

North Country

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Appraisal Triggers Latest Dispute Over Northern Pass

By [Chris Jensen](#)

It began on about 135 acres of land in Dalton.

The land is owned by Sandy and Jim Dannis, who were attracted by its classic North-Country splendor and its lost-in-time seclusion.

Standing in the middle of a hilltop field - with a spin-around 360-degree view - Jim Dannis turns and turns.

“It is a beautiful exposure,” he said.

But now it has become the center of a new Northern-Pass controversy, one that opponents of the project worry has ominous implications for the state.

An appraiser who concluded the Northern Pass hydro-electric project would seriously diminish the value of the Dannis’ land could lose his license because of a complaint Northern Pass filed with state regulators.

In that June 2011 complaint Northern Pass asserted that the appraiser, James Walker of Franconia, acted unprofessionally and that his conclusion about a loss of value may have “unfairly” harmed Northern Pass.

The basis for the accusation came from another appraiser, Brian Underwood.

Underwood previously did a report for Northern Pass that concluded high-voltage towers do not adversely impact property values.

Underwood also heads up New Hampshire’s Real Estate Appraiser Board, which is considering the disciplinary action.

That has gotten the attention of Executive Councilor Ray Burton. Burton said he is concerned about a conflict-of-interest because of Underwood’s previous work for Northern Pass.

The appraiser board members are approved by the Executive Council and Burton said the make-up of the board needs to be reviewed.

“I certainly am not leaning towards re-appointing Mr. Underwood,” he said.

Underwood’s term expired in August but he remains on the board while awaiting re-appointment.

Worries over a strategy of intimidation

Soon Walker’s case is expected to go before Underwood’s board and some Northern Pass opponents are worried there is a larger strategy at work: Making other appraisers think twice before concluding Northern Pass will hurt property values.

“I think they are out to frighten any other appraisers from doing work for land owners who are interested in knowing how much value they are going to lose by having land in the proximity of the transmission line,” said Robert Baker, a lawyer from Columbia.

If Northern Pass moves ahead, it is anticipated some opponents will argue that the towers - described by Northern Pass as typically being 80 to 110 feet high - will significantly reduce the value of their land. Appraisers would play a crucial role in that argument.

Northern Pass spokesman Michael Skelton declined to discuss the Walker complaint citing its “confidential and sensitive nature.”

Skelton did not respond to an e-mail asking whether Northern Pass would bring complaints against any other appraisers who conclude the project would hurt property values.

Walker also declined to be interviewed.

How it began

Late in 2010 the Dannises hired Walker, a well-known North Country appraiser, to estimate the impact Northern Pass would have on their land should the project go ahead.

In March 2011 Walker handed over a 68-page report that concluded that the towers would result in the 135-acre parcel losing about 63 percent of its value.

A 12.5 acre building site favored by the Dannis’ son for a home would lose about 91 percent of its value.

Gauging the loss

Walker’s report didn’t sit well with officials at Northern Pass, which is backed by Northeast Utilities, the parent company of Public Service of New Hampshire.

Those estimated losses of value are far higher than some national studies have found.

That includes a study cited by Northern Pass done in 2008 by James A. Chalmers, who has a doctorate in economics from the University of Michigan and is now a consultant based in Billings, Montana.

Chalmers reviewed what he considered “the most objective and reliable studies” done by others on the impact of high-voltage lines.

He concluded about half of those studies found no negative impact.

In the other half Chalmers concluded the effects “tend to be small; almost always less than 10 percent and usually in the range of 3 – 6 percent.”

But earlier this year Chalmers released his own study conducted in Montana.

He found a reduction in value of about 15 percent on some residential property within 1,000 feet of high voltage lines. In another case he found the value of a residential parcel dropped 50 percent.

In an interview, Chalmers also told NHPR such towers are “not an asset” and he wouldn’t want them in his backyard.

He also said he could imagine the towers causing a greater loss in value in a worst-case scenario.

“If it is basically a view lot and your view is down the valley and you string transmission lines across that valley right in the middle of the view shed and that becomes kind of the dominant feature of the view, I can easily imagine your \$200,000 second home might only be a \$75,000 second home or a \$100,000 second home -- something like that,” he said.

A significant loss of property value is also a concern of Andrew Smith, the owner of Peabody & Smith Realty in Franconia.

Without a doubt the prospect of Northern Pass is having “a substantial, negative impact” on property, Smith wrote earlier this month in a letter to State Senator Jeanie Forrester who is heading up a commission studying whether the high-voltage lines could be buried.

“The impact has ranged from making the property essentially unsalable, to value reductions between 25 percent to 50 percent. Due to the fear of the future impact, more often than not the informed buyer has chosen to move onto other properties, and not making offers of any kind on the tainted property,” Smith wrote.

Northern Pass acts against Walker

Shortly after Walker's report on the Dannis property became public, Northern Pass declared significant concerns about its credibility.

Then in June 2011, Dana Bisbee, a lawyer at the Devine Millimet law firm, quietly filed a complaint with the appraiser board on behalf of Northern Pass.

Bisbee accused Walker of flaws in his methods, saying "Northern Pass may have been harmed unfairly."

Bisbee did not return either a telephone message or an e-mail from NHPR.

Bisbee's complaint was based on the report done by Brian Underwood.

But land owner Jim Dannis questions the value of Underwood's criticism of Walker. Dannis said as far as he knows Underwood never went onto his land in Dalton.

Dannis said walking the property is important because views that would suffer most from the towers can only be seen by leaving the road and hiking up a hill.

In a brief telephone interview, Underwood told NHPR he went "to the Dannis property" but he declined to say whether he went onto the property or stayed on the adjacent road.

While Northern Pass spokesman Michael Skelton declined to discuss most elements of the Walker case, he said Underwood was not hired to do a "proper appraisal" of the Dannis' property.

Instead, Skelton said, Underwood was to "review Mr. Walker's appraisal of the Dannis property and assess whether the methodology used and conclusions reached in the appraisal were appropriate."

Disciplinary action recommended

Now, more than a year after Northern Pass filed its complaint, the issue is finally coming to a head.

An investigator working for the appraiser board is recommending disciplinary action against Walker.

That recommendation is based on a review of Walker's report conducted by Louis C. Manias, another appraiser, who is based in Concord.

In his conclusion Manias wrote, in part, there are "significant issues" regarding whether Walker followed accepted appraisal practices.

"While understanding that some of the errors may be considered minor, the amount of errors in the appraisal report are of great concern," Manias noted.

An independent review also finds fault

At the request of NHPR, W. Tod McGrath, the interim chairman of the Massachusetts Institute of Technology's Center for Real Estate, reviewed Walker's appraisal of the Dannis' property.

McGrath said Walker had a challenging assignment in the North Country, trying to measure something that "is hard to measure anyway."

"What appraisers like to do is they like to look at data. They like to let the market speak in terms of what the data says and that gives them a strong foundation for drawing conclusions," he said.

In short, Walker needed to be able to compare pieces of land similar to that owned by the Dannises that had such high-voltage power lines and had been sold.

But in the end Walker failed to support his conclusions about the loss in value, said McGrath.

However, McGrath said Walker did not appear to have acted in an unethical or unprofessional manner.

"I think the problem he has is one of completeness in terms of assembling a data set and using maybe some slightly more sophisticated analytic tools or methodologies," McGrath said. "I think that was the big challenge for him."

Criticism of Underwood's study for Northern Pass

Nor is McGrath impressed with Underwood's 2011 study of property values in Deerfield and Littleton, which he did for Northern Pass' law firm, Devine Millimet.

In that study, commissioned by Northern Pass, Underwood concluded high-voltage lines would not significantly affect property values.

McGrath said Underwood did not support his conclusion.

One flaw, McGrath said, is that Underwood compared equalized tax assessments of some property with sales prices of others.

The best method would be to compare sales prices with sales prices, he said.

"So, when you compare an actual sales price with an assessed value and you try to draw a conclusion you always think about, 'What is the validity of the assessed value?'"

A spokesman for the Appraisal Institute, an international professional organization with 23,000 members, said comparing the equalized tax assessment with a selling price comparison is “apples and oranges.”

As McGrath sees it, Underwood’s method “doesn’t really answer the question of whether these high-voltage transmission lines affect the value of the property.”

McGrath also said Underwood did not review many sales and in part relied on unpersuasive anecdotal information.

McGrath said the studies done by Walker and Underwood both suffer from the same problem: “The data they rely on is not sufficient, I think, to draw credible conclusions as to the likely impact of property values.”

Underwood did not return several calls from NHPR asking for comment on McGrath’s critique.

That Underwood study – which was touted by Northern Pass - was labeled as “preliminary.”

Underwood told NHPR he never did an additional, final study because Northern Pass didn’t request it.

Northern Pass spokesman Skelton declined to answer questions about that study.

Action pending and a counter complaint

Now the appraiser board has to decide whether to follow the recommendation to take action against Walker.

If that happens, Underwood - who is chairman of the appraiser board - told NHPR he will recuse himself.

But Underwood himself is the subject of an ethics complaint by Walker.

In a complaint in July, Walker claimed it was improper for Underwood to have advertised his position as chairman of the appraiser board in offering review services “for new licenses and upgrades for the New Hampshire Real Estate Appraiser Board.”

This is the second time Walker has had a run-in with the appraiser board.

In 2007 a property owner complained the appraisal done by Walker was too low and he had not done a professional job. Walker denied any wrongdoing but in 2010 was fined \$250 and required to take a seven-hour report writing course.

Dalton land owner Jim Dannis said he was aware of that when Walker was hired. He thought it was an inconsequential matter and thought Walker did a thorough and professional job.

A challenge for appraisers in the North Country

Peter Powell, a Lancaster realtor, said it is hard in the North Country to prove the impact of something like Northern Pass because “you can’t find comparables for something that hasn’t happened yet.”

Other studies of the impact of high-voltage power lines are in areas that are not as pristine as the North Country, said Powell, who is also a member of the NHPR Board of Trustees.

“So, apples-to-apples comparisons are impossible,” Powell said and that means the professional opinion of an appraiser “is reasonable and proper.”

Whatever the outcome of the complaint against Walker, the issue of property values and the issue of the impact of the Northern Pass project is not going away anytime soon.

And the Walker case has added more friction, if not fire, to the controversial project.