



Council
September 24, 2009

**Economic Development Report – Industrial Wind Turbine
Energy Development (IWTED) Economic Impact Assessment**

Recommendation:

The Economic Development Officer recommends:

THAT Council receives the attached Economic Impact Report on Industrial Wind Turbine Energy Development (IWTED) Projects for Prince Edward County;

THAT Council initiate a ‘made in Prince Edward County’ siting plan for IWTED, in concert with the Planning and Economic Development Departments and the business community, that will have the least amount of or no negative impact on the Prince Edward County economy specifically dealing with the visual, health and Quality of Place impacts turbines can have on key economic development activity, such as tourism, arts, culture and heritage and the Creative Rural Economy;

THAT Council begin negotiating immediately with the Province – including the Ministry of Energy, regarding establishing support for the process of a ‘siting plan’ that is customized and suitable for our community’s specific needs;

THAT this report be made available for public comment at the September 29, 2009 Special Council Meeting; and

THAT the foregoing activities form the basis for a position statement, subject to public input on September 29, 2009, which will document Prince Edward County as being a special and unique community, culturally and economically and the position statement not to be created generically with respect to IWTED.

Background/Purpose:

On June 23, 2009 Council asked for a staff report on resources and budget implications necessary to provide an assessment of the potential economic impact of industrial wind turbine installations in Prince Edward County.

At the August 13, 2009 Committee of the Whole Meeting \$5,000 was approved to fund a literature review and key information summary (outsourced to community volunteers and some paid assistance) and an Economic Development report offering a point of view and a staff recommendation regarding the economic impact of IWT’s.

The attached report is a result of Council’s direction.

What's the bottom line?

IWTED and the decisions being made on this issue could very well be the most important issue of the previous and next 20 years for Prince Edward County and its economy.

The **risk** of uncontrolled Industrial Wind Turbine Energy Development Projects **could easily outweigh the reward** for Prince Edward County's overall economy.

The visual impact in particular and the potential negative health impacts will dramatically reduce the **Quality of Place** attributes of Prince Edward County. Tourism, much of our arts, culture and heritage and our Creative Rural Economy - its direct and indirect spin off growth is contingent upon preserving and enhancing these **Quality of Place** attributes. The negative visual impacts of IWTED projects could threaten our economy.

The long-term **economic upside** of Industrial Wind Turbine Energy Development projects is **approximately \$1,000,000 to \$2,000,000 in increased IWT leaseholder and municipal tax revenues per annum** at 99 to 197 Turbines being installed. Short-term construction benefits, while valued and may be sizeable, are not factored in the above number to focus on the long-term annualized economic issues.

The Economic **downside** is **\$2,500,000 to \$40,000,000 in lost annual revenues from local businesses and the municipal tax base.**

What would cause the downside?

Uncertainty and poor planning.

Uncertainty – Investors do not like uncertainty. The fact that Industrial Wind Turbine Energy Development projects could go just about anywhere in Prince Edward County could easily chase potential investment away. We know this is already happening with housing which is one form of investment in our community and business investment is next if it is not already occurring.

Poor Planning – currently Industrial Wind Turbine Energy Development projects can go just about anywhere with visual impacts and densities that may not be appropriate and threaten our existing economy and future investment in it. A significant portion (approximately \$250 Million to \$400 Million) of Prince Edward County's growing economy is tied to its beauty, bucolic and unspoiled rural nature both directly and indirectly. In fact since 2001 and formalized in the 2004 Economic Development Strategy – **Quality of Place** - beauty, bucolic and unspoiled rural nature have been the cornerstone of impressive economic growth outpacing both Ontario and Canada's growth. Arguably this was an unwritten strategy for a decade or longer prior to 2001 supported by the "Come for a Visit, Stay for a Lifetime" advertising of days gone by.

From 2001 to 2006 Job growth** was as follows:

PEC	9.43%
Ontario	6.06%
Canada	8.3%

That's **35% more job growth** in Prince Edward County than the Province and **13.5% more than Canada.**

From 2001 to 2006 Job growth in Arts and Culture was as follows:

PEC	95.83%,
Ontario	4.04%
Canada	19.1%

Prince Edward County experienced a remarkable 95.83% growth rate 2300% more than the province and 500% more than Canada! This is already coming from a strong Arts & Culture base.

Uncertainty and poor planning can be addressed immediately.

This report is suggesting that Council negotiate to obtain the province's support to develop a Industrial Wind Turbine Energy Development Projects Siting Plan that pre-establishes and sets limits as to where **all** developments will be situated in advance, and deal with the density of such projects, the maximum height/size of turbines, setbacks, appropriate visual impact that does not jeopardize our tourism, arts culture an heritage and **Quality of Place** driven Creative Rural Economy.

These are sound planning principles that can allow for Industrial Wind Turbine Energy Development Projects to coexist with our economy, eliminate economic uncertainty and plan to create a positive economic impact not a negative one that could be dramatic.

The attached study indicates the following.

Unique community attributes need to be factored into economic impact issues with respect to IWT's. A made in Prince Edward County solution is required for IWTED projects here.

There is little information regarding the impact on tourism for areas where the potential for a negative impact is theoretically highest, since development proposals for such areas have consistently been denied. (In Scotland)

Tourism areas, that rely on scenic beauty (Quality of Place) as part of their offering can minimize any negative impacts of IWTED projects by minimizing or eliminating their visual impact from tourism amenities.

Communities with few pre-existing economic sectors saw the greatest benefit and had a greater positive impact where the local economy was in decline. Prince Edward County is recognized as having many growth oriented viable sectors. Industrial Wind Turbine Energy Development Projects are in potential conflict with our current growth engines.

We need a plan that preserves scenic beauty and **Quality of Place which is our number one Economic Development competitive advantage** and indicates where IWTED projects are suitable to our community in context to the tourism and the creative rural economy, the scale that is appropriate, visual impacts, densities and health concerns.

There is no reference to Creative Rural Economies in current studies from the attached literature review; many of the Quality of Place issues related to tourism, arts culture and heritage and residential real estate in the attached report apply to the Creative Rural Economy.

The magnitude of the impact of IWTED is much greater than Tourism in Prince Edward county, a rough estimate is that our Creative Rural Economy is 3 to 4 times the size of Tourism. Tourism is approximately an \$85 Million to \$100 Million value annually to the economy. The Creative Economy employs 31% of our labour force and represents 46%* of income earned and grew 30% over the last decade and is expected to grow 40% over the next decade and represents between \$250 Million to \$400 Million of our economy.

What is the Economic Development Office's position on "Green Energy"?

The Economic Development Office sees a bright future in Green Energy as an economic development driver and will be recommending to Council that it become one of 4 Clusters in an upcoming report. Green or **any economic opportunity should not however pose economic threats to the community and existing vibrant economy.** Green is much broader than Industrial Wind Turbine Energy Development projects and includes solar, geothermal, biomass, smaller scale wind, conservation and more.

What about permanent full time manufacturing and other jobs that might arise from Industrial Wind Turbine Energy Development projects establishing here?

This is possible, however we can't count on this "possibility" and jeopardize what is clearly already working here – **"a bird in the hand is worth two in the bush"**. As the numbers above indicate Prince Edward County is outpacing growth and in some cases at a remarkable rate compared to both Ontario and Canada. **We don't want to kill the goose that laid the golden egg.** Preserving the Golden Goose is a matter of choice and it is within the Provinces power to kill or preserve.

Potential jobs can't be hoped for while sacrificing the significant job growth (640 jobs added from 2001-2006**) that has been occurring and is expected to continue to occur here. With proper Industrial Wind Turbine Energy Development Projects planning we can continue to have the kind of growth we have been having in our overall economy and reap some of the potential job benefits that may arise as a result of Industrial Wind Turbine Energy Development Projects establishing here as suggested above.

Some say Tourism (or the broader Arts, Culture and Heritage / Creative Rural Economy) won't be affected or will increase as a result of Industrial wind Turbine Energy Development projects.

Based on the attached report this seems high unlikely.

The Scottish Government, a proponent of Industrial Wind Turbine Energy Development projects, concluded:

“Of the approximately 5000 images, most focus on spectacular ‘unspoilt’ views, interesting festivals or intriguing geographic features; while only three promote wind turbines as a reason to visit their town. The Scottish Government-commissioned report concluded that wind farms can be tourist attractions in the same way that a hydro-electric power station can be; their novelty is an important aspect of their draw;¹ unless wind farms are novel in some way, they will not likely draw significant tourism.”

In other words, if Prince Edward County has Industrial Wind Turbine Energy Development projects like many other communities there will be no compelling reason to visit ours over another jurisdiction’s. If the visual impacts and siting are not executed with our economic strengths in mind, there is no doubt that our economy will be threatened, business will decrease and jobs will be lost.

If visual impacts, health concerns and Quality of Place are diminished our economy will be diminished.

What is Economic Development (ED) in Prince Edward County and what is the relationship between ED and IWTED projects?

Economic development consists of 4 things

- A Vision
- Retention
- Expansion
- Investment Attraction

Our office is currently in the middle of a process to articulate an economic development vision expected to come to Council prior to year’s end. However, the overall vision has been and is to leverage our assets, primarily **Quality of Place** that is based on beauty, a relatively undisturbed community, bucolic, pastoral and unspoiled scenery for economic gain. This is the context of our tourism, arts, culture & heritage, Creative Rural Economy, residential construction growth, etc....

As a municipality and a community we have successfully leveraged these assets to retain, expand and attract investment here.

Tourism has grown from \$25 Million in 1999 to approximately \$85/\$100 million presently. Development has gone from \$16 Million in 1998 to all time records in the \$70/\$80 million range, pumping approximately a **quarter billion dollars** into the economy over the last half decade or so. The wine industry has invested well over \$50 Million dollars.

¹ Riddington, Dr. Geoff, et al., “The Economic Impacts of Wind Farms on Scottish Tourism: A Report for the Scottish Government,” *The Tourism Policy Unit, Scottish Government* (2008), <http://www.scotland.gov.uk/Publications/2008/03/07113554/0>.

Between 2001 and 2006 we created 640 jobs mostly in small, entrepreneurial organizations.

We have done all that and more based on a simple premise: Prince Edward County has a unique and wonderful Quality of Life / Quality of Place. Improper and inappropriate placement of IWTED projects is already threatening our Quality of Place and our economy. We need to minimize the risk and maximize the reward if **Industrial Wind Turbine Energy Development projects come here.**

Isn't Industrial Wind Turbine Energy Development successful economic development?

Other than the short term jobs from construction and related spin off, few full time jobs and some revenue for the community, **not really**. The attached financial scenario proposed by CCSage outlines how the vast majority of the dollars go to the wind energy company and do not stay in the community.

If 197 Industrial Wind Turbines are erected in Prince Edward County, this would be the equivalent of approximately close to of **half a billion dollars / \$500,000,000** of development occurring here yet only a few million in the long term annually will remain in the community – based on \$2.5 million per turbine this is like 5 Kellogg's plants (like the one in Belleville) being built here without the 500 plus jobs benefit or the taxes (turbines are taxed at a value of \$40,000 not \$2,500,000) and as this report is suggesting some significant downside risk.

Where is Wind Energy Going?

IWT are expected to and are already getting bigger. Like all industry bigger, more efficient and cost effective solutions are being sought out. Today towers are 1.5 MW and approximately 400 feet high tip to toe (top of the blade) and 3.0 MW towers already exist.

Analysis/Comment:

What is the Risk and what is the Reward of IWTED projects coming to PEC?

The scope of this report did not allow for a detailed financial impact/analysis. There likely would not be consensus on a conclusion if one was scoped out. Therefore this report does not explore absolutes, but does look at a range based financial scenario. A financial scenario by CCSage is attached to this report for an alternative perspective – the EDO neither endorses nor refutes the CCSage report.

A High Level View on Economic Impacts

Revenue

If all 197 (there current number being proposed) IWT came to PEC paying approximately \$8,000 annual in performance leases per turbine to our land holders that would represent \$1,576,000 per annum to our leaseholders.

Those that hold options but do not end up leasing also get a lesser amount – this amount is unknown.

Finally, the municipal property tax per turbine is approximately $\$1,500 \times 197 = \$295,500$.

The total financial annual upside to this community once built is \$1,000,000 (99 turbines) to \$2,000,000 (197 turbines).

While this is real and meaningful income for landowners and for the tax base, what could the threat be?

The Tourism, Arts, Culture & Heritage and Creative Rural Economy and spin off business – construction etc...is worth approximately \$250 Million to \$400 Million dollars per year.

The following losses in local revenue could result in the following scenario:

- 1% decrease = \$ 2,500,000 - \$4,000,000
- 5% decrease = \$12,500,000 - \$20,000,000
- 10% decrease = \$25,000,000 - \$40,000,000

The Economic Development Office believes that with the current uncertainty and lack of plan the threat will be closer to 10% (could be even greater) than it will be to 1% .

Are we willing to entertain at the upside of \$1,000,000 to \$2,000,000 in community and financial gain for a \$2,500,000 to \$40,000,000 threat? **This seems highly risky.**

Jobs

There are few long-term jobs attached to IWTED projects. There are short term benefits of job creation and other economic contributions with overnight and hospitality needs of visiting site crews and workers.

Why entertain a threat? Why not compromise?

Why not create a “siting plan” that establishes where IWTED projects can be established and at what scale, that can have **little to no impact, visually, health wise and overall Quality of Place wise** that allow those with land to still benefit by leasing land where permitted on a comprehensive plan and the municipality to increase its tax base and **not threaten or risk what is arguable one of the most impressive economic success stories in rural Ontario over the last decade?**

Financial Implications:

The Financial Implications can be significant.

On the positive side there will be some short-term economic development through construction, building permit fees and related spin off.

Municipal Taxes are approximately \$1500 per turbine or \$295,000 for the 197 that are proposed

Building permit revenues will be collected.

Land owners will have approximate gross revenues of \$8,000 per turbine or \$1,576,000 for the 197 that are proposed. Known and unknown (option holders who get revenue even though

they don't have IWT's on their property) revenues indicate a financial upside to the community of approximately \$2,000,000 per year.

On the Negative side we have a \$250,000,000 to \$400,000,000 growing economy that is vulnerable to the current uncertainty and poor planning of IWTED projects.

Annual revenue losses could range from \$2,500,000 to \$40,000,000. Revenue losses will translate into **job and tax revenue and future development losses for the community**. Property values may decline. Property taxes may decline. **Taxes are not likely to indirectly increase as a result of the arrival of IWTED projects**. The tax base did increase over the last decade as a result of our growing Quality of Place base economic development activity.

Overall net investment and job growth may decline or decelerate.

Municipalities such as ours **can and should require financial security guarantees** for such issues as **IWT decommissioning**, etc. We need to explore this to ensure there are no future liabilities the municipality may inherit with expired, financially troubled or other IWTED project ownership scenarios.

A siting plan will cost \$100,000 or more, the Province should assist with this. There are financial liability issues for leaseholders and they should ensure they have engaged proper legal and financial council to protect themselves.

Policy Implications:

Prince Edward County, requires a provincially supported siting plan policy, that establishes in advance where turbines can go and can not go, including size of turbine, density and scale – factoring in Quality of Place / Quality of Life issues; in particular, visual and health impact issues as they relate to our unique set of economic and community set circumstances.

A form of inflation protected financial security for the municipality should be required to ensure decommissioning of the towers are guaranteed by the IWTED projects owners regardless of their financial solvency.

Summary:

- Prince Edward County's economic vitality could be threatened by improper development of Industrial Wind Turbine Energy Development Projects.
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- Prince Edward County is recognized as a special and unique community, culturally and economically, in our official plan and **should not be treated generically** with respect to Industrial Wind Turbine Energy Development Projects.
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- Prince Edward County's impressive growth is tied to our main competitive advantage- Quality of Place, we cannot afford to jeopardize this.
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- To ensure it's economy is not threatened, Prince Edward County requires a siting plan that is customized to it's unique set of economic circumstances to minimize the

potential negative impacts Industrial Wind Turbine Energy Development Projects could have on it's economy.

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- The siting Plan should minimize or eliminate the visual, health and quality of place impacts to ensure our economy is not at risk
- To avoid economic risk, Council has been advised to work with the community to take develop a position regarding IWTDP.
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- We require the province to support our community undertaking a siting plan as outlined above.
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- The upside is up is \$1,000,000 to \$2,000,000 per year in revenue for our landowners and tax base, the downside could range from \$2,500,000 to \$40,000,000 per year in lost revenues.
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- Liability issues such ad decommissioning is necessary to protect the municiaiplity form futue liability issues.

Attachments:

Economic Impact Report on Industrial Wine Energy Development for Prince Edward County
www.xxx for support documents for the above report.

CCSage financials

Quality of Place references.

Submitted by: Dan Taylor, Economic Development Officer, September 16, 2009

Commissioner Approval: _____, September 16, 2009

CAO Approval: _____

17/Sept/09

***2006 Stats Canada Data as compiled by Dr. Greg Spencer of the Munk Centre;
University of Toronto for the Canada's Creative Corridor – Ontario East Creative
Economy Report**

**** Data from the upcoming Report on Economic Impacts of Municipal Cultural
Planning - on Prince Edward County, by McSweeney and Associates, commissioned by
the Ontario Ministry of Culture.**

What is Quality of Place...read what others think about Prince Edward County and what we have.

`As close to paradise as Ontario gets` □TORONTO SUN -
Nov 13, 1998

The **OSDC (Ontario Social Development Council)** has determined, in a study released November 12, 1998, that Quinte (which encompasses **Prince Edward County**) **offers the highest quality of life in Ontario**. The council combined 12 indicators, measuring social, health, and environmental and economic well being, to produce its quality of life index.

Prince Edward County was featured in Harrowsmith magazine, April 2003 issue, as **one of Canada`s 10 places that offer the best in rural living**.

Prince Edward County was also featured in Maclean`s magazine, May 2003 issue, as **one of Canada`s 8 GREAT ESCAPES !**

For more Lifestyle and Quality of Place Articles go on-line.

http://www.pec.on.ca/pec_yellowpages/yellowpages.php3?category=64

<http://www.tastethecounty.ca/mediaArticles.html>

<http://www.buildanewlife.ca/site/index.php/Lifestyle-Community/LifestyleCommunity/Lifestyle-Community.html>