

Northern Pass

# Effect on Property Values

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# It's common sense that Northern Pass will reduce property values

- The proposed above-ground HVDC towers/lines are massive, visually-jarring and damaging to NH's bucolic natural settings, vistas and communities
- They offend our sense of place
- They create stigmas because of health and safety concerns
- **Buyers seeking real estate in NH will typically discount or avoid properties exposed to NP's lines (properties crossed by, in view of or even in the same communities as the lines)**
- **This is true along the new ROWs (upper Coos County) and also for properties along the existing PSNH transmission ROWs (the "lower 140")**
- NP's hits to property values in our communities create major fairness, economic, property rights, regulatory and political issues
- Property value impacts are a potential political and regulatory Achilles' Heel for Northern Pass
- **NP's response to a dangerous issue: "scorched earth denial" – they pretend it's not so with a barrage of false/misleading information and attack those who raise and document the question**
- **WHAT ARE THE FACTS? HOW CAN THE OPPOSITION BE MOST EFFECTIVE WITH THE PROPERTY VALUE ISSUE?**

# The opposition should document property value impacts with a series of professional, property-specific analyses

- Forget the big statistical studies of the kind NP relies on – they are deeply flawed and irrelevant to New Hampshire
- The most valid data: property-specific valuations showing the impact of NP's HVDC lines in the particular, unique setting of an individual property
- So far, there are only two such valuations we have seen and reviewed (maybe more out there?)
- **Valuation 1 (public)**: NP's impact on property along proposed **new ROW**
  - Good-quality unimproved view land to be bisected by proposed HVDC line
  - Value driven by potential residential use – eg, vacation homes
  - Dalton, NH – alternate route
  - Certified NH appraisal (2011) on file with DOE as scoping comment
  - Lot sizes of 12.5 acres, 32.5 acres and 135.1 acres
  - **Depending on lot size, NP transmission line would reduce the land's value by 63% to 91%, with largest impact on the small lot**
  - ***BECAUSE OF SPECIFIC PROPERTY CHARACTERISTICS (OPEN, UNIMPAIRED VIEW LAND TO BE BISECTED BY NP LINES), THIS VALUATION MAY FALL TOWARD THE UPPER END OF NP'S IMPACTS ON LAND VALUES***

- **Valuation 2 (confidential)**: NP's impact on property along **existing PSNH ROW**
  - House and land located immediately adjacent to existing PSNH ROW and are already fully compromised by the ROW
  - ROW has wooden poles approximately 40' tall
  - Rural residential area
  - Location confidential
  - Certified NH appraisal (2012)
  - Lot size 5 acres
  - **Existing PSNH ROW** knocks the lot value down 26% from the value if the ROW were not there
  - **Adding NP's transmission line** to the existing ROW would reduce the lot's value by an additional 8%
  - **BECAUSE OF SPECIFIC PROPERTY CHARACTERISTICS (HOUSE LOT ALREADY VERY SUBSTANTIALLY IMPAIRED BY IMMEDIATELY ADJACENT EXISTING PSNH ROW), THE VALUATION MAY FALL TOWARD THE LOWER END OF NP'S IMPACTS ON LAND VALUES**
  
- These two valuations give possible "bookends" – NP's hit to properties exposed to the lines may range from 8%-91%, depending on the particular setting and circumstances of the property
  
- **CALL TO ACTION: TO MAKE THE REGULATORY AND POLITICAL CASE MOST EFFECTIVELY, WE NEED MORE PROPERTY-SPECIFIC VALUATIONS UP AND DOWN THE PROPOSED NP LINE**

# What is the likely range of value hits for properties exposed to NP's transmission lines along the existing PSNH ROW?

- These are our own rough estimates, based on our review of the valuations summarized above, selected literature and our experience as investors. WE ARE NOT APPRAISERS! And remember the specific circumstances of each property make all the difference
- Some assumptions to identify a subset of properties (assumptions should be met in many cases):
  - Value is driven by actual or potential residential use
  - Pastoral setting with good quality views and exposures
  - Small/medium lot size (<1 acre to 12 acres)
  - Property is valued at or above median for area
  - Property is crossed by or close by the existing PSNH ROW
  - The existing AC lines on the PSNH ROW are largely masked by the trees or landscape
  - **NP's lines would substantially impair the viewshed** because they would “pierce” the treeline or landscape buffer
- **For these properties, we estimate that NP would reduce land values in the range of 20%-50%, or potentially more for unique settings. The value of homes and other improvements would also be impaired. We expect a significant increase in the time required to sell these properties<sup>1</sup>**

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<sup>1</sup> A year's delay, fairly valued at the homeowner's cost of capital, can represent a loss of 10%+ of the sales price.

# What does Northern Pass say?

- They deny, mislead, stonewall (and worse)...
- NP's "no significant value impact" claim relies on a 2008 "study of studies" by James Chalmers, a 2011 literature review by Russell Thibeault and a 2011 "preliminary study" by Brian Underwood
- **The Chalmers and Thibeault products are flatly irrelevant to New Hampshire -- they refer to no underlying New Hampshire studies**
- The Underwood "study" uses, in our view, highly questionable selection techniques and methodology. For example, as best we can tell the Littleton component looks at only four properties, all of which have extensive Connecticut River frontage (likely an offset to value hits from transmission lines). Underwood compares the property sales data to equalized assessments (irrelevant in our view) and MLS sales in the area but does not appear to break out the specific impact of the transmission lines. **To put it kindly, we don't see any reliable conclusion that can be drawn from Underwood's product**
- NP's weasel-worded conclusion: "In each case, these studies have arrived at the same general conclusions: the presence of high voltage transmission lines statistically has little to no effect on the value of neighboring properties." (NP's May 25, 2012 Project Journal, emphasis added)
- **NP has offered no property-specific valuations that carefully measure the before and after effect of HVDC transmission lines in New Hampshire. Instead of analysis they simply shove out, again and again, their self-serving, common-sense-defying PR talking points**

# **Why does it matter that NP will substantially reduce property values up and down the proposed line, and what can we do?**

## **WHY DOES IT MATTER?**

- **Hurting real people**: NP is inflicting actual, measurable harm on a multitude of real people
- **Morally and economically wrong**: Under social justice theories, what A does on her land should not impose a cost on B. If A does it anyway, there's an "externality" in economic terms. NP, under color of government authority, is unfairly extracting value from property owners with no compensation – in some ways this is worse than eminent domain

## **WHAT CAN WE DO?**

- NP's property value impacts are a potentially important political issue – let's bring it front and center. "Property rights 2.0"
- Property value impacts are part of the regulatory process – specifically at NH SEC, as well as part of the general regulatory cost-benefit analysis. Participate actively and bring up property values!
- Common sense is on our side, but to be most effective in the political and regulatory spheres we need a series of specific property valuations up and down the proposed NP line

## For further reading...

Thank you Susan Schibanoff for finding some of the key property value research!

- REAL's May 9, 2012 blog "Northern Pass's Appraisal Expert Recants and Zaps Northern Pass" -- <http://responsibleenergyaction.com/pages/714>
- Northern Pass's May 25, 2012 Project Journal response "Revisiting property value impact" -- <http://www.northernpass.us/project-journal/index.php/2012/05/25/revisiting-property-value-impact/>
- First Chalmers study (2008) – first there were no significant impacts  
[http://www.northernpass.us/home/uploaded\\_file/CHALMERS\\_REPORT\\_AP\\_RIL\\_2008.PDF](http://www.northernpass.us/home/uploaded_file/CHALMERS_REPORT_AP_RIL_2008.PDF)
- Second Chalmers study (2012) – and then significant impacts for residential  
[http://www.northernpass.us/project-journal/wp-content/uploads/TAJ\\_WI12\\_p030-045Feature\\_HighVoltage\\_LinesA.pdf](http://www.northernpass.us/project-journal/wp-content/uploads/TAJ_WI12_p030-045Feature_HighVoltage_LinesA.pdf)
- Thibeault study (2011) – worth a scan for the actual numbers  
<http://www.northernpass.us/project-journal/wp-content/uploads/Northern-Pass-Literature-review.pdf>
- Underwood "preliminary study" (2011) – hmmm...  
<http://www.northernpass.us/project-journal/wp-content/uploads/Northern-Pass-Littleton-Deerfield-Analysis.pdf>
- Kielisch paper (undated) "Valuation Guidelines for Properties with Electric Transmission Lines" – excellent overview  
<http://fieldpost.org/StarkEnergy/Studies/Valuation%20Guidelines%20for%20Properties%20with%20Electric%20Transmission%20Lines%201.pdf>



- NH SEC's Groton Wind approval (2011) – property values are discussed (and concerns rejected) under “economic impacts” starting on p.37  
<http://www.nhsec.nh.gov/2010-01/documents/110506decision.pdf>