September 29, 1981

Mr. Richard Murray
Chairman, Zoning Board of
Appeals
Guilderland Town Hall
Albany, New York 12084

Dear Mr. Murray:

Concerning the economics of the documents submitted by Kenan/Shanley to the ZBA, I have the following to say. Doug Casey, the "Stenographic Record", is not complete. There was extensive cross-examination of Casey which demonstrated that much of his testimony was in error--the result of his confusion between "census money income" and BEA personal income". This is explained at length in my paper, which was provided to the ZBA. Basically, what Casey did was to use both of the income concepts and then try to argue that "shoppers' goods sales" were too small a ratio of the two income concepts. You can perceive part of his confusion by studying the appendix to Casey's paper, on the page marked "C" in the upper right-hand corner. Casey's confusion is understandable. He is not an economist. Page 3 of his testimony indicates that he is a lawyer/urban planner/political scientist.

The CDRPC letter of January 18, 1980, is in reply to the January 7, 1980 memorandum in which Barss took the wrong population estimates to compute income. Therefore, the letter which Kenan/Shanley included in the envelope was a response saying, in effect, you have now used a more reasonable population estimate. Please note the second to last sentence of the CDRPC letter--it clearly removes the conclusions reached by Pyramid from CDRPC commitments.

The letter from Flanagan has already been the subject of a letter to Flacke from me. You can obtain a copy from Environmental Conservation: A copy from my files is attached.

<u>Issue - Property Taxes</u> (author unknown) was not submitted at the Environmental Conservation hearings, though their lawyer, Snyder, made reference to it. I assumed, at the time, that they did not want its methodology closely studied. After reading the paper I feel sure that that was the reason. The paper compares all MLS (multiple listing sales) residential sales in three counties to the residential sales around four shopping centers. Since some of the MLS sales include new homes, some are huge estates, some are for large lot homes,

and some are for homes with "mother-in-law apartments", the results obtained are confused--as the author admits (see paragraph 1, page 2 of the document). The author increases the confusion by using different years of data (see Exhibits V - VIII). The amalgamation of the data into Exhibit III is biased by this fact. Rather than include varying time periods in one chart, as does Exhibit III, it is more accurate, statistically, to compare each mall's data for residential sales before and after construction, with its own base-line data. Three years of data before each mall opened is compared with the most recent three years of data available in each case. The results obtained are as follows:

	Ave. SPRe	Lin. SPE	Ratio
Clifton C. Mall (B)	$30,009	$28,003	107.2
(A)	48,938	48,550	100.8

Estimated price - $52,045.6
Estimated loss per parcel - $3,107.6

	Ave. SPRe	Lin. SPE	Ratio
Colonie Center (B)	$20,459	$20,735	98.7
(A)	29,327	30,996	94.6

Estimated price - $30,593.0
Estimated loss per parcel - $1,266.1

	Ave. SPRe	Lin. SPE	Ratio
Mohawk Mall (B)	$19,721	$20,886	94.4
(A)	42,275	45,813	92.3

Estimated price - $43,247.4
Estimated loss per parcel - $972.5

For the Clifton Country Mall, the average of the 1974-1976 data for the Average Sales Price Reported (Ave. SPRe) is $30,009; that for the Linear Sales Price Estimates (Lin. SPE) is $28,003. The former as a ratio of the latter is 107.2. That is, during the time that the Clifton Country Mall was opening, the average price of the homes in its immediate vicinity was $30,009, while homes in the larger (base-line) area was $28,003--or the former was 107.2 percent of the latter. On the basis of this data, we could expect that homes in the immediate vicinity of Clifton Country Mall would sell for about 107.2 percent of all homes. For the most recent period (after the mall was built), the ratio was 100.8--that is, $48,938 divided by $48,550. If, ceterus paribus prevailed, that is, if nothing else changed, then the price of homes in the immediate area of Clifton Country Mall should have been selling for about 107.2 percent of $48,550--or $52,045.6. In fact, the homes around the mall were selling for only $48,938--therefore the lesser price is a loss--and a loss of $3,107.6 per parcel.

Similar analyses were done for the other two malls--Colonie Center and Mohawk Mall. The impact of the malls in each case was to lower the price of the homes in the areas surrounding the malls, by $1,266.1 in Colonie and $972.5 for Mohawk Mall.

Several caveats are in order: First, the data are of doubtful accuracy. None of the data heretofore supplied by Pyramid have been accurate and I am not enthusiastic about trusting this data until I can discuss the data with the author. Secondly, the Linear Sales Price Estimated data do not appear to me to be correct: There is too little variation in the estimated prices--that is, I suspect that the data was artifically smoothed. Thirdly, the reported sales for the Average Sales Price Reported data are definitely too small for the calculations done by Pyramid's consultant. By combining three years into one observation, as I did, you barely get up to a minimum sample size of 30* observations (and but 27 for Colonie Center). This size of a sample is still too small--but it is better than that done by Pyramid's consultant where samples as small as one (1) were used.

What should be done is to carefully study the <u>before</u> and <u>after</u> prices in the mall areas and compare those prices to a base one (Lin. SPE) of relevant data. While I have great doubts about the quality of the data provided in the study, but if the raw data are correct, and no other great land price impacts were occuring in the vicinity of the malls during these periods, <u>THEN</u> the analysis done herein does estimate the likely price effect from the construction of these three malls. In each case it was to lower the price of the residences in the surrounding areas.

Why was not Stuyvesant Plaza data included--because the study did not include data for the three years before the plaza was built. Can the average results obtained herein be used to estimate the size of the loss in residential property values from Crossgates? <u>NO!</u> If the data are correct, the data can be used to indicate the direction of change, that is downward, and probably by more than $1,000 per parcel--but beyond that, I am unwilling to venture on the data provided by Pyramid.

The data provided by Pyramid indicates, if the data is what the applicant says it is, that shopping centers tend to reduce the values of the residential properties surrounding the sites. The losses, given the data, are enormous. This result complements the results discussed in Dr. Childs' paper, the testimony given by Mr. John Purtell, the heartfelt statements

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*Statistically, the minimum ~~they suggest a minus~~ sample size is ~~of~~ 30, or an adjustment need be done.

made by dozens of residents during their three-minute statements to the ZBA, and the conclusions obtained by me from studying the economic literature and discussed in the paper provided to you.

Concerning the statements made by Kenan at the September 23 ZBA meeting, I was pleased that he did not disagree with the property tax data or with most of the other computations--or even with the estimated taxable base of the Crossgates project. As the paper states, the so-called $85 million project is really but a $30 million project plus road and other improvements, some of which will be improved with or without Pyramid. Most of the remaining highway construction will be built only because Pyramid is required to do it. As my paper discusses, even the $30 million property tax base increment is possibly over-generous. Don Snyder at the EIS hearings brought forward the same question as did Kenan concerning the United States Department of Transportation data: Namely, people did not state the "true" purpose of their long-distance trips. Snyder implied it was because of fear of taxes--but the U.S. DOT census has nothing to do with the Internal Revenue Service. The separateness of the census information from Treasury use is well-known. Kenan adjusted this argument by adding the statement that people shop while they are in other cities for other reasons. This is less relevant than Kenan implies--but Pyramid has not presented one piece of data about shopping in other cities. But imagine this--a General Electric or state government employee is sent to New York City for the day. While there the person buys several small presents for the family or friends and several articles for personal use. How can Crossgates get that person not to shop in New York City--by cancelling the trip--by building Crossgates which will be closed when the train leaves in the morning and closed before the person gets back to Albany at night from New York City--by offering less selection (understandably) than New York City and (probably) higher prices (especially for clothes which may be the most often purchased item when shopping for articles in another city). That is, even if much out-of-city shopping for articles occurs while on business trips, there is nothing that a local shopping center can do to get that person not to buy such articles while visiting another city. As for other purchases (room, food, transportation, etc.), these are necessary costs of travel--if the trip is made, the costs are necessary. But the important fact is that much less shopping is done out-of-city than Pyramid implies.*

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*The U.S. Department of Transportation study, Table 13, lists "activities engaged in other than main purpose of trip". Shopping is in "Other" (column 19) along with all other activities not specified. "Other" is but 6 percent of the total--shopping as a secondary purpose could not be more than 6 percent of the 312,532,000 trips taken.

Kenan objected to the use of precise methodology; his plea for less accuracy is not befitting a public inquiry. His criticism and claim that the 127 children for additional school enrollment is inaccurate is strange, since I claimed likewise. However, the number was supplied by Pyramid. I presumed the numbers to be an understatement: Since it stems from the estimate of managers, and since they are the first hired and last fired, I assumed that the 127 was a low estimate for Crossgates even if the project was less than fully occupied.

Pyramid has utterly failed to prove that its requested variance is necessary for reasonable use of the land. The variance, if granted, will be injurious to the value of the residential property in the area surrounding the mall. The variance will be detrimental to the public welfare because it over-uses the site and therefore creates negative economic impacts from traffic, air pollution, and noise pollution. The latter are more than injurious to the value of the residential properties: They are also injurious to the people--the human capital. The special use permit should not be granted because a land use of the size and characteristics proposed is not reasonably necessary or convenient to secure benefits to the community. The proposed project is not suitable for the transportation network that can be provided. And, the proposed project will detract from the property values, the character of the neighborhoods, and will not reasonably safeguard the values of surrounding properties.

Sincerely,

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Donald J. Reeb
Ph.D. (Economics)

Enclosure