

Amherst, NH – Pipeline Task Force Working Document

Preliminary Economic Impact Assessment v. 1

Introduction:

A subgroup of the Amherst Pipeline Task Force was charged with assessing the economic impact of the proposed Kinder-Morgan (KM) gas pipeline on the town of Amherst. The task as defined by the group was to consider the economic impact of the building and operation of the pipeline on Amherst. The group considered the effect of pipeline construction on homeowners' mortgages and insurance policies, assessed property values, the potential increase in or loss of tax revenues, impact fees and other assessed or negotiated benefits, as well as the potential for increased employment and economic development due to the construction and operation of a gas pipeline in Amherst. The report that follows must be considered preliminary as it addresses the issues from a broad perspective. As the pipeline permitting process continues and decisions are made, it will be imperative for statements regarding economic impact to be refined and updated.

Jobs:

While it is likely that many temporary jobs will be created during the construction phase of the project, this benefit is not specific to Amherst and was not explored in depth. Any temporary jobs or even, during the operational phase, permanent jobs, would be a regional issue. For example, should the pipeline go through Hollis and bypass Amherst, the impact on employment in Amherst will likely be the same as it would with the pipeline being located in Amherst.

Tax Impacts:

With regard to taxes and fees paid to the town of Amherst, it is expected that any new tax dollars paid by KM (initially estimated by KM at ~\$500,000 annually) may be partially or completely offset by offsetting reductions in tax payment by the current property owners upon whose property KM will seek easements (more on this possibility below). There also exists the possibility for the town to assess / negotiate impact fees on KM where appropriate. These may include firefighting equipment and training, road improvements and the like.

Additionally, pipeline companies often make donations of cash or property to Conservation and Environmental groups along the pipeline route. The potential size and duration of such fees and donations is unknowable at present (e.g. one fire engine once, or one fire engine every 5 years for 30 years?) To the extent that such contributions reduce the need for the town to raise these funds from the taxpayers through Warrant Articles, such donations may contribute to lower taxes for residents.

Real Estate Value Impact:

Many of the residents on whose property KM intends to build the pipeline have expressed concerns about inability to sell their property in the future. KM claims that “[t]he pipeline and associated easement should not impact the value of [one’s] property.” They cite studies that “have found minimal to no correlation between a property’s sales price and its vicinity to a gas transmission pipeline.” The studies linked to on the KM web site are in this category. However, in all of these studies the pipeline came first and residential development came later.

The Economic Impact sub-group of the Pipeline Task Force spent considerable time looking for reputable studies of the impact pipelines have on real estate values. Unfortunately, no studies were found that did not either have significant flaws or were simply not applicable to the situation of Amherst homeowners. Because of this, it is not known to what extent a gas pipeline easement may deter buyers for properties encumbered by, or close to a pipeline / easement.

Some pipeline opponents have made accusations that the presence of a natural gas pipeline on or near a property will result in a substantial loss in property value. Depending on the source, anywhere from 10% to 30% reductions in property values have been alleged. Despite efforts by the Task Force to find studies confirming these allegations, we have been unable to do so.

Logic says that real estate values will not be enhanced by, and will likely be reduced by the presence of a pipeline and / or a cleared easement running through or near residential properties, but nothing the Task Force has found allows us to put a number to this potential value reduction. The Pipeline Task Force therefore cannot support either KM's assertions that there will be no impact on values or any of the pipeline opponents' claims for substantial lost value for residential properties.

Having said that, there is a strong anecdotal case to be made that, during the "transition zone", i.e. the time from when the pipeline is first proposed to the time the line is either cancelled or is in the ground and the landscaping has been completed, uncertainty is high, and uncertainty may well scare away buyers. Selling a home during this period may be difficult, and may require the homeowner to accept a lower price than might be available without the uncertainty.

Preserving Home Value:

In order to understand the assessed property values, one needs to first understand easements and how easements play into the values.

Prior to any construction work on personal property, the utility company (Kinder Morgan) should have consulted either the homeowner or his or her mortgage company to determine the price of the property that will be used for the pipeline (easement). A task force member spoke with several mortgage and title companies who said the utility company would most likely coordinate the easement terms and conditions with the lender and not the homeowner.

This subordination of the mortgage to the easement is in the best interest of the utility company. If, for example, the utility company negotiates the price of the easement to the home owner without the lender's knowledge and for some reason the homeowners default on the loan, the lender, having no knowledge of the easement could demand that the utility company remove any and all of the pipeline from the property. Keep in mind that this procedure is what should happen. In reality, regardless if a property forecloses, that pipeline will most definitely stay because the permit to build that pipeline was given by the federal government (FERC).

Other Impacts:

Despite requests for input from organizations representing business and industry, there was

little response from these groups. Those who did reply were cautious in their comments. Most felt that it was impossible at this time to reliably comment on whether there was an economic benefit or cost. KM has repeatedly made the case that additional energy is needed in New England and that the NED pipeline will help to meet this need, but they have refrained from saying that the pipeline will be an economic boon to Amherst.

Certain aspects of a discussion of the economic impact of the proposed pipeline are not easily quantified, but should, nonetheless, be mentioned. Residents choose to live in Amherst because of its rural nature, ecology and quality of life, among other factors. The question as to what effect the pipeline construction and operation will have on these conditions and on Amherst's attractiveness to potential residents and prospective tourists remain unanswered.

The construction of the Kinder-Morgan NED pipeline in Amherst will certainly impact the town during construction and may permanently change the town. Certain economic impacts can be reasonably estimated while further research is needed to project others.

One other benefit, not to the town, but to individual homeowners, would be the possibility to sign up for natural gas *if* Liberty Utilities expands its gas distribution infrastructure in Amherst. Relatively inexpensive piped natural gas would largely replace heating oil and propane.

It is worth noting that Liberty Utilities has not committed to expanding service in Amherst should the NED pipeline come through. In fact, one member of the Pipeline Task Force as recently as 2013 when inquiring about receiving gas service at her home on Simeon Wilson (within Liberty Utilities' current footprint) was told that Liberty has sufficient gas available to add her home, but that Liberty was not interested in doing so unless she was able to recruit 9 additional homes on Simeon Wilson to switch to natural gas. Given this less than "customer centered" attitude on the part of Liberty, no one in Amherst should assume that having a new supply of gas available would make it any easier to sign up for new gas service.

(Case Study)

1. <http://www.recorder.com/news/12178349-95/pipeline-put-on-your-property-may-be-mortgage-violation>

Item 1 is an interesting article that discusses the possibility of Fannie Mae and Freddie Mac defaulting on mortgages due to the pipeline. (A big takeaway here is that *no* easement should be granted on mortgaged property without prior written consent of the mortgage holder.)

According to Mr. George Sansoucy of Sansoucy Utility Appraiser in Portsmouth, NH, one thing should be made extremely clear: the homeowner should not try to negotiate any easement without having an attorney. *He also recommends that the homeowner allow KM onto their property to conduct a survey of their land.* Without a survey of all properties affected by the pipeline, FERC cannot make any determination of whether or not the pipeline has an adverse impact on the homeowner. KM needs to submit a copy of an Easement Plat along with a deed to all the properties. This information is required by FERC so FERC can make a determination for the permit.

A member of the Pipeline Task Force participated in a Skype call (organized by the Town of Mason, NH) on April 20, 2015 with Carolyn Elefant (whose paper <http://amherstnh.gov/wp->

<content/uploads/2015/01/Protecting-Rights-When-Pipeline-etc-Guide.pdf> is available on the Town's Pipeline web page). Ms Elefant also recommends allowing surveys. From the call:

"She said it's a difficult question. She said that if people are only denying access because they think it will slow down the process, she doesn't believe it will really slow down the process because the pipeline company can get quite a bit of information via satellite, enough to file their application, and once the application is filed, the route is USUALLY locked in. She said she understands and supports those who, philosophically, are very opposed to the pipeline and feel very strongly that they do not want to work with the company at all. She said they are likely within their rights to do this because there is NOTHING in the Natural Gas Act, FERC guidelines, etc. that would say that the pipeline company has a right to conduct surveys. Because of this, pre-filing surveys are governed by state law, so she said we should double-check state law to make sure they do not have anything that would give the company a right to conduct surveys.

"She said that if it appears that the route they chose was very careless (more like darts on a map than careful research), then it may be helpful to allow them to conduct a survey (with caveats, see below) before the application has been filed so that they can see for themselves things they are not aware of, which might possibly show that they have chosen a bad route and potentially adjust the route before the application is filed.

CAVEATS: she said that if a landowner decides to allow a survey, they should do so with a signed agreement that outlines the conditions and circumstances of the survey – that it will only be conducted once, a specific date and time is agreed to, it is required that the landowner be present, that the landowner may have one or more others accompany them in the survey, that they are allowed to point out concerns, and that they are entitled to see the results.

The landowner will also want to make clear to the company, and file with FERC, that even though they are granting access, they are COMPLETELY opposed to this pipeline in any way, shape or form, and are not interested in negotiating an easement or selling off part of their property, etc.

She also said that an invasive survey, i.e., drilling down to test rock, is not something a landowner should allow lightly, and that at a minimum, KM should provide clear information as to exactly what they plan to do, why they plan to do it, and get specific permission for any of it, as well as accept liability.

"She said that because changing the route *after* an application is filed requires starting the process again, they (KM) will be loathe to do so, and that mitigation is not required (for example, they are NOT required to avoid a well; they will just be liable if they damage it). If there's documented proof that KM knew about problems and didn't do anything, though, there might be a stronger argument, and it will be harder for KM to say it's too late."

While denial of permission to survey is one tactic for homeowners to send a message to KM and the FERC that this pipeline is unwanted, it comes at a potential cost to the homeowner should the pipeline be approved and the homeowners' specific concerns not have been documented. At the same time, survey access being granted by homeowners is judged by the FERC as an important pre-indicator of public engagement on, and possible acceptance of, the proposed pipeline. Homeowners should carefully weigh the pros and cons of granting or denying permission for a survey of their property, and should they grant permission, may want to make it clear to FERC that granting permission for a survey should *not* be taken as support for the proposed pipeline or its proposed route.

Home Owners Insurance

A task force member spoke with Mark Constable of Nationwide Insurance. He, in turn, spoke with his corporate office which basically stated that homeowners should not be affected by the pipelines. Anything that happens due to pipeline problems should be covered by the utility company or owners of the pipeline. This implies that any incidents or damage related to the pipeline may not be covered by a person's homeowner's insurance, and homeowners may have to seek redress from the pipeline company.

Increased Taxes from New Industry

2. <http://www.epa.gov/region1/npdes/merrimackstation/pdfs/ar/AR-110.pdf>
3. <http://visitlondonderry.com/work/energy-2/granite-ridge-energy/>

Items 2 and 3 list some economic tax benefits from gas-fired power generation plants in Bow, NH and Londonderry, NH. Amherst could potentially benefit in the same way. Any new industry drawn to our industrial zone could help reduce the town's tax base. Amherst's Tax Basis is currently \$26.66 / Thousand. "Cost saving to household and businesses could trigger stimulus effects that create jobs, boost labor income, and grow state economics". Note the assertion in **Item 3** that the power plant in Londonderry, NH, ". . . pays Londonderry \$8.41 every minute in taxes", which equals ($\$8.41 \times 365 \times 24 \times 60 = \$4,420,296$ per year). Every \$1,000,000 in additional business tax revenue would reduce the Amherst Tax Basis by ~\$0.625 / Thousand. In other words, a gas fired power plant paying Amherst the same taxes as the Londonderry plant pays Londonderry would represent a potential 10% reduction in the real estate tax bill of every business property owner and homeowner in Amherst. However, bringing additional industry to Amherst might also result changing the existing, semi-rural character of the town in ways that a majority of residents might not approve.

Economics of NH Power Generation

4. http://www.forensic-appraisal.com/gas_pipelines_q_a (Forensic Appraisal Q&A)
5. http://www.kindermorgan.com/content/docs/Benefits_2015.pdf

Items 4 is a question and answer paper.

Item 5 is a KM point paper on the benefits of the pipeline.

Summary:

The net economic impact of the construction and operation of the Kinder-Morgan NED gas pipeline is not easily defined. To some extent, this will become clearer if and when the proposed pipeline receives initial FERC approval. At that point, the sanctioned route as well as possible distribution lines may be known and the economic impact will likely be more predictable. The Pipeline Task Force will revisit the Economic Impact Assessment when more hard data is available. Until then, this preliminary assessment will serve as a placeholder. Moreover, many of the economic benefits and costs will be realized regionally rather than within the borders of the town of Amherst.

A notable exception to this is the collection of local taxes and fees. The town of Amherst should make every effort to negotiate fees to mitigate the negative impact of the pipeline, to compensate for risk assumed by the town and its residents, and to address needs (especially in Public Safety) created by the construction and operation of the pipeline.

Although KM claims that property values will not go down, the studies which indicate this are either flawed or do not have much relevance to the situation in Amherst. Conversely, no detailed studies have been found to support allegations that market value of private homes and land *will necessarily* decrease after a pipeline comes in. It is possible that any new tax revenue to the town from KM might be partially or completely offset by potential abatements to homeowners upon whose land any easement is granted, though the Task Force has found no hard evidence suggesting that this *must* occur.

The decision for homeowners to allow their properties to be surveyed in order to document and relay to FERC the impact of the pipeline on the individual plots is problematic, and the Pipeline Task Force has no consensus recommendation. Both allowing and denying permission to survey have consequences and benefits to both homeowners and to KM. Ultimately, this decision is up to each homeowner.

Finally, the potential for economic and industrial growth due to the operation of a gas pipeline in Amherst exists, but there is currently some question as to the desirability, practicality and attractiveness of such growth to both residents and prospective businesses. If the pipeline does come through Amherst and makes available industrial quantities of gas in our Industrial zone, Amherst residents may have to decide whether they prefer preserving the character of the town as it currently is, i.e. negligible industrial development, or prefer to allow additional industry to come in to Amherst so as to realize lower real estate taxes.