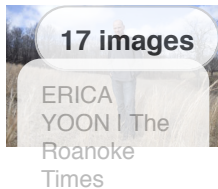




A question of effect: Pipelines vs. mortgages, property values, insurance

Property owners dispute a study that reports no significant impact of a natural gas pipeline on property values, insurance or mortgages.



Christian Reidys stands in front of the area where he had hoped to build his home on a 5.2-acre lot in Montgomery County. Soon after he bought the land, he learned that it is on the proposed route of the Mountain Valley Pipeline.

By Duncan Adams duncan.adams@roanoke.com 981-3324 | Posted 2 weeks ago

The industry-commissioned study found that the presence of a buried natural gas transmission pipeline does not significantly affect residential property values, property insurance or access to mortgages.

Sometimes data tell one story and personal accounts another.

The researchers did not interview Christian Reidys of Blacksburg or his Realtor, Jim Sarver. Reidys owns a parcel in Montgomery County that is in the path of the proposed Mountain Valley

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once on a pipeline route, about an appraisal that factored in the impact of a pipeline on the property's value.

And researchers did not connect with Kristina Adler, a Realtor whose territory includes properties on the proposed path of the Atlantic Coast Pipeline, another 42-inch natural gas pipeline that would cross Virginia.

The recently released industry study, commissioned by the Interstate Natural Gas Association of America Foundation, determined also that there was no indication that the presence of a pipeline would affect either property owners' insurance premiums or their ability to keep the insurance they already had.

Researchers did not talk to Dr. Charles Chong and his wife in Harrison County, West Virginia, about what an insurance underwriter told them about their property and the Mountain Valley Pipeline.

Nor did they interview Malinda Clatterbuck of Lancaster County, Pennsylvania, about what she heard from her insurance carrier after it appeared that the family's property would be crossed by a natural gas pipeline. And no one phoned Dan Forry, whose farm in Lancaster County remains on the route of an Atlantic Sunrise pipeline.

Meanwhile, the foundation's study, released Feb. 29, concluded, among other things, that the presence of a natural gas pipeline "had no effect on obtaining a mortgage."

No one from Integra Realty Resources, the valuation research company hired by the pipeline foundation to complete the bulk of the study, talked about mortgages with Mark Archambault in Masonville, New York. His property appears destined to be on the route of the Constitution Pipeline.

Buyers who balk

Reidys, a professor of math at Virginia Tech, pictured evenings of cycling, taking his bicycle after work on a 30-mile loop of back roads through pastoral settings in Montgomery County.

Reidys imagined relaxing afterward with a glass of wine. He envisioned savoring the wooded view from the home he would build on the 5.2 acres he'd purchased in mid-June for \$84,000 at the intersection of Mount Tabor Road and Preston Forest Drive.

But then a route change for the proposed Mountain Valley Pipeline dashed those dreams.

Roughly a month after Reidys purchased the parcel, he learned that a new route for the pipeline put it through his property.

"I was shocked beyond belief," Reidys recalled.

He already had paid an engineering firm to design a septic system, a task complicated by sinkholes that Reidys said the pipeline will encounter if it burrows through his land.

He said he phoned Mountain Valley Pipeline to inquire about possibly shifting the route to the property line. Reidys said he agreed to meet with surveyors at the property but was never contacted to arrange that consultation.

“I saw no other option than to cancel my home building project,” he said.

Ultimately, Reidys decided to try to sell the parcel, with full disclosure about the prospect of it being encumbered with a pipeline easement, even though that’s not required by state law.

Sarver said he cautioned Reidys not to expect a sale.

“I don’t see how anyone could buy the property with that uncertainty,” he said. “You wouldn’t. I wouldn’t.”

Sarver said he and Reidys agreed they were ethically bound to disclose to potential buyers that the property remains on the pipeline route.

Reidys, 49, said he has one contract on the property, with a sale contingent on the parcel not including an easement for a natural gas pipeline. He rents now in Blacksburg, where he moved in January 2015 to become director of Virginia Tech’s Biocomplexity Institute. He said most of his belongings remain in storage.

On Tuesday, Natalie Cox, a spokeswoman for Mountain Valley, said the pipeline’s project team is willing to talk to Reidys in an effort “to identify a mutually beneficial solution.”

Would Reidys revisit his decision to abandon building his home on the parcel if Mountain Valley agreed to shift the route?

“It’s already too late for that,” he said. “I purchased another piece of property and I’m going to build a house there.”

Edwards’ sister, Sarah Evans, hired appraiser Leslie Jester in September to value family property near Newport so that Edwards could buy her sister’s share.

Jester’s appraisal cited the potential of the Giles County property being impacted by a route of the Mountain Valley Pipeline. She reported that a decision to install the pipeline close to the property “may impact the marketability of the subject property adversely.”

Jester reported that without the possibility of a pipeline easement, her appraisal of the property’s value would have been \$18,000 higher.

Adler is a Realtor whose territory includes the counties of Augusta and Nelson — both of which are crossed by the current route of the proposed Atlantic Coast Pipeline.

She said prospective buyers balk when they hear that a property might end up on the pipeline’s route.

“They definitely have no interest at all in the properties on the proposed path or bordering the proposed path,” Adler said, noting she’s had this experience with nearly a dozen buyers since news of the Atlantic Coast project broke.

She said sellers whose properties end up with a pipeline easement likely will have to drop their prices dramatically to sell.

“It’s really sad,” Adler said. “For many people, this is their largest investment.”

The “Pipeline Impact to Property Value and Property Insurability” study commissioned by the interstate pipeline foundation reports that researchers analyzed property sales in communities in five states: Ohio, New Jersey, Virginia, Pennsylvania and Mississippi. The study compared about 200 sales of similar homes both on and off pipeline routes between 2008 and 2015.

The researchers determined “there is no measurable impact on the sales price of properties located along or in proximity to a natural gas pipeline versus properties which are not located along or in proximity to the same pipeline.”

In separate interviews, Reidys, Chong, Adler and Archambault all expressed skepticism about the study’s findings given that it was paid for by the Interstate Natural Gas Association of America Foundation.

Yet Integra Realty Resources certified that its analyses were unbiased and that its “engagement in this assignment was not contingent upon developing or reporting predetermined results.”

‘Hold harmless’

The study also concluded that there is “no impact on the insurability of properties proximate to natural gas easements.”

After the Chongs learned the Mountain Valley Pipeline could route through their property in West Virginia, Charles Chong asked his insurance agency how the project might affect the couple’s property insurance.

In a letter dated April 24, 2015, Peggy Kellar, an agent with the Dyer Insurance Agency in Clarksburg, West Virginia, responded with comments from an insurance underwriter:

- “The insured needs to seek legal representation to obtain a proposed ‘hold harmless agreement’ between the gas company and himself holding our insured harmless.”
- “If we decide to stay on this policy, then we will need a certificate of insurance showing that our insured has been added as an additional insured on the gas company’s policy.”
- “The insured would be wise to discuss the explosion scenario and a pollution scenario with the gas company.”
- “We cannot predict if a future purchase of this property would have difficulties obtaining insurance or not.”

Tim Dyer, president of the agency, said later that the agency’s focus would be to make sure risks associated with the pipeline would be borne by the pipeline company and not the property owner.

He said the Chongs’ farm policy is considered a “commercial lines” policy, which means an insurer can decide yearly whether to renew a policy.

Norfolk lawyer Stephen Clarke, whose firm has represented numerous property owners in pipeline-related eminent domain cases, said it is usually incumbent on the property owner to understand and address these insurance issues.

“The vast majority of easements do not mention insurance or indemnity and do not have ‘hold harmless’ provisions for the benefit of landowners,” Clarke said.

He said the goal of a hold harmless clause is to ensure that a landowner suffers neither

financial nor other harm if there is an accident with the pipeline on their property and someone is hurt through no fault of the property owner.

Clarke said that, in his experience, the “vast majority of pipeline easements are the form easements that are drafted by the pipeline companies and signed by landowners, usually without the benefit of legal counsel.”

Yet Aaron Ruby, a spokesman for the Atlantic Coast Pipeline, said the joint venture has signed more than 500 easements with property owners, and hold harmless language is standard.

The Atlantic Coast and Mountain Valley pipeline projects are separate joint ventures, following different routes through Virginia. Both are meant to transport natural gas.

The Federal Energy Regulatory Commission decides whether interstate natural gas pipeline projects demonstrate enough public benefit to justify the projects’ inevitable impacts on the environment, regional socio-economics, historic preservation and much more.

If FERC approves the \$3.5 billion Mountain Valley project, the company will have access to use eminent domain to acquire easements when negotiations with property owners fail to yield a sum acceptable to both sides.

A November form letter sent by Mountain Valley to stakeholders, including property owners, said eminent domain law would require Mountain Valley to offer “just compensation” to landowners “for the diminution in value of the property as a result of the taking.”

Mountain Valley has said property owners’ concerns about insurance problems are unfounded. It said easement agreements negotiated with landowners can indemnify them against responsibility for damage or injury.

Clarke said the key word in that sentence is “can.”

“I would imagine that MVP’s right-of-way agents are not highlighting the issue of indemnification when they are meeting with landowners to try to convince them to sign on the dotted line,” he said.

Cox said that Mountain Valley had, as of March 25, negotiated 757 easements with property owners along the pipeline route. She said she was unable to say how many of those easements included hold harmless clauses.

Several easement agreements filed in West Virginia, and another agreement filed in Pittsylvania County, included identical language. None contained hold harmless provisions.

Meanwhile, in Lancaster County, Pennsylvania, an early route identified for an Atlantic Sunrise pipeline burrowed through bucolic Tucquan Glen and property long held by the family of Malinda Clatterbuck, who lives in a house on the land.

Clatterbuck said her insurance carrier, USAA, told her that if a pipeline easement crossed the family’s eight acres, the property would need a commercial insurance policy. And because USAA does not offer that kind of insurance, it would have to cancel her residential policy.

USAA spokesman Rich Johnson said the company reviews policies case by case, considering the merits of each. He said USAA was “not privy to specifics of the conversation with the

member, and can't speak to hypothetical scenarios.”

Johnson added, “Generally, we don't rate, price or underwrite policies based on the presence of a natural gas pipeline, and the presence of a pipeline does not necessarily create a commercial property.”

Like Clatterbuck, the family of Dan Forry lives in Lancaster County. Dwight Forry, one of Dan's sons, said the family's history of farming the land stretches back 150 years.

Dan Forry asked his insurance agent about the potential consequences of the Forry farm hosting a 42-inch diameter natural gas pipeline.

A letter from the agent, dated June 18, 2014, alerted the Forrys that an easement could have ramifications for their farm insurance policy. He recommended that the Forrys “make sure there is a hold harmless clause in favor of you, the landowner.”

The letter said a consequence for accepting money for the easement would be that the farm would be a “business other than farming,” which would not be covered by the family's farm policy.

He advised the Forrys that if an easement agreement did not include hold harmless language, they should set up a separate policy “to cover this exposure” — at an added cost. The letter did not estimate what that added cost might be.

In December 2014, FERC authorized construction of the Constitution Pipeline, a 124-mile, 30-inch diameter buried natural gas pipeline between Susquehanna County, Pennsylvania, and Schoharie County, New York.

FERC published the final environmental impact statement for the project in October 2014 and reported that commission staff had conducted independent research about the potential of the pipeline to affect residential property insurance.

“Results of this initial investigation suggested that the potential for a residential insurance policy to be affected could exist,” but specific effects could not be identified, FERC wrote.

The statement reported that FERC staff wrote five major insurance companies, seeking their input about potential effects of pipeline easements, but struck out.

“Despite repeated attempts at follow-up, to date only one response has been received and the contact stated they could not provide the information we requested,” the staff reported.

Constitution Pipeline Co. agreed to alert FERC if property owners on the pipeline route learn of insurance consequences. Constitution also agreed that it will report how it responds to mitigate the impact. The company said it would continue these reports for two years after the pipeline begins operating, which is expected to be later this year.

FERC staff and a consultant are working on a draft environmental impact statement for the Mountain Valley project. The company has agreed to FERC's request that for two years after the pipeline comes online, Mountain Valley will investigate documented complaints from property owners whose insurance is canceled or premiums increased as a result of the pipeline.

Neither borrower nor lender be?

But what about mortgages? Will the presence of a large-diameter natural gas pipeline scare bankers or others in the mortgage industry?

The study commissioned by the natural gas association found that “as long as the pipeline easement is not encroaching on the property improvements (such as buildings), the presence of a natural gas pipeline has no effect on obtaining a mortgage or obtaining conventional Federal Housing Administration or Veterans Affairs loans.”

As proposed, the route of the Constitution Pipeline will cross Mark Archambault’s property in Masonville, New York, but will not encroach on any “improvements.”

Archambault said that when he first learned that his five-acre property could be crossed by the pipeline, he consulted two lending institutions: Sidney Federal Credit Union and a branch of Community Bank. He wanted to know whether a prospective buyer would be able to get a mortgage if he decides someday to sell the property.

He said two loan officers told him a lender might shy away from a mortgage because of potential liability.

Jim Doig, president of Sidney, declined to comment.

Scott Kingsley, chief financial officer for Community Bank, said he was not familiar with Archambault’s case and was not an expert about pipeline easements and mortgages.

He said the effects of easements or rights-of-way on real estate likely vary. Each situation should “probably be assessed on its own merits.”

For Veterans Affairs loans, guidance for “minimum property requirements” includes a section on fuel pipelines. It says that if a residential structure is within an area that extends 220 yards on either side of the center line of a high-pressure gas pipeline, the VA’s valuation will require a statement from the pipeline company certifying compliance with regulations that require keeping a close watch on maintenance, among other provisions.

Site requirements for Federal Housing Administration loans specify that a dwelling “must be located outside of the outer boundary of the pipeline easement.”

Clarke said mortgage decisions could be affected if pipeline easements decrease a property’s value.

‘A different animal’

Kurt Kielisch, president and senior appraiser for the Wisconsin-based Forensic Appraisal Group, often serves as an expert witness who represents clients in eminent domain cases seeking what they believe to be fair compensation for utility easements on their property.

The ambitious extraction of natural gas from Marcellus and Utica shale formations in the Appalachian Basin and the push to get that gas to market through transmission pipelines have kept Kielisch busy.

His firm has researched the impact of natural gas transmission easements on private properties. The research has considered a host of variables, many with relevance for the rural properties that end up on many pipeline routes, including potential damage to wells, crop loss

and soil compaction caused by heavy equipment. Companies installing or hoping to build large-diameter natural gas pipelines tend to avoid highly populated areas whenever possible, preferring rural properties instead.

Lee Daniels, a professor of environmental soil science at Virginia Tech, said a combination of deep disturbance of soils and deep soil compaction of replacement soil materials, if both occur during pipeline construction, “would and could limit crop production for decades, if not hundreds of years.” Daniels emphasized he was expressing his personal scientific opinion as a soil scientist and was not speaking for Virginia Tech.

The large diameter of many of the interstate natural gas pipelines recently approved or under review by FERC — and the excavation required to bury them — add to the impact on properties, Kielisch said.

“It’s a different animal,” he said, compared to the days when a 30-inch diameter natural gas pipeline was considered large.

Kielisch said his firm’s research has considered how news reports about pipeline explosions have impacted property values. He said research suggests that the more people learn about large-diameter pipelines, including such details as the pipeline’s “potential impact radius” should a rupture occur, the less likely they are to buy a property encumbered with an easement.

He said many prospective buyers who don’t immediately recoil typically expect a discount of about 21 percent on the property’s sale price.

Kielisch said forensic appraisers look closely at individual properties instead of adopting the broader perspective an economist might when considering pipeline impacts on property values.

In early September 2014, the Atlantic Coast joint venture released a report it had commissioned that showed a host of economic benefits the project would yield.

Later, Spencer Phillips, an ecological economist with Key-Log Economics, and colleagues were commissioned by opponents of the Atlantic Coast Pipeline to study the project’s economic costs on Highland, Augusta, Nelson and Buckingham counties.

Among a host of other conclusions, the Key-Log study estimated that values of parcels on the pipeline route, inside the potential impact radius or near a planned compressor station, likely would drop by a range of \$55.8 million to \$80.2 million. Property tax revenue would suffer as a result, the study reported.

Separately, Key-Log released a three-page critique of the study commissioned by the Interstate Natural Gas Association of America Foundation, the report that found no significant impacts of natural gas pipelines on property value, property insurance or access to mortgages.

Key-Log’s review declared the analysis flawed and based on incorrect assumptions.

Glenn Archambault and his family (no kin to Mark Archambault), operate a sheep farm in Phoenix, Oregon. He serves on the board of the Pipeline Safety Trust. The nonprofit formed after the rupture of a gasoline pipeline in June 1999 in Bellingham, Washington, led to the deaths of two 10-year-old boys, who were burned when a creek ignited, and an 18-year-old man, who apparently drowned in a creek after becoming overwhelmed by fumes.

Glenn Archambault said he has lived alongside a 12-inch interstate natural gas pipeline since 1995. When the line was planned and built, he said, local media covered related disputes about property rights.

Today, he said, few people realize the pipeline is in the ground and the details would require digging into old records at the county courthouse.

“I have dealt with mortgages, insurance, tax assessment, real estate sales and offers on my property and nearby pipeline properties,” Glenn Archambault said. “Never does the pipeline seem to be an issue.”

He said smaller diameter pipelines transporting natural gas at lower pressures tend to be the pipelines involved in most accidents. That’s because the smaller lines used to distribute natural gas to customers are ubiquitous and vulnerable to accidents involving indiscriminate digging and the like.

“But no facts or common sense settle people when you start talking big pipelines and high pressure. It scares them,” Glenn Archambault said.

“Bury the pipeline, give it some time, and people forget about the pipeline, and the insurance companies, the banks, tax assessors and others seem to be unimpressed with the big pipelines,” he said.

Meanwhile, Sarver, the New River Valley Realtor working with Reidys, said empirical data about property value impacts might miss the larger point. If a buyer has a choice between a parcel with an easement for a large-diameter pipeline and a similar parcel without an easement, the buyer’s choice would seem clear, he said.

“It’s common sense,” Sarver said.

Meanwhile, in Pennsylvania, Dan Forry has shared his concerns with FERC about the potential consequences for his farm of a pipeline easement.

He ended his FERC filing with a note of defiance: “Our Land is Not for Sale or Right-of-Way — No matter the price!”

