

**WHO CARES ABOUT ENVIRONMENTAL STIGMAS AND DOES IT MATTER?  
A LATENT SEGMENTATION ANALYSIS OF PROPERTY VALUES**

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**ABSTRACT**

This paper applies a latent segmentation analysis to estimate the benefits of contaminated site cleanup. We investigate the economic consequences of stigmatization due to hazardous waste contamination of Waukegan Harbor, Illinois. Responses to attitudinal and perception questions asked in a survey identify the latent segments. The effect of endogenous identification of clusters is compared to exogenous assignment according to demographic characteristics and to segment-less analysis. The model separates the effects of attitudes and demographic characteristics to reflect the data generation process.

Income effects are explicitly incorporated. The analysis indicates that attitudinal and perception data provide significant information about the existence of distinct preference groups. Taking preference clusters into account, the expected aggregate willingness-to-pay of Waukegan homeowners for full cleanup is approximately \$245 million. This corresponds to an increase in Waukegan's housing stock value of about 9 percent. The estimated effect is substantially below estimates that do not account for preference groups.

Key words: Benefits estimation, property values, hedonics, conjoint choice, environmental stigmatization, latent segmentation, contaminated sediments