

## Atlantic Coast Pipeline Property Tax Windfall and Property Value Loss

**Property Tax Windfall:** Citizens of the counties in North Carolina, through which the Atlantic Coast Pipeline will traverse if built, have been promised a property tax windfall to shore up their always-stressed county budgets. Promoters of the pipeline have enticed elected officials with a promised bonanza of new tax revenue coupled with the belief that there is little downside. This table shows estimated tax increases in North Carolina, provided by Dominion Energy. Dominion says, “The pipeline is expected to contribute nearly \$7.7 million in annual local property tax revenue throughout North Carolina when construction of about 200 miles of pipeline and a compressor station in Northampton County is complete.”<sup>1</sup>

ACP Pipeline Property Tax Estimates - Summary					
North Carolina	2018	2019	2020	2021	2022
Northampton	1,133,292	1,164,990	1,457,171	1,552,277	1,638,386
Halifax	597,186	542,337	678,171	722,434	762,509
Nash	783,646	711,671	889,916	947,999	1,000,587
Wilson	318,511	289,257	361,704	385,312	406,686
Johnston	1,124,831	1,020,271	1,278,275	1,361,705	1,437,242
Sampson	224,501	203,882	254,946	271,585	286,651
Cumberland	1,046,735	957,478	1,197,681	1,275,851	1,346,625
Robeson	696,804	633,332	792,768	844,510	891,357
<b>TOTAL - North Carolina</b>	<b>5,925,506</b>	<b>5,523,218</b>	<b>6,910,631</b>	<b>7,361,672</b>	<b>7,770,044</b>

The promised property tax windfall to counties is not guaranteed. Ad Valorem taxes means they are assessed *according to value*. For tax assets like houses and land, there is a readily-available marketplace to determine fair market value. For utility infrastructure like pipelines, the assessed value is based on an annual appraisal of the company owning the pipeline<sup>2</sup>, and then such assessed value is assigned to locations based on the particular assets which are located there—like miles of pipe or compressor stations there, etc. That appraised value is dependent on the profitability and cash flows realized by the pipeline owner, ACP LLC. Elected officials and citizens would be prudent to ask for and challenge the assumptions behind the promised tax windfalls.

Numerous variables can negatively influence those projections of cash flows and fair market value:

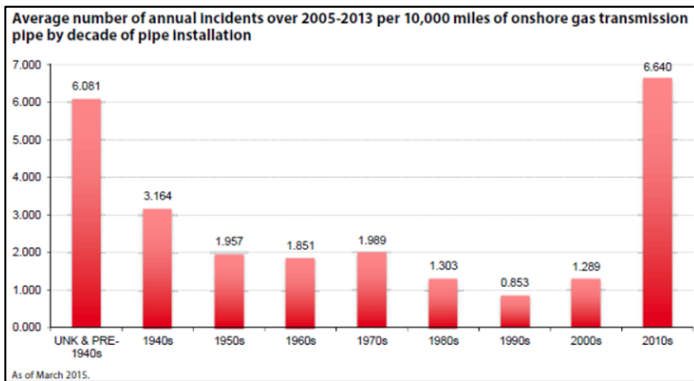
- Errors in estimated future cash flows because of having to use estimates for revenues and expenses. Actual operating data may prove that initial estimates were naïve or overly optimistic.
- Overestimating revenues because of a drop in demand for natural gas caused by continuing reduction in need for electricity, or facing the possibility that the pipeline was never needed.
- Overestimating revenues because of fluctuations in the price of natural gas.
- Overestimating revenues because of a drop in demand from imposition of a carbon tax or fee, or movement to renewable energy required because of rapid deterioration of climate systems.
- Overestimating revenues because of errors in estimating natural gas supply in the Marcellus and Utica shale plays.

- Underestimating expenses and costs because of possible cross-charges or other administrative costs passed to ACP LLC by the companies that own it.

**Property Value Loss:** County officials and citizens of the counties through which the pipeline will traverse if built must *also* face another reality—for those properties in proximity to the pipeline, there will be almost certain significant loss of property value. This loss of value affects particular landowners or homeowners, but also offsets a portion of promised property taxes from building the pipeline.

Studies reinforce the conclusion that when buyers know about a nearby pipeline, market prices drop. These comments were taken from a 2016 study called the Economic Costs of the Atlantic Coast Pipeline<sup>3</sup>:

- According to Daniel Hotz, realtor, “Buyers are concerned about safety, views, and resale values. The permanent easement that it will create will devalue every property in its path.”
- 68% of Realtors believe the presence of a pipeline would decrease residential property value.
- 70% of Realtors believe a pipeline would cause an increase in the time it takes to sell a home.
- More than 62% of buyers who found a home desirable said they would not buy the property at any price if a 36” pipeline was on or adjacent to it.
- The average reduction in offer price for all potential buyers is 66.2% if a pipeline is next to the property.
- Proximity of compressor stations devalues homes by as much as 50%.
- Air samples near stations regularly exceed federal regulations for hazardous chemicals.
- People living near compressor stations experience respiratory impacts, sinus problems, throat irritation,



eye irritation, nasal irritation, vision impairment, sleep disturbances, and severe headaches.

- More than three-quarters of Realtors view pipelines as a safety risk. Data shows that pipelines built in the 2010s are failing at a rate similar to the failure rate for pipelines constructed pre-1940.<sup>4</sup>

Source: U.S. Pipeline and Hazardous Materials Safety Administration, Pipeline Safety Trust.

1. Powering the Future. Atlantic Coast Pipeline. Dominion.
2. Personal conversation with Mr. George Hermene with the North Carolina Department of Revenue, August 16, 2016.
3. Phillips, S., Bottorff, C., Wang, S. (February, 2016). Economic costs of the Atlantic Coast Pipeline: Effects on property value, ecosystem services, and economic development in Western and Central Virginia. Key-Log Economics, LLC. [http://friendsofnelson.com/wp-content/uploads/2016/05/EconomicCostsOfTheACP\\_TechnicalReport\\_REVISED\\_20160516.pdf](http://friendsofnelson.com/wp-content/uploads/2016/05/EconomicCostsOfTheACP_TechnicalReport_REVISED_20160516.pdf)
4. Kunkel, C., Sanzillo, T. (April 2016). Risks exposed with natural gas pipeline expansion in Appalachia. <http://ieefa.org/wp-content/uploads/2016/04/Risks-Associated-With-Natural-Gas-Pipeline-Expansion-in-Appalachia-April-2016.pdf>.

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