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***The Foundation for Natural Resources and Energy Law Annual and Special Institutes (formerly Rocky Mountain Mineral Law Foundation Annual and Special Institutes)*  > *Special Institutes* > *1998 May (Rights-of-Way How Right is Your Right-of-Way?)* > *Chapter 10 (SETTING A VALUE ON RIGHTS-OF-WAY: KERN RIVER PIPELINE PROJECT)***

**SETTING A VALUE ON RIGHTS-OF-WAY: *KERN* RIVER PIPELINE PROJECT**

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***KERN* RIVER PIPELINE PROJECT**

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This paper is based on an actual project - a natural gas pipeline for ***Kern*** River through Utah. It includes actual case studies of potential damages.

We undertook the right of way appraisals for a major, largely new alignment natural gas pipeline from the Wyoming border through Summit Co. and Davis Counties, and the populated part of Salt Lake County, Utah in the early 1990's. A 36 inch pipeline was to be installed. Through portions of west Salt Lake County, the alignment was to go along an existing Utah Power and Light electric transmission line corridor.

The assignment was to prepare a study addressing appropriate compensation for the proposed pipeline as well as potential damages. We would use this study in appraisals of over 400 parcels of land from grazing use to residential and industrial uses. There were ultimately few condemnations, and all were settled except one which went to a Special Commission hearing.

**Pipeline Easement Description**

To understand the effect of the proposed pipeline easement, we must first understand which rights of the total bundle of rights are to be acquired. The easement to be used is to be an Exclusive Right of Way and Easement. It carries with it certain restrictions and guarantees.

For example, the restrictions include the following: the right of ingress and egress to and from, on and along, the right of way. The grantee has the option to put in any sized pipe they desire. During temporary periods, the Grantee may use portions of the property adjacent to the right of way acquired. The Grantor (property owner) may not interfere with the Grantee's surface or subsurface rights or disturb its facilities. No road, reservoir, excavation, change in surface, grade, obstruction or structure may be located within the right of way without the Grantee's prior written consent.

Some of the guarantees made in the easement agreement are: the Grantee will compensate the Grantor for all damages to real or private property. The right of way (ROW) will be restored and shall include final grading, reseeding and installation of erosion control structures. The Grantor reserves the right to use and enjoy the property affected, subject to the restrictions. The pipeline will initially be buried at least 30" deep.

**Compensation**

The preferred method for determining the value of an easement would be to find paired sales with, and without, similar easements. It is difficult to impossible to find a "paired sales analysis" with similar circumstances to measure the appropriate compensation amount from the market. To do so, we would need to find two sales which are similar in all characteristics, with the exception that one has a 50' wide pipeline easement, and the other has no such easement. Chances of finding such a situation from which to derive an appropriate compensation amount are few. In lieu of market data support, we turn to interviews of market participants who often deal with easements, to understand the practice and custom of this particular industry's precedents (this is the subject of an ongoing controversy which we will address later in the conclusion). We made our first interviews in the late 70's. We interviewed again in the late 80's, and again in the mid 90's so this is a historical continuum. We have also checked the libraries of both the Appraisal Institute (AI) and the International Right of Way Association (IRWA) to obtain the "body of knowledge" available on compensation for rights-of-way, easements, and shared corridors to see if they could shed any additional light on the subject. We have prepared a bibliography outlining

**Historic Trends**

In our files, past experience or interviews, we have found the following information on compensation amounts paid for permanent easements in the 1970's and 1980's:

|  |  |  |
| --- | --- | --- |
| CONTACT | COMPANY/SOURCE | % OF FEE PAID FOR PERMANENT EASEMENT |
| Tracy Shepherd | Mountain Fuel Supply | 50% |
| Rex Johnson | Northwest Pipeline | 50% |
| Kirk Morgan | ***Kern*** River Pipeline | 50% to 75% |
| Max Derbes, Jr. | IRWA Article | 50% to 75% |
| William O. Ewing | IRWA Article | 50% to 100% |
| Foster Lamb | Bureau of Reclamation | 25% to 50% |
| Dean Brown | University of Saskatchewan, BC | 30% to 50% |
| Carl Meyer | IRWA Pipelines Committee Chairman | 50%-small diameter 75%-100%-large diam. |
| Don Zimmerman | Z-Land Services | 50% |
| Jack McDonald | BLM | 40% |

periodicals researched for additional support. These were not directly comparable to the subject situation and are included for background information only (see Addendum).

Part of the fee simple interest is lost to the property owner as a result of an easement taken. In an earlier, related study, we had the opportunity to interview several various utilities and ask what methodology had been historically used in determining just compensation for easements acquired.

Tracy Shepherd, retired, former Acquisition Manager with Mountain Fuel Supply Company, explained that they paid a minimum of 50% for easements on any parcel with a significant market value. They paid by the lineal rod for easements in outlying areas. Rex Johnson, when he was with Northwest Pipeline, mentioned an example in Payette, Idaho, where they paid 50% of the fee simple value for commercial and industrial land to be used in conjunction with a new pipeline. They only paid 25% of fee value when adding to the width of their existing right of way.

Utah Power and Light pays up to 60% of fee value.

Max Derbes, Jr., MAI, past president and founder of Louisiana IRWA Chapter 43, wrote an article in the Right of Way Magazine in 2-73 which explained his court experience in this type of easement typically showed a compensation between 50% to 75% of fee value through croplands for transmission lines.[[1]](#footnote-2)1

Another article in the Right of Way Magazine, dated February 1968,[[2]](#footnote-3)2 was authored by William O- Ewing, Jr., Vice President and Regional Manager of Right of Way Associates. His article mentioned that a major pipeline transmission company in the Pacific Northwest States develops a comparable appraisal map prior to establishing the offering price for rights of way. Landowners are offered amounts based on 60% of the appraised value. This is for agricultural land, and crop damages are additional.

He said that, normally, compensation for easements ranges from 50% to 100% of the fee value, and consequential damages\* are paid, if any- For non-agricultural land, consideration is given for the loss of potential for development, as well.

Foster Lamb, retired, formerly of the Bureau of Reclamation, said they paid fee simple value for a 1/2 acre area around transmission towers and 25% to 50% of fee for the transmission line easement areas.

Dean Brown, of the University of Saskatchewan, B.C., in a study published in 1-76 said local electric utilities are paid 30% to 50% of fee value for transmission lines.[[3]](#footnote-4)3

In summary, those acquiring pipeline rights historically paid 50% of fee in the 1970's- Some paid 60%, and compensation reportedly went as high as 100%. Transmission line easements were 25% to 75% of fee value. Damages were estimated on an individual parcel basis.

To see if this information was still up to date in late 1989, we interviewed Carl Meyer, who was the Chairman of the International Right of Way Association's Pipeline Committee and Supervisor of the Land and Right of Way Department for ARCO Pipeline Company in Independence, Kansas by telephone. He explained that compensation for a typical easement was based on a percent of the fee simple market value, or on a cost per lineal rod basis. He explained that if the size of the gas pipeline being put in was small, compensation would be 50% of fee value. However, if it is larger, as in this case with a 36" line, compensation should be higher, or 75-100% of fee value in his opinion (damages within the right of way included).

We also spoke to Don Zimmerman, Principal of Z-Land Services in Huntington Beach, California, on October 3, 1989, who was currently working on the UNICAL pipeline. He had 26 years of experience with right of way acquisition and pipeline easements. He said that he was negotiating land on a cost per lineal foot in his current project, but that if the percent of fee value method is used, 50% of fee is typically paid for the right of way. Damages outside the ROW would be estimated on an individual parcel basis and would be in addition to the 50% of fee amount.

We spoke to Jack McDonald, Chief Appraiser for the Bureau of Land Management for the State of Utah, who told us that at that time there were typically two ways to acquire easements for pipelines: by a percent of fee simple market value or by the lineal rod. The government typically required 40% of fee value. Compensation by the rod is typically used for land with market values less than $1,000/acre. Mr. McDonald said he has heard of compensation for pipeline easements ranging from 40-70%. This would only be attributable to the right of way put under easement, and damages would be an additional amount to be added to this by the judgement of the appraiser, or by negotiation.

This information adds to, and supports the information we had acquired. In our opinion, the appropriate method to estimate the amount of compensation for the right of way is to apply a percent of the fee market value to the easement area. The percent of fee simple value paid should be 50-75% in the late 1980's, typically 50%, in our opinion, plus actual damages caused by construction if not corrected (crop loss, trees, fences, outbuildings, compaction, etc.).

**Temporary Construction Easements**

Mr. Meyer said that if a temporary easement were required, 25-50% of fee was typically paid. We have made numerous appraisals which involve highway construction or widenings where temporary construction easements were required. We have generally treated compensation for them as a rent on the land during the period of construction only; and not as a percent of fee value for the land affected. We believe this is a more accurate method of compensation since the land is only temporarily affected.

Kirk Morgan, Manager of Right of Way for the ***Kern*** River Gas Transmission Company in 1989, explained that the construction period for the pipeline would typically be from six to eight weeks, maximum. To pay 25-50% of fee value for this short amount of time would be excessive in our opinion. To estimate the yearly rent for the land, we estimate the market value of the land and then typically apply a 10% of fee value land rent over the construction period, plus any actual damages not corrected.

**Damages**

Mr. Meyer of the IRWA Pipeline Committee explained that the best method of handling damages is by what he called "pre-settlement" estimates. This means to estimate them before piping instead of a "wait and see" agreement where claims never quit. He said that if the pipeline is going through industrial or pasture land, damages are minimal or non-existent. In cropland areas, the total amount of bushels per acre lost should be estimated and paid for up front to avoid future crop loss claims.

Meyer said that no damages are applied to the remainders of affected parcels. Any real or perceived damages to the remainders are considered to be compensated for by paying a percent of fee value for the land affected within the acquired right of way, or are included in the amount paid per rod. We disagree with this concept and believe that additional compensation may be required if the easement is situated in such a way as to encroach on existing improvements, or if it renders the remainder less usable.

Mr. Meyer suggested two factors which could be included as part of the construction engineering which could help reduce possible damages. First, the pipeline should be buried four to five feet deep. We noticed on the easement document to be used in conjunction with the instant project that the Grantee guarantees to bury the pipeline at least 30" deep. We suggested that this depth be increased.

Kirk Morgan, with ***Kern*** River, explained that they intended to bury the pipeline at least 5' deep in the agricultural areas. This means 5' of fill on top of the 3' pipe and perhaps an additional 1' below that, or a potential 9' deep trench. This is to avoid conflicts with farming machinery which may dig deep into the soil; and they are considering keeping it that deep in areas near transmission lines to avoid potential damage caused by the heavy equipment used to repair and maintain them.

Second, Mr. Meyer suggested a "double ditch" method which allows the topsoil to be separated from subsoils and not mix them together. In this manner, the poor soils can be pushed back first and the topsoil is saved. Mr. Morgan explained that ***Kern*** River used the double ditch method in agricultural areas to salvage as much topsoil as possible, and filled it in last.

Mr. Morgan also explained that the pipeline in the Salt Lake area segment would be in a Class 3 location. The pipe in this location has to have x-rays of 100% of all welds on the pipe; and it goes through stringent testing requirements. It has extra thick walls. It is operated at a maximum allowable operating pressure of 60% of it's designed strength, which is a not quite a double design factor.

It is possible, in our opinion, that the remaining parcel can be damaged by a pipeline crossing a parcel, and that compensation may be required beyond that paid for land and uncorrected damages within the right of way. In such a case, a complete before and after appraisal is indicated.

**Utah Power & Light Properties**

Utah Power & Light Company has fee simple interest in most all of their parcels affected by the new pipeline that we will be involved with. Compensation for the Utah Power & Light land affected by the pipeline easement imposed upon it should be handled the same as for any other fee simple owner; 50-75% of fee simple value in our opinion. The fee simple market value of the narrow strips of Utah Power & Light land is considered to be the same as adjoining land values, or "across the fence" values (ATF).

**Private Owner with Existing Easement**

We have been informed that some subject parcels which are privately owned, have existing easements for transmission lines which will be additionally impacted by the pipeline easement. This complicates the determination of compensation for such areas. Neither the first utility company, nor the property owner, have total control over all the bundle of rights within the existing easement area.

According to our sources, Utah Power & Light typically pays 60% of fee value for their easements so we assume they have 60% interest in the affected right of way property. There remains the other interested party, the property owner, who has a 40% interest. Who should receive compensation for the right of way to be put under new easement? Who should be paid damages? Should the property owner receive compensation for the right of way to be acquired based on his ownership interest of 40% of fee value? Or UP&L, based on their 60% interest? Or both?

Jack McDonald explained that with an easement within an easement situation, or shared corridors, the first utility has typically already gained control over that area within the original easement, unless otherwise stipulated. They often times retain the right to put in an additional line. The property owner (or the party with 40% interest) may or may not be able to give permission for another utility to use the same easement, depending on the wording of their agreement.

Permission for a second utility to use this same right of way under an existing easement must be gained, either voluntarily or through condemnation, from the first utility company. Therefore, although the property owner still has an interest in the easement area, he does not receive any compensation from the second easement for the acquisition of the right of way according to Mr. McDonald. The interest which has been divided, or lessened, is that of the first utility company, so they are the ones to receive compensation. We have other advice to the contrary. Damages may be applicable to both the property owner and the utility company. The appraiser would be the ultimate arbiter after studying the specific UP&L documents recorded at Salt Lake County.

The question arises, how much is just compensation for an easement within an easement? Based on the information included in this study, compensation should be based on 50-75% of whatever interest is owned by the existing utility company. If they have a 60% interest (or paid 60% of the fee value to acquire the easement) compensation should be 50-75% of 60% of the fee value in our opinion. This amount would be compensation for the right of way for the new gas line easement. Any uncorrected damages within the right of way should be paid in addition. Damages to the remainder of the existing easement are also possible. These would have to be estimated on an individual basis.

In our opinion, and in relation to compensation for the shared right of way to be acquired, and damages within the new easement, Utah Power & Light should receive 50-75% of their interest (say 60%) in the fee value. The property owner receives 50-75% compensation for his interest (say 40%) in the right of way acquired, (unless specifically different in the easement agreement). The property owners may be entitled to just compensation for a temporary easement during the construction period in our opinion. This could be determined in the same way as for temporary construction easements in our opinion; or perhaps in the negotiation process.

Damages to any remainders which are not considered to be compensated by the 50-75% for the land encumbrance, would need to be estimated individually in specific before and after appraisals on those parcels.

This study was again updated in May, 1995. We recontacted some of the same interview participants where possible, or the appropriate person from the various sources to update our on-going study. Their comments are summarized by source as follows:

**IRWA Pipelines Committee**

Alan D. Wurtz, SR/WA, was the 1994-95 Pipeline Committee Chairman for the International Right of Way Association (IRWA). He was cooperative in answering questions about the permanent easement compensation custom for his seven state wide area (including Oklahoma and Missouri). He also offered to pose our questions to the Pipeline Committee members who would be meeting on April 29, 1995 at Durango, Colorado, and would give us their responses. The members of the Pipeline Committee represent 48 of the 48 mainland United States, and would provide us with a feel for national trends.

Mr. Wurtz explained that in his experience, compensation for permanent easements typically begin (and hopefully end) at 50% for the underlying market value as a starting point. However, after negotiations it can go as high as 100% or more of the underlying fee value in some cases where there is particular need for a certain parcel, or there are other extenuating circumstances. He said that this method is used for both rural and urban areas, but that he has noticed a recent trend where landowners in more urban areas seem to be more knowledgeable of real estate related issues and are requiring compensation amounts toward the upper end of the range.

We spoke again to Mr. Wurtz after this meeting in Durango, Colorado with the IRWA Pipeline Committee. He said that the pipeline companies represented at the meeting included Southern California Gas, ARCO, AMOCO, B&P ***Oil***, El Paso Natural Gas, Williams & Williams Gas, ENRON, EXXON (represented by Haskall Rogers who would become the new Chairman for 1995-96 of the IRWA Pipeline Committee), Pacific Gas Transmission, NAPCO and Shell Pipeline. He said that they discussed the issues we had included in our questionnaire and had collectively agreed that for compensation of permanent easements in urban areas, 50% of the underlying fee value is the opening negotiating point, and where they try to stay. More may be paid depending upon how resistant the owner is, and how much they need the parcel. In rural areas, permanent easements are paid based upon the going rate of the cost per rod in the area. Where there are many pipelines in an area, there is typically a going rate which everyone is using and which the farmers usually agree to.

For temporary easements, compensation is based upon the actual loss to the owner. This is often times an area used for a "fudge factor" in negotiation as a way to give an owner more money to increase chances of settlement. The underlying value of the land is often used as a basis, and there are instances where a rent on the land based on yield rates derived from land leases are used over the period of the easement.

Damages inside the permanent easement area are considered in addition to the 50% of fee paid. Either the construction crew will make restoration efforts to reestablish the area as it was in the before condition, or actual replacement costs are paid to the owner so he can do it himself if he so desires.

Damages to remainders outside of the easement area are also in addition to the compensation paid for the permanent or temporary easement, and are estimated on a case by case basis. Consideration is given to potential development before and after the project (i.e. lost lots, increased development costs, access, etc.).

**Questar Pipeline Company**

Timothy R. Blackham is the Director of Property and Rights of Way for Questar Pipeline Company based out of Salt Lake City. They manage high pressure transmission pipelines carrying natural gas. He said that their company uses 50% of the underlying land value as a starting point for permanent easements negotiations for these pipelines. He said that this has been the custom for many years, and is used from agricultural type land to more urban type land uses. He is unaware of any situations where any pipeline has caused damages to the remainder in the form of a loss of market value. Mr. Blackham also said that for pipelines in very rural areas, he uses a compensation amount of $10/rod for permanent easements.

Mr. Blackham mentioned that in his experience, he has found no instances where a property suffered value loss as a result of proximity to a natural gas line. He said that the only cases where damages occurred outside of the easement area were where the pipeline went through a parcel in such a way as to impede or hinder development. In such cases, damages usually occurred to the remainder, and the larger parcel was often purchased rather than just acquiring an easement on a portion of it.

**Mountain Fuel Supply Company**

Donald D. Moore, Jr. is a Right of Way Agent for Mountain Fuel Supply Company. He has been involved with purchasing rights of way for distribution pipelines for 3 1/2 years. He said that the typical amount of compensation for permanent easements is 50% of the underlying land value. Mr. Moore explained that in most cases, he is able to cause very little disturbance to properties encumbered by MFS easements because they have a lot of flexibility on where they can put their lines and are usually able to put them along property lines or in setback areas causing only minor disturbances. However, in cases where this is not possible, they have paid up to 100% of the underlying fee value, or purchased a parcel outright.

**Utah Power**

Keith Corry is the property manager for Utah Power (formerly Utah Power & Light and now part of Pacificorp) and is familiar, after seven years experience, with what is paid for permanent easements for transmission line corridors. He said that the amount of compensation for permanent easements for his company depends on the size of transmission line being placed in the easement. He explained that for a 46KV to 138KV line, 60% of the underlying fee value is typically paid. Where the line is larger, say up to their largest of 345KV, the percent of the underlying fee value paid increases up to 100%. Rather than pay more than 100% of fee value for an easement, his company will often purchase the strip in fee value if possible, or even purchase the larger parcel being impacted by the transmission line.

As a side note, Mr. Corry said that he did his thesis in college on the impact of electro magnetic fields (EMF) on property values, and that he has several such studies on file, which show little to no impact to property values resulting from proximity to power lines or EMF. He did say that in some cases, stigma was evident, but only in the form of longer periods of marketing time. He provided us copies of some of these studies.

**Bureau of Land Management**

Jack McDonald, Chief Appraiser with the Bureau of Land Management, said that they do not grant permanent easements, but now rather give ROW grants, Temporary Use Permits (TUP's), or leases to parties requesting rights of way across BLM land. These leases can be renewed without difficulty, but are subject to reappraisal every five years. The methodology used in determining the amount of rent to be paid for rights of way depends on the value of the underlying ground. Where land is located in more urban locations, and therefore has a higher underlying value, it is appraised and the rent is estimated based upon 40% of the fee simple land value. Once that is determined (40% of the fee value), a rent is established using an annual return requirement, currently around 8 1/2% to 9%. This calculates the annual rental of the 30 year lease to be paid to the BLM for the right of way.

Where the land is very rural, the value is determined by an amount per rod, usually $10-$20/rod, and then a rent is determined based upon that amount. Congress has developed a schedule for this type land designed to cut down on costs and time for appraisals. Blanket land values are used for large, generalized areas with specified zone values for each particular state and county. The amounts are tied to a conservative index (The GNP implicit Price Deflator Index -less than the CPI) and updated annually.[[4]](#footnote-5)4

**Conclusion**

There has always been an argument between those who contend that the only true measure of compensation is "Paired-sales analysis" and right of way agents- Gordon Green in his 1992 Appraisal Journal article "...a common sense approach" says that this is the only measure of fair market value, "as opposed to precedent actions".[[5]](#footnote-6)5 He is saying "You can't pay what others pay. You will pay too much that way. You have to prove it in the market by "paired sales".

Max Derbes in his 1973 articles says it both ways. "After measuring the true economic impact (primarily by sales with similar conditions...) then the law and local jurisprudence must be considered. For instance, in Louisiana jurisprudence, the courts have held...that 50% to 75% of fee value for the same rights through crop lands" is proper.

"The application of laws or jurisprudence or even practice is in the realm of custom and only indirectly relates to the value science or art."[[6]](#footnote-7)6

After 30 years of practice I think their differences are semantics, and not substance- First, the "realm of custom" is the real world in which purchasers of right of way operate. "Precedence" is what just occurred on a nearby or previous pipeline acquisition. If "custom" and "precedence" in the area is ignored on the next pipeline project nobody will be able to purchase any new rights of way. The real common sense is to follow local custom and precedents.

Is this a violation of "fair market value"? I think not for the reason that right of way acquisition is a submarket all it's own. If 50% of fee simple value is local, or industry, custom and precedent then that is the submarket value, and those easement purchases are the most comparable sales. Think about it. Is there really a contradiction between the authors of all the articles in the attached bibliography? If we analyze precedent easement purchases as sales, paired against their before fee value, we have specific submarket transactional data.

This is my advice. Pay for rights of way based on custom and precedents. Then, if condemnation is necessary have it appraised on a "paired sale" basis (which will probably be lower) or whatever your local courts require, and try the case on that basis.

In summary, the majority of responses from the local sources indicated that compensation for permanent easements acquired for use in right of way corridors, particularly for underground pipelines, begins around 50% of the underlying fee simple land market value in urban or suburban locations. This is strongly supported by the national information provided by the IRWA Pipeline Committee discussions. Utah Power paid 60% of fee value for permanent easements in their corridors, but transmission lines are more visible and harder to work around. The 40% of fee value used for charges by the BLM is not for a permanent easement, but rather is the basis for a 30 year lease rental rate, and is not directly comparable.

The values paid in the late 1930's and early 1940's of $0.25/rod increased to $1/rod in the late 40's and early 50's when most of pipeline mileage was constructed. Since the late 1950's the acquisition process became more complex due to increased land prices and urbanized locations.[[7]](#footnote-8)7 In recent years the grantor has become more sophisticated (whether public agencies, corporations, or individuals)- The price paid tends to continue to rise, and is much higher per rod now.

Pipeline easements have been relatively stable for 30 years at around 50% of fee simple value. Since compensation tends to be in flux, studies should be made for each new project by a qualified right of way appraiser.

In our opinion, the appropriate method for determining compensation for a permanent underground pipeline easement and damages within the right of way (ROW) is a percent of the underlying fee simple land market value. Based upon custom for local utilities of this nature, the appropriate percentage of fee to be paid is 50% in our opinion. This is supported by information both locally and nationally, and by other types of easement, or lease compensations.

The following section is an investigation of potential damages, if any, outside the easement itself (outside the ROW) caused by the project. The form is actual case studies.

**MARKET DATA - SALE DESCRIPTION**

|  |  |
| --- | --- |
| "U" Sale No.: | One |
| Location: | Adjoins Block "U" to the west |
| Sale Date: | July 1988, closed 4-93 |
| Sale Price: | $2,230,000 or $63,895/acre |
| Financing: | $1 Million down, $1 Million when platted. Seller retains anything left over from $230,000 allowance for obtaining a developable access. |
| Condition of Sale: | A.L. |
| Size & Dimensions: | 34.901 Acres |
| Physical Characteristics: | Steep topography. Chevron pipeline passed directly through this property, as does Mountain Fuel pipeline. |
| Description of Above Ground Improvements: None |  |
| Zoning: Residential | Present Use: Vacant |
| Highest and Best Use: | Residential |
| Access: | via 50-foot wide easement from Virginia |
| Utilities: | All in Virginia Street and adjoining subdivision |
| Off-Site Improvements: | Hard Surface Street (Virginia Street) |
| Date Property Inspected by Appraiser: Various |  |
| Verification: | Brett Beesley - FCDC |
| Bruce Ririe - SLCSB |  |
| Russell Watts by Brett Smith |  |
| Comments: | Development costs will be higher due the distance to utilities. Because access over the existing easement is rather poor, $230,000 of the purchase price is held out to obtain developable access. Additional costs totaling $140,000 were expended to relocate two ***oil*** pipelines and a high pressure gas line. Chevron covered 40% of this cost, and Mountain Fuel covered 15%. The rest was paid by the buyer. |

**DAMAGE CASE STUDIES**

The damage appraisal problem is to find market evidence which would be useful in discerning damages, if any, to residential type land as a result of a high pressure natural gas pipeline located on, or near, a residential site. The most desirable market data would be of vacant land.

The method of approach is to find a residential area which has a high pressure natural gas line near, or on, residential properties. The idea is to find sales of lots which are near a gas line (to simulate the subject after condition) and compare them to similar lots in the same locality which are not near the gas line (to simulate the before condition of the subject parcels). In this way, we can see if the market indicates a penalty for the gas line being on, or near, specific sold parcels. It is preferable to find undeveloped lot sales in these conditions, rather than lots which have been improved with residences, because of the differences in value caused by variations in the houses on the total sale price. When vacant lot sales are used, it reduces the number of variables, and the differences in value are more easily attributed to the impact of the gas line, if any.

Our first study area was acreage for a subdivision near the block "U" by the University of Utah because we had information on file of acreage sales in that area, and were familiar with the location of pipelines in that area. One of the pipelines in this subdivision was a high pressure Mountain Fuel natural gas line. There were two Chevron crude ***oil*** lines. The 20" MFS line was found to pass between the Tomahawk Drive properties, and did not affect the sale of those lots according to the developer. We spoke with the owner, an attorney, who lives there at 1544 Tomahawk Drive. The MFS pipeline runs adjacent to his home. He built alongside the pipeline with knowledge of it years ago, and doesn't worry about it (the same gas line that comes down Emigration Canyon in a study to follow).

The acreage sale description sheet opposite was verified by Russ Watts on 5-20-93. He explained that although negotiations originated in July 1988, the deal did not close until April 1993. First Charter Development Corporation simply passed title to Watts 89 on the same date

**MARKET DATA - SALE DESCRIPTION**

|  |  |  |
| --- | --- | --- |
| Sale No.: | Two |  |
| Location: | East of Perry's Hollow Circle |  |
| Sale Date: | October 1988 |  |
| Sale Price: | $525,000 or $64,815/Developable Acre |  |
| Financing: | Cash |  |
| Condition of Sale: | A.L. (Bid Basis) |  |
| Size & Dimensions: | 8.9 Acres, 8.1 Actually developable |  |
| Physical Characteristics: | Hillside development land, 100'x 350' or 35,000 SF of land in gully, not developable. |  |
| Description of Above Ground Improvements:None |  |  |
| Zoning:R-1, Residential | Present Use: | Chandler Point Subdivision (FPO requiring 20' sideyard and 40' rear yard) |
| Highest and Best Use: | Residential Subdivision |  |
| Access: | Had to be purchased or condemned - a condition of sale |  |
| Utilities: Sewer x Gas, next door \*x Electricity x Water x |  |  |
| Off-Site Improvements: | Hard Surface Street (adjoining Perry's Hollow Cir. |  |
| Date Property Inspected by Appraiser: Various |  |  |
| Verification: | Tom Hawk |  |
| Comments: | \* - Access to utilities also had to be purchased or condemned. |  |

at the same price. It contained a 20' high pressure MFS gas pipeline and two Chevron crude ***oil*** pipelines through the middle. The only other sale on the north bench of SLC we were able to find is overleaf. It sold for roughly the same price and contained no pipelines. This shows no diminution in value because of the pipelines in my opinion.

The new subdivision for this parcel has already been platted for 35 lots. The lots range in size from 0.60 to 0.90 acre, and are available for $125,000 to $190,000/lot. They have been on the market since the beginning of May 1993 without an onsite office, or even access roads open to buyers, and already 10 of them have offers which should close soon.

Mr. Watts said that some of the lots under contract of sale back onto the relocated high pressure natural gas lines. He said that there is no difference in price or holding period for lots backing onto the gas lines. He estimates that it will take 12 to 16 months to sell all 35 lots. This shows there is no effect on high value view lots on the northeast bench of SLC above Federal Heights from large gas or ***oil*** pipelines in my opinion.

This is one of the same gas pipelines that come down Emigration Canyon (see Emigration Oaks Study to follow). Together with the Chevron Lines, it passes next to the Children's Center at Medical Drive; and the new Moran Eye Center at the University of Utah Hospital is just being finished less than 100 feet from it. It goes north up across the attorney's house on Tomahawk Drive previously mentioned. The other 24" HP gas transmission line goes south out of Emigration Canyon to the pressure reduction station at Bonneville Golf Course (see map). All of the high end condominiums on Kennedy Drive east of Oak Hills like Canyon Crest and Canyon Cove were built around this gas line.

The second study area checked was in Centerville, Davis County, where we were informed by Mountain Fuel of a high pressure natural gas line passing through a residential subdivision near Porter Lane.

The third area of study was the Emigration Oaks subdivision up Emigration Canyon. In this area, there are two high pressure Questar Transmission gas lines with an easement across the rear of some lots. As they come out of Emigration Canyon, one turns north as a Mountain Fuel transmission line and runs near the block "U"; and the other runs down out of the canyon past Kennedy Drive to the pressure reduction station.

We also drove 1700 East from Draper into Sandy from 120000 South to Dimple Dell Road. There are many homes along this pipeline. Many with paddles in their backyards.

We followed the pipeline from La Caille Restaurant up Wasatch Drive to the Mountain Fuel pump station in Bonneville Golf Course, over 11 miles with thousands of homes along it.

There are pipelines alongside Alta View Hospital, St. Marks Hospital, and Shriners Children's Hospital as well as University Hospital. The whole urban landscape is crisscrossed with pipelines fronting businesses from REI to McDonalds; homes, apartments, retirement homes, nursing homes and condominiums. A lot of the owners would only know of the pipelines by investigation, but many properties like the hospitals have paddles alongside them.

The Centerville and Emigration Oaks study areas are discussed in separate sections, together with any pertinent data and maps. These sections will be followed by a Conclusions Section in which we will report our opinion of whether these study areas have provided any information which is applicable to the subject situation.

**DAMAGE STUDY IN THE CENTERVILLE AREA**

We inspected the Porter Lane area (400 South 700 East) in Centerville, Utah to see if we could find any markers indicating the location of the Mountain Fuel natural gas line in the area. If the markers were there, and in plain sight, then potential buyers would have been aware, at least, that there was a natural gas line in the area, though they may not have inquired as to its size. The pipeline appears to be in Porter Lane itself, and there are no paddles on Porter Lane. Houses along Porter Lane were built years ago. At the first part of our inspection, we located one natural gas sign. It was actually on a residential lot which had been developed with a house located at 405 South 700 East. It appears that the gas line runs through a park adjacent, south of this residence, and then crosses the lot, south of the house near the property line. We made a note of the specific address of the house and continued our search.

Farther east of this house, on Island View Drive (850 East), we found another Mountain Fuel marker. It was located on the side of a steep hill on the opposite side of the street from several residences. Based on the location of the other sign further west of 405 South 700 East, we estimated the location of the gas line to be between two houses on the west side of the Island View Drive. We noted their addresses.

For the rest of our inspection of this area, we were unable to locate any other markers. We drove up and down Porter Lane several times, but were unsuccessful. Therefore, we determined to call the owners of the three residences mentioned, and see if they had sold recently and interview the owners. From plats, we were able to ascertain the name of the owners of these residences and contacted them by telephone.

We first contacted the owners of the residence located at 512 South Island View Drive (850 East), Centerville. The owners explained that they had built their home 10 to 11 years ago, and that she was unaware of their proximity to the pipeline at the time. She now feels uncomfortable about it, but has not been prompted to move because of it. Since the sale took place so long ago, and they were unaware of the pipeline, there is not a study available from this property.

The second property owner we contacted resides at 532 South Island View Drive (adjacent to the first property; the pipeline comes down from the east between these two properties). We told the owner who we were and for whom we were working, and asked her some questions about the high pressure natural gas pipeline running along her northeast property line. She was aware of the ***Kern*** River Project and said she would answer our questions. She explained that when her husband (now deceased) purchased the property 14 years ago (December 1, 1979), they were unaware that the pipeline ran along their property. The house was 6 years old at the time they purchased it. She said that she became aware of the pipeline some time later when a reference to it was put on the sidewalk, but that living next to it all these years has "not caused her any grief, no sleepless nights, no gray hairs", or made her want to move to another residence. No damage study from the market is available for this residence since it sold 14 years ago.

The third property owner we contacted who resides at 405 South 700 East, Centerville. He bought his property about 12 years ago and believes that the pipeline was there at that time. The gas line runs along the south side of his property. He explained that the pipeline wasn't a consideration at the time of purchase in his opinion. However, because the sale took place so long ago, we are unable to make a market study to show whether or not the property was purchased at a discount, as compared to surrounding properties without the pipeline.

In summary, and based on the limited information we have been able to obtain from this study area, we are unable to draw any conclusions based on market data to estimate the impact of a high pressure natural gas line on residential properties. We hoped that there had been more recent sales along the pipeline in the area. Our interviews with the three owners indicated that they either didn't know, or didn't care that the pipeline was there when they purchased their properties. One owner feels uncomfortable about living next to it, but has lived next to it for well over 10 years without moving away from it. Another owner said she is not concerned about it, and has lived next to it for 14 years. The third owner said it was not a consideration.

**DAMAGE STUDY AT EMIGRATION OAKS SUBDIVISION**

We believe the best source of market data regarding the impact of a high pressure natural gas pipeline on residential property, from the three areas studied, is from the Emigration Oaks Phase 1-A subdivision. We were able to locate many sales of fairly large, vacant, residential lots. Some of the lots sold had an easement with two high pressure natural gas, and two large petroleum, pipelines across the rear portion of them. Other lots have an AT&T easement for a fiber optics line running through them. We have several sales of similar lots in the same subdivision with which to compare these various lots to check for any differences in market value resulting from the easements. The area of the easement is marked and trees have been removed within the parameters of the easements.

The plat opposite shows the location of the various lots in what is called the Emigration Oaks - Phase 1A Subdivision. The red lines delineate the parameters of the approximately 100' wide pipeline easement for the Questar natural gas lines, and the Chevron petroleum pipelines. The green lines show the easement for the AT&T telephone line. All of the lots are reported sold with the exception of Lot 35, though we were only able to find information on 23 of them. Dick Moffat is the listing agent. As can be seen by the plat, Lots 36, 37, 38, 39 and 40 all have the natural gas and petroleum pipelines easement along the rear of the lot. Lots 1, 2, 5, 6, 7, 11, 35 and 36 are impacted by the AT&T telephone line. Let's study the sales with a natural gas easement and compare them with sales of other lots in the subdivision to see if the market indicates a penalty for the existence of these easements.

We contacted Tim Blackham, with Questar, to find out about the two natural gas pipelines. He explained that the first pipeline was laid around 1929 and was 18" in diameter. Then, in the 1950's, the first line was replaced by a 24" pipeline, and an additional 20" line was laid about 10' away and parallel to the first. It is interesting to note that the easement and pipelines were in place years before the Emigration Oaks subdivision was developed, indicating that the developers did not purposely avoid developing near the easement.

Mr. Blackham explained that the Department of Transportation may be changing their standards regarding the thickness of the pipeline walls required for high pressure natural gas pipelines in residential areas. This creates a problem for the older pipelines running through the Emigration Oaks subdivision because they will not meet the new standards if, and when, they are approved. Mr. Blackham said the new standards were still not approved as of May 21, 1993 to his knowledge. There is a regulating station near the mouth of Emigration Canyon, near Bonneville golf course, which reduces the pressure in the main lines and distributes the gas into distribution lines for the areas they serve. Should the new standards be approved, this regulating station will likely be moved up the canyon near Little Mountain, so that the pressure will be reduced before it gets to the residential areas. In this way, the lines may continue their service since they are considered to be in "good shape" according to Mr. Blackham. If this took place, Mountain Fuel (an affiliate of Questar), who originally maintained the natural gas lines, would resume maintenance of them rather than Questar.

Since we had a representative of Mountain Fuel on the telephone, we took the opportunity to interview Mr. Blackham on the subject of impacts on residential areas from natural gas pipelines. He explained that in most cases which he is familiar with, there is no marked difference in market value of lots with natural gas pipelines as compared to those without them. However, he said that there have been cases where the pipeline has gone through the most developable portion of the lot and, in effect, severed the buildable area. In such cases, he said that they typically purchase the entire lot.

He also explained that where an easement is taken, it "is a known that at some time in the future there will be work done" within the easement. In most cases, if work needs to be done, their company will attempt to repair or replace any damages to property or minor improvements within the easement, unless other specifications have been made with the property owner. There is a subdivision just east of Hogle Zoo, on the south side of

**LOT SALES-EMIGRATION OAKS 1-A WITHOUT NATURAL GAS EASEMENT**

**UNADJUSTED**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Lot | Date | Size/Acres | Size/SF | Shape | Topography | Wooded | Access | Depth/Frontage Ratio | Sale Price | Price/SF | Comments |
| 3 | 9-90 | 1.64 | 71,237 | Irregular | Mild Slopes | Tall Oaks | Good | 3.4:1 | $86,000 | $1.21 | Nice Lot |
| 32 | 8-90 | 1.23 | 53,557 | Rectangular\* | Mild to Steep | No | Poor | 2-7:1 | $838,000 | $1.64 | South Side |
| 2 | 7-90 | 1.30 | 56,674 | Rectangular\* | Mild to Steep | Tall Oaks | Good | 2.8:1 | $79,900 | $1.41 | Borders AT&T |
| 10 | 9-89 | 0.55 | 23,998 | Square\* | Level | Tall Oaks | Good | 1-2:1 | $57,500 | $2.40 | Nice Lot |
| 16 | 5-89 | 1.24 | 54,152 | Rectangular\* | Mild Slopes | No | Good | 2.7:1 | $79,000 | $1.46 | North Side |
| 28 | 5-89 | 1.09 | 47,538 | Rectangular | Mild to Steep | Short Oaks | Poor | 2.3:1 | $70,000 | $1.47 | Has Home |
| 25 | 4-89 | 1.34 | 58,281 | Rectangular\* | Medium Slopes | Short Oaks | Average | 3-1:1 | $70,000 | $1.20 | Borders Gully |
| 6 | 1-89 | 1.10 | 47,870 | Rectangular\* | Medium Slopes | Medium Oaks | Good | 1.2:1 | $80,500 | $1.68 | Cul-de-sac Lot |
| 9 | 12-88 | 0.59 | 25,824 | Rectangular\* | Level | Tall Oaks | Good | 1-5:1 | $60,000 | $2.32 | North Side |
| 5 | 11-88 | 0.64 | 27,737 | Square\* | Medium Slopes | Tall Oaks | Good | 1.3:1 | $70,000 | $2.52 | Cul-de-sac Lot |
| 24 | 7-88 | 1.4 | 58,488 | Rectangular\* | Medium Slopes | Short Oaks | Average | 2-7:1 | $75,600 | $1.29 | North Side |
| 31 | 5-88 | 1.14 | 49,631 | Rectangular\* | Mild to Steep | No Oaks | Poor | 2.5:1 | $72,500 | $1.46 | South Side |
| 13 | 5-88 | 1.90 | 82,724 | Rectangular | Medium Slopes | Medium Oaks | Average | 4.2:1 | $75,000 | $0.91 | Long And Narrow |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12 | 5-88 | 1.17 | 51,105 | Triangular | Medium to Steep | Short Oaks | Average | 2.4:1 | $75,000 | $1.47 | Borders common. |
| 2 | 9-87 | 1.30 | 56,674 | Rectangular\* | Mild to Steep | Tall Oaks | Good | 2-8:1 | $88,000 | $1.55 | Sold again 7-90 |
| 3 | 9-87 | 1.64 | 71,237 | Irregular | Mild Slopes | Tall Oaks | Good | 3.4:1 | $91,000 | $1.28 | Sold again 9-90 |
| 8 | 2-87 | 0.81 | 35,360 | Pie Shape | Mild Slopes | Medium Oaks | Good | 0.98:1 | $59,000 | $1.67 | Note Frontage |
| 4 | 11-86 | 0.91 | 39,449 | Triangular | Mild Slopes | Tall Oaks | Good | 0.48:1 | $76,500 | $1.94 | Note Frontage |
| 1 | 9-86 | 3.31 | 144,257 | Irregular | Mild to Steep | Tall Oake | Average | 1.2:1 | $125,000 | $0.87 | Extra Large Lot |
| 15 | 6-86 | 1.21 | 52,652 | Irregular | Mild Slopes | Short Oaks | Good | 2.3:1 | $71,000 | $1.34 | Corner Lot |
| 27 | 2-86 | 1.20 | 52,230 | Rectangular\* | Mild to Steep | Tall Oaks | Average | 2.4:1 | $80,500 | $1.54 | South Side |
| 30 | 12-85 | 1.02 | 44,323 | Rectangular\* | Mild to Steep | Short Oaks | Poor | 2-3:1 | $80,500 | $1.82 | Has Home |
| 7 | 11-85 | 1.14 | 49,721 | Triangular | Medium to Steep | Tall Oaks | Poor | 1.8:1 | $78,000 | $1.57 | Borders AT& |
| Unadjusted Average: |  |  |  |  |  |  |  |  |  |  |  |
| 1.25 | 54,564 | 2.25:1 | $77,761 | $1.43 | Sample (23) |  |  |  |  |  |  |
| Without High and Low: |  |  |  |  |  |  |  |  |  |  |  |
| 1.19 | 51,836 | 2.24:1 | $76,476 | $1.48 | Sample (21) |  |  |  |  |  |  |
| Unadjusted Averages: |  |  |  |  |  |  |  |  |  |  |  |
| 1989-90 | 1.19 | 51,673 | 2.43:1 | $76,363 | $1.48 | Sample (8) |  |  |  |  |  |
| 1988 | 1.13 | 49,223 | 2.43:1 | $71,350 | $1.45 | Sample (6) |  |  |  |  |  |
| 1985-87 | 1.39 | 60,694 | 1.92:1 | $83,278 | $1.37 | Sample (9) |  |  |  |  |  |

800 South, which has a 30' easement running through the rear of several lots. Mr. Blackham said that they have been very lenient on allowing property owners to put improvements on the land included in the easement (such as swimming pools, tennis courts, etc.), but with the agreement that if on some future day they have to come in and tear out the improvements to work on the pipeline, they will not replace the damaged improvements.

We asked Mr. Blackham if he had any personal experiences, or was aware of any study, in which the question of the impact of a natural gas line easement to the remaining parcel was quantified. He said that he was unaware of any such study, and that they have not gone through a subdivision in the past ten years. He said that he would be interested in the results of such an easement study.

For background information, we spoke to George Adams, with Chevron Pipeline Company, about their petroleum pipelines which parallel the natural gas lines through the Emigration Oaks Subdivision. He explained that they are 10 3/4" lines and the one was laid in 1949 and the other was put in around 1953. Therefore, these lines were also there before the subdivision was developed. The Chevron lines conduct crude ***oil*** into the Salt Lake Valley and are not considered a risk for an explosion. The biggest problem caused by a break on one of these lines would be the environmental hazard of the ***oil*** spill, which would be the responsibility of Chevron to clean up.

We asked Mr. Adams if the was aware of any studies relating to the impact of easements for pipelines on residential property. He said that he was not aware of any studies of that nature, but said that from his experience, there is generally no impact from such an easement. He also said that he would be interested in the results of such a study.

We made an in depth study of the lot sales in Emigration Oaks subdivision. We first listed them on a chart (see opposite and two following overleaf pages) and categorized them according to various physical characteristics. Separate charts were made for lot sales with the natural gas line and those without it, to assist in our study of market data indicating the impact, if any, of the easement. We contacted the listing agent, Dick Moffat

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with Boyer Company, as well as several buyers, to verify the sales data, and interview them on their impression of the impact of the natural gas line easement.

**LOT SALES-EMIGRATION OAKS 1-A WITH NATURAL GAS EASEMENT**

**UNADJUSTED**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Lot | Date | Size/Acres | Size/SF | Shape | Topography | Wooded | Access | Depth/Frontage Ratio | Sale Price | Price/SF | Comments |
| 39 | 11-90 | 1.15 | 50,081 | Rectangular\* | Medium | Medium Oaks | Average | 1-9:1 | $83,000 | $1.66 | Good Lot |
| 38 | 9-88 | 1.12 | 48,800 | Rectangular\* | Medium | Medium Oaks | Average | 2.3:1 | $84,000 | $1.72 | Good Lot |
| 36 | 10-87 | 1.25 | 54,411 | Irregular | Mild | Short Oaks | Good | 0.65:1 | $70,000 | $1.29 | Note Frontage |
| 37 | 6-86 | 1.21 | 52,769 | Rectangular | Mild to Medium | Medium Oaks | Good | 1.7:1 | $76,500 | $1.45 | Corner Lot |
| 36 | 11-85 | 1 25 | 54,411 | Irregular | Mild | Short Oaks | Good | 0.65:1 | $58,000 | $1.07 | Resold in 10-87 |
| Average | 1.20 | 52,098 | 1.4:1 | $74,300 | $1.43 |  |  |  |  |  |  |
| Without High and Low: |  |  |  |  |  |  |  |  |  |  |  |
| 1.20 | 52,417 | 1.4:1 | $76,500 | $1.46 |  |  |  |  |  |  |  |

**Correlation of the Market Data**

**General Indications**

The lots in Emigration Oaks range in size of about one half acre to over three acres. Topography, access, tree cover, shape and frontage vary widely on the various lots, though several lots are similar to each other. As previously mentioned all but one of these lots have sold, so there is a lot of market data available for study.

We looked at the lot sales in a general way, initially, to see if there were any apparent differences in the unadjusted averages of the two types of lot sales (with and without the natural gas easement). Our first observation was the unadjusted average of each set of sales. The sale price of all the lots without the easement has an unadjusted average of $77,761 with 23 samples (see chart), while the unadjusted average of the lot sales with an easement is slightly lower at $74,300 with 5 characteristics of the lots. These are fairly close, considering the wide variety of physical characteristics of the lots. The unadjusted price per square foot of both the lots without, or with, the easement is $1.43/sf. The average size of the two types of lot sales is also fairly close. Our first impression of the general data, before adjustments, is the impact of the easement along the rear of a residential lot has little, or no, impact on the overall lot market value.

Refining the data slightly by taking out the high and low of the unadjusted averages resulted in a total sale price of $76,476 for the lot sales without the easement, and $76,500, for those with the easement. These are very close to the same value, indicating that with refinements to the market data, the averages tend to support the concept that there is little, or no impact from the natural gas easement.

Let's take this same concept several steps further by refining the average of the lots without the easement to more closely resemble the lots with the easement. Since the lot sales with the easement (Lots 36, 37, 38 and 39) are all rectangular in shape, contain over one acre of land, are

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wooded with oaks, have average to good access, and mild to medium slopes, we took the average of the lots without the easement which had all of these same characteristics. This narrowed the sample down to only four sales without the easement, but indicates an adjusted average of $75,275; only slightly higher than the unadjusted price of all the sales with the easement of $74,300; and less than the unadjusted average of the lot sales with the easement at $76,500, less the high and low. Again, after these refinements intended to more accurately compare to the lot sales with the easement, there appears to be little, or no damage caused by the natural gas line easement.

**Paired Sales**

Another way to make comparisons between the lots is to use paired sales of lots with and without the natural gas line easement, adjusted for any other characteristics. If done correctly, the remaining difference, if any, would indicate the impact of the easement.

We made specified adjustments to numerous paired sales for condition of sale, time, size, shape, topography, oak cover and access to refine the sale prices of the various lots to reflect a difference attributable to the gas line easement alone. We were fortunate to have many sales to work with which assisted us to make market supported, paired sale, adjustments for the various difference in the lots. However, after making several paired sale comparisons to each of the lot sales with the easement, we found no pattern indicated from the market to show the impact of the natural gas easement.

In the course of our investigation, we spoke to several market participants, including the listing agent, Dick Moffat, and several of the buyers of lots in Emigration Oaks. Mr. Moffat mentioned that the easements, both the natural gas and the AT&T, did not have much impact on the absorption of the lots, but that the clearing of the right of way on the AT&T easement after the lots had been sold did cause problems. He mentioned a specific case involving Lot 7 in which the AT&T fiber optics easement parallels the road, just inside the property line. The lot was

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purchased with the easement there, and no diminution of value was apparent when purchased, but then AT&T came through clearing the right of way within the easement. The path is easy to follow through the subdivision because of the long, narrow cut through the trees. In doing so, they took out some scrub oak trees on Lot 7, and caused other problems with the landscaping resulting in a cost to cure of $7,000. The owner was apparently very upset by this.

Another market participant purchased two lots in this subdivision; one with, and one without the natural gas line easement. The most recent sale (11-90) was a lot with a natural gas line easement, Lot 39. We verified this sale with him. He said that he purchased this lot for $83,000, cash, and that he felt it was an arm's length transaction (or at market value). He bought another lot without the natural gas line easement for $88,000, Lot 32. These lots are similar in most characteristics. They were purchased only 3 months apart, in late 1990 (see Sale Description sheets). Mr. Dean, did not believe that the natural gas line easement had any bearing on the value paid for Lot 39, and that difference in value was attributable to other physical characteristics. Our comparisons of this lot with other sales were inconclusive as to the impact of the easement on lot values, so most weight is given to the opinion of the buyer that the pipeline did not impact his price paid for Lot 39.

Lot 38 is adjacent to Lot 39 and also has the same easements along the rear portion. It sold in 9-22-88 for $84,000, cash. We compared this lot with several sales which most resembled it, but the market evidence did not show any impact of the easement. It supports the price paid for Lot 39.

Lot 37 is another lot with the natural gas line along the rear. It is a corner lot which sold to an architect in 6-86 for $76,500, cash. The buyer said that this price was discounted down from $85,000 for cash, and he was trying to resell it again for $85,000 in January 1991. He explained that he wasn't selling it because of the pipeline, but because of personal conditions. He hoped to be able to build, still, if things work out for him. He explained that he was careful to make sure that the improvements he planned for the lot (including a 3-car garage) would fit with the gas line

**MARKET DATA - SALE DESCRIPTION**

|  |  |
| --- | --- |
| Sale No.: |  |
| Location: | Lot 39, Emigration Oaks |
| Sale Date: | 11-13-90 |
| Sale Price: | $83,000 |
| Financing: | Cash |
| Condition of Sale: | A.L. Mr. Dean admits this purchase was a "bribe" to get work, but said he paid market value. |
| Size & Dimensions: | 1.15 acres, 170'×315' |
| Physical Characteristics: | View of City, oak covered, has natural gas easement in rear of lot. |
| Description of Above Ground Improvements: None |  |
| Zoning: | FR-1 Present Use: Residential lot |
| Highest and Best Use: | Residential |
| Utilities: Sewer o Gas x Electricity x Water x |  |
| Off-Site Improvements: | Hard Surface Street x Curb & Gutter o Sidewalk o |
| Date Property Inspected by Appraiser: 1-28-91 |  |
| Verification: | Property Owner by Brett Smith |
| Comments: | The property owner also purchased another lot in this subdivision which didn't have a natural gas easement. He said the difference in the amount paid was not a result of the easement, but rather for other physical characteristics. |

**MARKET DATA - SALE DESCRIPTION**

|  |  |
| --- | --- |
| Sale No.: |  |
| Location: | Lot 32, Emigration Oaks |
| Sale Date: | 8-90 |
| Sale Price: | $88,000 |
| Financing: | Contract, 10% down, balance @ 10%, balloon in one year |
| Condition of Sale: | A.L. |
| Size & Dimensions: | 1.23 acres |
| Physical Characteristics: | Rectangular, mild to steep slopes, no oaks, poor access |
| Description of Above Ground Improvements: |  |
| Zoning: FR-1 | Present Use: Residential |
| Highest and Best Use: | Residential |
| Utilities: Sewer o Gas x Electricity x Water x |  |
| Off-Site Improvements: Hard Surface Street x Curb & Gutter o Sidewalk o |  |
| Date Property Inspected by Appraiser: 1-28-91 |  |
| Verification: | Property Owner by Brett Smith |
| Comments: | The property owner purchased another lot in this subdivision which has a natural gas easement (see sale of Lot 39). He said that the easement had no impact on the sale price and that the difference in values paid was attributable to other physical characteristics. He plans to build his own house on this lot. |

|  |  |
| --- | --- |
| MARKET DATA - SALE DESCRIPTION |  |
| Sale No.: |  |
| Location: | Lot 38, Emigration Oaks |
| Sale Date: | 9-22-88 |
| Sale Price: | $84,000 |
| Financing: | Cash |
| Condition of Sale: |  |
| Size & Dimensions: | 1.12 acres, 142'×330' |
| Physical Characteristics: | Level, view, secluded, oak covered, has natural gas easement along back of lot. |
| Description of Above Ground Improvements: None |  |
| Zoning: | FR-1 Present Use: Residential Lot |
| Highest and Best Use: | Residential |
| Utilities: Sewer o Gas x Electricity x Water x |  |
| Off-Site Improvements: Hard Surface Street x Curb & Gutter o Sidewalk o |  |
| Date Property Inspected by Appraiser: 1-28-91 |  |
| Verification: | Salt Lake Board of Realtors |
| Comments: |  |

**MARKET DATA - SALE DESCRIPTION**

|  |  |
| --- | --- |
| Sale No.: |  |
| Location: | Lot 36, Emigration Oaks |
| Sale Date: | 10-02-87 |
| Sale Price: | $70,000 |
| Financing: | Cash |
| Condition of Sale: |  |
| Size & Dimensions: | 1.25 acres |
| Physical Characteristics: | Irregular shape, mild slopes, short oaks, good access, has both natural gas and AT&T easement. |
| Description of Above Ground Improvements: None |  |
| Zoning: | FR-1 Present Use: Residential Lot |
| Highest and Best Use: | Residential |
| Access: |  |
| Utilities: Sewer o Gas x Electricity x Water x |  |
| Off-Site Improvements: | Hard Surface Street x Curb & Gutter o Sidewalk o |
| Date Property Inspected by Appraiser: 1-28-91 |  |
| Verification: | Salt Lake Board of Realtors |
| Comments: |  |

**MARKET DATA - SALE DESCRIPTION**

|  |  |
| --- | --- |
| Sale No.: |  |
| Location: | Lot 37, Emigration Oaks |
| Sale Date: | 6-86 |
| Sale Price: | $76,500 |
| Financing: | Cash |
| Condition of Sale: | A.L. |
| Size & Dimensions: | 1.21 Acres |
| Physical Characteristics: | Rectangular, mild slopes, short oaks, good access, corner lot, has natural gas easement along rear of lot. |
| Description of Above Ground Improvements: |  |
| Zoning: | FR-1 Present Use: Residential |
| Highest and Best Use: | Residential |
| Utilities: Sewer o Gas x Electricity x Water x |  |
| Off-Site Improvements: | Hard Surface Street x Curb & Gutter o Sidewalk o |
| Date Property Inspected by Appraiser: 1-28-91 |  |
| Verification: | Property Owner by Brett Smith |
| Comments: | Property owner said that he paid this amount as a cash discount from $85,000. In fact, he put the lot on the market @ $85,000. He would consider contract @ that price. |
| The buyer was an architect. He also said that he looked at locating his desired improvements on the lot before purchasing it (which included a 3-car garage) and had no trouble working around the easement. He said that the easement had "no impact in the slightest" on the market value of the lot in his opinion. |  |
| In 6-91 the owner told us he did, indeed, resell the lot for $85,000. |  |

before buying this lot, but that he had no problem working around the easement and it had no impact on its value in his opinion. He is quite happy with the lot and feels that he paid market value for it. He said the clearing along the easement improved his view down the canyon, and that the deer came along the easement past the lot. Our comparisons of this lot with other paired sales were inconclusive, so most weight is given to the buyer's opinion that the high pressure gas lines had "no impact on its value.

We later contacted that owner in 10-92 to see if he was successful in marketing his lot. He told us he had, indeed, sold the lot in 6-91 for $85,000 (see Sale and Resale opposite). This was 11% higher than what he had paid for it 5 years earlier. He said that the lot sold without much difficulty, and with no impact caused by the pipeline. The buyer was fully informed about it and had no concerns.

Lot 36 is the last sale of a lot with the natural gas line easement we were able to find. The most recent sale of this lot occurred in 10-87. It sold at that time for $70,000, cash, appreciating 20.69% in two years, or 10.34% per year from a previous sale of this lot in 11-85 for $58,000. This lot has the natural gas easement across one rear corner, and the AT&T easement along another property line. We compared it to other lot sales which are similar to it in most physical characteristics and closest to the same sale date. There were no patterns showing any impact from these easements.

The remaining lot with the natural gas line easement in the rear is Lot 40. It sold, but both the seller and buyer declined to disclose the price. However, the buyer an appraiser, and head of the loan operation of a major local bank, allowed us to ask his opinion of the impact of the easement on what he paid for the lot. He explained that he paid the market value of the lot in his opinion, and that existence of the natural gas line easement along the rear of the lot caused him no concern, and had no impact on the amount paid.

**Summary and Conclusions**

In conclusion, the Centerville study was inconclusive in our opinion due to a lack of data. The Block "U" - Tomahawk Drive study shows no damage to high end acreage or lots next to a high pressure gas line either before or after publicity about the ***Kern*** River line.

The Emigration Oaks study had an abundance of market data available. The general market data, with both unadjusted, and adjusted averages, indicated no impact resulting from the natural gas line easement in our opinion. The market data is inconclusive when paired sales are used and adjusted for other variable factors. This very point indicates to us that the pipeline is not an obvious issue for buyers in the residential market. There is not enough emphasis given the easement by enough people in the market to be able to derive specific adjustments for it. Even when all factors are specifically adjusted for except for the easement, no damage is apparent from a variety of examples for residential property with a natural gas line easement which runs along the rear of a residential lot. The "no impact from the easement" concept is supported by the interviews with buyers of lots with the easement who unanimously agree that the natural gas line easement has no impact on the market value of the lots in this subdivision. We were able to contact the seller or his agent on all sales. We were able to contact the buyer from three of the five lots with the natural gas easement. In those cases, the buyer claimed to be able to work around the easement and that its existence did not damage the lot value. This is supported by interviews with Questar and Chevron personnel.

However, if the easement infringes on the buildable portion of a subject lot, or runs along the front of a lot, damages may appear in the opinion of the Questar and Chevron Pipeline people we interviewed at the outset of the Emigration Oaks study; in the opinion of Dick Moffat of Boyer Co.; and in our opinion. The only evidence from the market is the apparent cost of $7,000 (or 9% of the sale price) as a cost to cure the landscaping impact of the AT&T easement in the front portion of Lot 7.

Damages for the specific lots are a judgement call, and would have to be estimated on an individual bases. If the lot is ruined for development by the location of the pipeline in the buildable area, it should either be purchased in fee simple, or damaged down to undevelopable land values, the difference in the before and after value being the compensation due. If the pipeline is at the rear of a site, or located so as not to disrupt the developable area, then no damages occur to the remainder in our opinion, giving most weight to the Emigration Oaks study.

We sent these studies to Dr. William N. Kinnard, Jr., President of the Real Estate Couseling Group of Connecticut, Inc. (REGC) who was making an indepth multiple regression study of 1,171 sales of houses in 10 towns within 1/2 mile of three natural gas pipelines in Southern Connecticut. They used 100% sample of all reported sales between 1-86 and 2-91. The high pressure pipelines were built in the 1950's. One pipe was 26 inches in diameter. One was 30 inches, and the other was 16 inches.[[8]](#footnote-9)8

The study showed no different results between properties that abutted the pipelines and properties in Zone A up to 200 feet distant (p- 12). Our studies were noted in his. In conclusion, Dr. Kinnard states "It is highly likely that the Research Findings and Conclusions developed in this market research study are transferable to other market situations involving proximity to an existing or proposed high-pressure natural gas transmission line. This conclusion stems from the generally consistent, stable and statistically robust results of this market research analysis." (p. 74).

We conclude no damages for residential property from proximity to typical high pressure natural gas transmission lines at this time in our opinion (p. 74).

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8. 8Kinnard, William N., Jr. "Measuring Residential Price Impacts from Proximity to Natural Gas Transmission Lines". REGC Inc. (June 1991). [↑](#footnote-ref-9)