research
Land Value Impact Assessment
for Kyoto Energy Park
(December 2008)



**LAND VALUE IMPACT ASSESSMENT
FOR KYOTO ENERGY PARK**

**Prepared for
KEY INSIGHTS
December 2008**



INTRODUCTION

Duponts has been engaged by Key Insights Pty Ltd to assess the impact on land values of the Kyoto Energy Park at Mountain Station and Middlebrook Station, via Scone. Duponts has made this assessment based on a review of literature on the matter, information of the development gained from the proponent, an informal inspection of the local area, our knowledge of land values in the Scone region and our knowledge of the impact developments of this nature have on land values.

BACKGROUND

EXISTING WIND FARMS IN NSW

There are currently four wind farms operating in NSW including Blayney Wind Farm, Crookwell Wind Farm, Hampton Wind Park and Kooragang Island. In total they generate enough electricity to supply power to approximately 6,000 homes annually.



Kooragang Island



Crookwell Wind Farm



Blayney Wind Farm



Hampton Wind Park

In 1997 Energy Australia installed 1 wind turbine on Kooragang Island, on the northern side of Newcastle harbour. The wind turbine provides 600kW of energy to Energy Australia's Pure Energy customers.

Crookwell Wind farm has 8 wind turbines located in the southern tablelands of NSW. Opened in 1998 it was the first grid-connected wind farm in Australia. The wind farm has a total capacity of 4.8 MW. The wind farm is currently owned by Eraring Energy.

Blayney Wind Farm consists of 15 wind turbines, located in the central tablelands of NSW. Opened in 2000 the wind farm has a total capacity of 10 MW. This equates to production of enough electricity to power 3,500 homes annually.

Hampton Wind Park has 2 wind turbines, located 2 hours from Sydney past the Blue Mountains. It is NSW newest wind farm. The wind park has a total capacity of 1.3 MW supplying the surrounding rural electrical grid.

The State Government has set a target to have 10% of electricity consumed by NSW by 2010 to come from renewable energy sources. These wind farms are consistent with this providing clean renewable energy for the state.



In 2006/2007 a further 3 wind farms were approved by the NSW Government. The wind farms are Conroy's Gap Wind Farm, located west of Yass with 15 wind turbines, Capital Wind Farm, located south of Tarago with 63 wind turbines and Cullerin Wind Farm, located south west of Goulburn with 15 wind turbines. These planned wind farms will generate enough energy for an additional 76,000 homes annually.

WIND FARMS AND PROPERTY VALUES LITERATURE REVIEW

There is little empirical evidence on the effect of wind farms on land values. Research into the matter is scarce both internationally and within Australia. The largest study conducted to date was in the United States of America. In May 2003 the Renewable Energy Policy Project (REPP) published a report in which 25,000 property sales within a distance of 8 km of wind farms were reviewed. The report found that property values increased faster within the view-shed of the wind farm than in comparable locations away from wind farms.

"If property values had been harmed by being within the view-shed of major wind developments, then we expected that to be shown in a majority of the projects analyzed. Instead, to the contrary, we found that for the great majority of projects the property values actually rose more quickly in the view-shed than they did in the comparable community. Moreover, values increased faster in the view-shed after the projects came online than they did before. Finally, after projects came on-line, values increased faster in the view-shed than they did in the comparable community. In all, we analyzed ten projects in three cases; we looked at thirty individual analyses and found that in twenty-six of those, property values in the affected view-shed performed better than the alternative."

Sterzinger, Beck, Kostiuk. The Effect of Wind Development on Local Property Values, May 2003.

The only other empirical research that has been conducted to date was done here in Australia. In February 2006 Henderson & Horning Property Consultants prepared a report on behalf of Taurus Energy Pty Ltd on the effect of the Crookwell Wind Farm in NSW Australia on local property values. The report included an analysis of 78 property sales surrounding the Crookwell Wind Farm over a period of 15 years from 1990 to January 2006. Sales of properties in the view shed of the wind farm (using a 6km threshold) were compared with sales of those not in the view shed. No reductions in property values for those properties in the view shed of the wind farm were found.

Henderson & Horning Property Consultants. Land Value Impact of Wind Farm Development: Crookwell NSW, February 2006.

The above two studies demonstrate empirical evidence that values of properties in view of a wind farm development do not decrease. There appears to be a consensus amongst property industry professionals that wind farm developments do not reduce the agricultural value of the land. However, many property industry professionals believe that wind farms do have a negative effect on the amenity, lifestyle and non-agricultural development component of properties in view of a wind farm.

In the UK a survey of members of the Royal Institute of Chartered Surveyors found that 60% of the 405 respondents believed residential property values decreased if the property was in view of a wind farm. While 72% of respondents believed wind farm developments had no or a positive effect on the agricultural value of the land. Visual impact, fear of blight and the proximity of a property to a wind farm were considered the main drivers to reductions in property values.

Impact of Wind Farms on the Value of Residential Property and Agriculture Land, RICS 2004



Similar views from Australian property industry professional were reported in the Bald Hills Wind Farm Panel Inquiry. In June 2004 the Victorian Minister for Planning appointed a panel to examine a proposal for the Bald Hills Wind Farm, at Bald Hills, near Tarwin Lower in South Gippsland, Victoria. The panel's inquiry included a report on the effects of the wind farm development on property values. The panel assessed a range of submissions on the topic provided by property valuers and real estate agents. The panel's response to the submissions was:

“All that appears to emerge from the range of submissions and evidence on valuation issues is the view that the effect of wind energy facilities on surrounding property values is inconclusive, beyond the position that the agricultural land component of value would remain unchanged. On this there appeared to be general agreement. It therefore follows that it has not been demonstrated to the satisfaction of this Panel that significant value changes, transfers or inequities would result from the project proceeding.”

In their final conclusion on property values the panel noted that valuation effects from the wind farm development may occur, specifically devaluation of the amenity, lifestyle and non-agricultural development component of the surrounding land. However, these would not impact the planning permit as the wind farm is to be built in a Rural Zone.

“In so far as it may be a relevant consideration to the EES and SEES process, the Panel notes that some valuation effects may occur. These would not be untoward having regard to the purposes and decision guidelines in the Rural Zone. That being said, valuation considerations are not a relevant consideration for the purposes of a decision on a planning permit.”

*Bald Hills Wind Farm Project: EES, EES Supplement and Called in Permits
Panel Report: 24 JUNE 2004*

While the above two secondary studies do not put forth any empirical evidence to the devaluation of property values, the research should still be noted as the empirical evidence to date is limited to two studies of which only one was conducted in Australia, i.e. the Crookwell Wind Farm study. The generalisation of the findings in the Crookwell study is limited in that comparisons should only be made to developments that are similar in terms of the wind farm development and the surrounding land scape.

Recently the issue has been addressed in NSW. The NSW Government Department of Planning has made three major project assessments on wind farm developments in 2006/2007 (Capital Wind Farm, Cullerin Wind Farm and Conroy's Gap Wind Farm). Each has assessed the key issue of Property Values. In their consideration the NSW Department of Planning referenced the REPP report and the Crookwell study. In their conclusion the NSW Department of Planning states:

“There is no conclusive evidence that significant value changes, transfers or inequities would result from the project proceeding...”

NSW Department of Planning Major Assessment: Capital Wind Farm (October 2006) Cullerin Wind Farm (February 2007) and Conroy's Gap Wind Farm (May 2007).

The issue of compensation in regards to the reduction in values of surrounding properties of a wind farm development has been ruled upon in a case in the Land and Environment Court of New South Wales.

In February 2007, in *Taralga Landscape Guardians Inc v Minister for Planning and RES Southern Cross Pty Ltd*, it was claimed by the Guardians that the surrounding properties of the proposed wind farm development would suffer from blight in the form of loss of future property value or from loss of amenity and there should be payment of compensation if the project were to proceed. Judge Preston CJ ruled that:

“If the concepts of blight and compensation, as pressed by the Guardians, were to be applied to this private project (a proposition which I reject) then any otherwise compliant private project which had some impact in lowering the amenity of another property (although not so great as to warrant refusal on general planning grounds when tested against the criteria in s 79C of the Act) would be exposed to such a claim.

Creating such a right to compensation (for creating such a right it would be) would not merely strike at the basis of the conventional framework of landuse planning but would also be contrary to the relevant objective of the Act, in s 5(a)(ii), for “the promotion and co-ordination of the orderly and economic use and development of land”.”

While this case does not answer the question as to whether a property reduces in value due to the development of a wind farm it sets a clear precedent to how the courts may view compensation claims in regards to this.

KYOTO ENERGY PARK SCORE

AREA PROFILE

The proposed Kyoto Energy Park is located at Scone. Scone is an area described as the Upper Hunter Region, being approximately 320 kilometres north-west of Sydney and approximately 180 kilometres north-west of Newcastle.

Scone is primarily a large service town for the surrounding rural areas that once focused on equine and agricultural pursuits. However, in recent times, there has been a gradual expansion of coal mines toward the Upper Hunter with the opening of mines at Dartbrook, Bengalla and Mount Pleasant.

This mining development has led to migration to Scone for its rural ambiance away from the more mining and industrialised centres of Singleton and Muswellbrook, in particular.

The area surrounding Scone has always been a relatively affluent area and is serviced by a sealed airport, with rail and bus links to Sydney along the New England Highway. Scone shopping centre is a typical main street shopping centre that has been gradually developed over the years. Most of the shopping centre comprises standalone individual retailers and there is a lack of major chains; however, it does feature two major supermarkets.

Scone caters for most retail, commercial, medical, educational and social needs, typical of a regional centre.

The area is known as the “horse capital of Australia”, and is home to a number of large stud farms in the area as well as an equine centre consisting of a racetrack, training facilities, TAFE college, vet centre, conference / reception area, etcetera.



DEMOGRAPHICS

According to the 2006 Census the state suburb of Scone has a population of 5,078 persons. The NSW Department of planning expects the population of the Upper Hunter to decrease at a rate of 0.2% per annum over the next 25 years.

The most common industries of employment for persons aged 15 years and over were Coal Mining 6.5%, School Education 6.0%, Meat and Meat Product Manufacturing 4.8%, Other Livestock Farming 4.1% and Supermarket and Grocery Stores 3.9%.

Of the 2,042 occupied private dwellings in Scone 84.5% were separate houses, 4.3% were semi-detached, row or terrace houses, townhouses etc, 9.1% were flats, units or apartments and 2.1% were other dwellings. The average household size was 2.4. 33.6% of occupied private dwellings were fully owned, 29.0% were being purchased and 31.1% were rented.

PROPOSED WIND FARMS

The proposed Kyoto Energy Park Scone includes wind turbines on Middlebrook Station and Mountain Station. The wind farm component on Middlebrook station is likely to have a maximum of 11 wind turbines and Mountain station is likely to have a maximum of 31 wind turbines. These wind turbines are likely to range from 80m to 105m high (hub height), with a blade length of 45m to 50m radius. It is expected that the wind turbines will be constructed on top of the ridgelines of each station. The ridge lines in question are located approximately 12km west and north-west of the town centre of Scone.

Below we have estimated the position of the wind turbines on the ridge lines from different vantage points around Scone.

Key:  estimated position of wind turbines



Middlebrook Station



View from the eastern side of Middlebrook Station off Middlebrook Rd.



View from Cressfield Station off New England Hwy east-north-east of Middlebrook Station.



Mountain Station



View of Mountain Station ridge line looking West North West off Yarrandi Rd



View of Mountain Station ridge line looking South off Bunnan Rd

(picture 3 is looking South West)

The ridge lines on which the wind turbines are planned are visible from the majority of areas around scone. They are quite prominent as they are the first major ridge lines west and north-west of the town centre of Scone.

The area surrounding the wind farms is characterised by large rural holdings, predominately grazing with some cultivation, horse studs and lifestyle blocks, with these 'lifestyle blocks' being approximately 40 hectares.



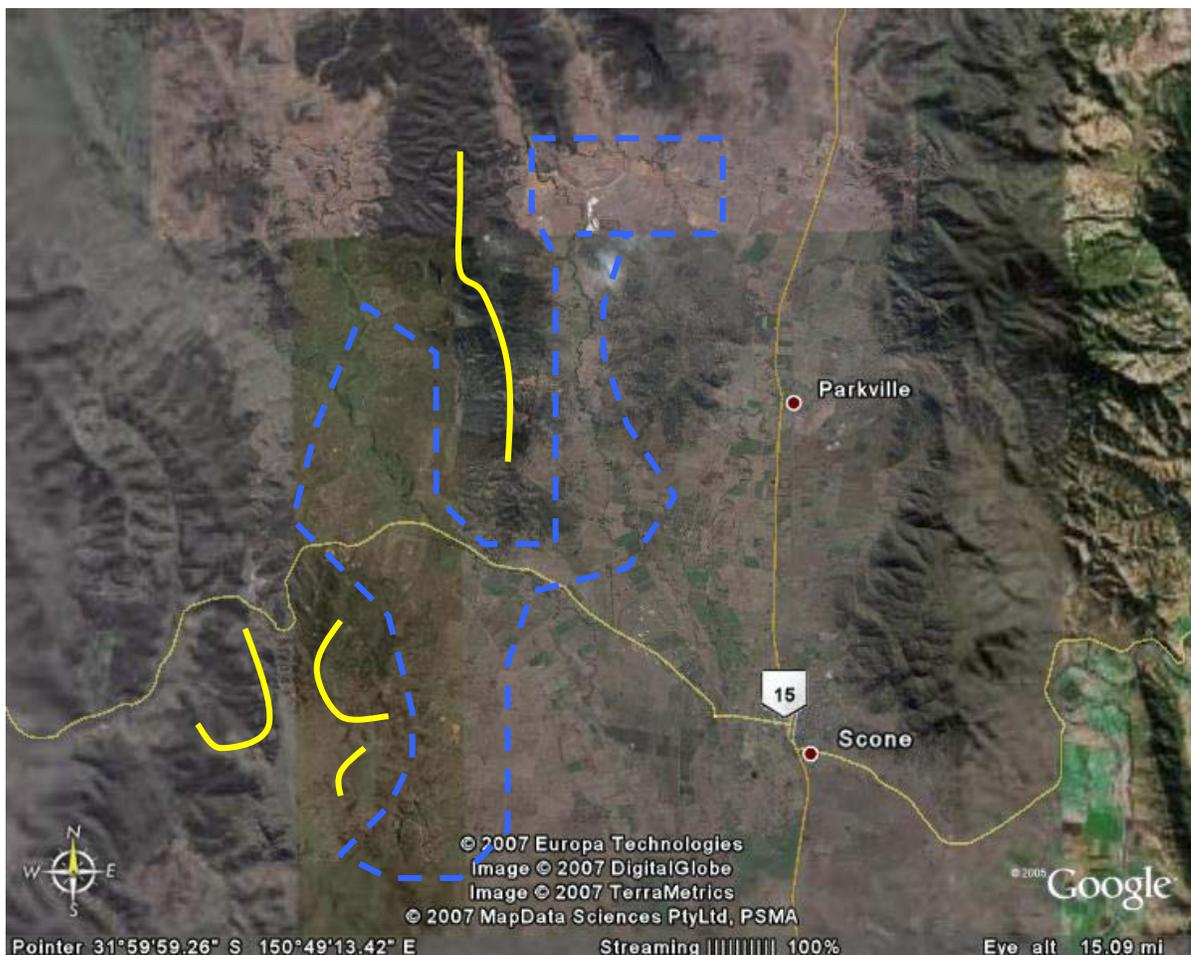
PROPERTIES IN THE VIEW SHED

It is expected that the wind farms will be visible from the majority of Scone, with views being most prominent from properties at the base of the ridge lines on which the wind turbines will be placed, with views decreasing through to the town centre of Scone. Properties in Parkville located west of the New England Highway will not be in the view shed as there is a ridge to their west which blocks the view of the wind turbines.

We have outlined below the estimated position of the wind farms from an aerial view over scone. The majority of scone will have some degree of view of the wind farms. However, the prominence of the view will decrease the further away a property is located from the wind farm. We estimate that properties located in the dashed blue line will be affected by a view of the wind farms. There may indeed be properties located in other regions that are affected and we have included this for illustrative purposes only. Please refer to the proponents Zone of Visual Influence study for more precise estimates.

Key:

-  Wind Farms
-  Approximate Affected View Shed



KYOTO ENERGY PARK AND LAND VALUES

Empirical market evidence to date from the US and Australia on the effect of Wind Farms on land values indicates that there is no reduction in land values as a result of a property being in the view shed of a wind farm development. The majority of evidence is from the REPP study conducted in the US with only one study conducted in Australia i.e. the Crookwell Wind Farm study. There also appears to be a general consensus that wind farm developments have no impact on the agricultural viability of land (Bald Hills Panel Report, 2004 and RICS, 2004).

However, when taking into consideration the amenity, lifestyle and non-agricultural development component of land surrounding a wind farm there is some consensus that a devaluation of properties in view of the wind farm may occur (Bald Hills Panel Report, 2004 and RICS, 2004). However, verbal enquiries with valuers practising in wind farm areas of Victoria and principally the Codrington area revealed that recent sales of residential property within 2 kilometres of a wind farm indicated there was no discernable effect on values.

The wind farm proposed at the Kyoto Energy Park is different to the Crookwell Wind Farm in that it is located on top of prominent ridge lines in the area. This reduces the degree to which generalisations can be made between the Crookwell Wind Farm study and the development of the wind farm component of the Kyoto Energy Park Scene.

Given the nature of the land surrounding the Kyoto Energy Park, consisting of some lifestyle blocks, affluent horse studs as well as agricultural and pastoral uses, and given the prominence of the wind farm development on top of ridge lines, it is our opinion that the wind farm development may initially have an effect on the amenity, lifestyle and non-agricultural development component of land values in the area. The worst case scenario is that properties in view of the wind farm will suffer a reduction in value.

However, our experience and enquiries has shown that this reduction is more a consequence of the perception of negative effect than actual outcomes and once developments of this nature are in place, after a period of time (generally 1 to 2 years) the effect generally reduces to zero.

We have outlined below the possible “worst case” initial effect on property prices :

Property Size	Approximate Value per ha	Possible Reduction in Property Value	
		Within 2km	2-4km
<40 ha	\$15,000	3%	1%
40 – 200 ha	\$13,000	2%	0.5%
200 – 500 ha	\$10,000	0.5%	0%
5,000 ha +	\$7,500	0%	0%

Our estimation equates to a maximum reduction of \$450 per hectare for properties up to 40 hectares down to a reduction of \$50 per hectare for properties up to 500 hectares and over.

Any reductions are expected to be positively correlated to both the visual impact and the properties proximity to the wind farm and will require a detailed on site analysis and due the topography of the area we feel any quantifiable effect will be limited to a small number of properties immediately adjoining the turbines.

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