

Affronts to Average Citizens from Fracking

Lower property values:

- A 2010 study in Texas concluded that houses valued at more than \$250,000 and within 1,000 feet of a well site saw their values **decrease by 3 to 14 percent**.
- The University of Denver study, to soon be published in the Journal of Real Estate Literature, found **up to a 25 percent decrease in bid value of homes near fracking**.
- **Shale gas drilling within a 0.6 mile of a home can decrease property values by an average of 16.7 percent if the house depends on wells** – not municipal sources – for its drinking water, according to research by Spiller and other economic professors. The study analyzed home values in 43 counties in New York and Pennsylvania.
- University of Denver survey of 550 people said they would **“decline to buy a home near drilling site and people bidding on homes near fracking reduced their offers by up to 25%.**
- **Denver Realtor Adam Cox** wrote in a column in the *Colorado Statesman* that **“potential buyers balk at buying homes near a drilling site**, even though that’s often where the discounted homes are” because they are so close to oil and gas activity. Similarly, he said, homeowners near drilling sites **“often have to sell at significantly lower prices** than when originally purchased due to the oil and gas industry neighbors.”
- A **Duke University study** found that risks and potential liabilities of **drilling outweigh economic benefits** like lease payments and potential economic development in Washington County, PA. Even though lease payments can add overall value to homes with wells drilled on them, the **possibility of contaminated water decreases property value by an average of 24 percent**. The boost that comes from signing a lease offsets the increases, leaving a net decrease in value of 13 percent.
- A **2010 study of the Texas real estate market** in the heavily drilled suburban-Dallas area near Flower Mound concluded that homes valued at more than \$250,000 and within 1,000 feet of a drilling pad or well site saw **values decrease by 3 to 14 percent**.
- In North Texas, the Wise County Central Appraisal District Appraisal Review Board knocked down the **appraised value of one family’s home and 10-acre ranchette from \$257,000 to \$75,000—a decrease of more than 70 percent**. The board agreed to the extraordinary reduction as a result of numerous environmental **problems related to fracking**—just one year after the first drilling rig when up on the property.
- And remember Exxon **CEO Rex Tillerson sued** to stop construction of a water tower that would supply nearby drilling operations because he feared it would lower the value of his property. **Dick Armey** – another plaintiff to the lawsuit claims the project would do **“irreparable harm” to his property values**.

Difficulty/Inability to get home mortgages:

- Following a debacle in North Carolina over **severed mineral rights**, the **State Employees’ Credit Union in North Carolina** **officially has decided it will no longer approve mortgage financing for properties where the drilling rights have been sold off** to someone else. The credit union, which manages almost \$12 billion in residential mortgages, said it considers loans on such land to be riskier than those where the mineral rights remain with the land.
- According to American Banker, at least three mortgage lending institutions—**Tompkins Financial in Ithaca, NY, Spain’s Santander Bank and State Employees’ Credit Union in Raleigh, NC**—are now refusing to make mortgages on land where oil or gas rights have been sold to an energy company. The publication quoted the president and **CEO of the North Carolina credit union** saying that **if a landowner allows a drilling rig to go up on his or her**

their land, “We’d have to tell their neighbors, “We’re sorry, your property value just went down.’”

- Language in **Freddie Mac’s standard mortgage contracts prohibit a “borrower from taking any action that could cause the deterioration, damage or decrease in value of the subject property,”** and if the prohibition is broken by say, a landowner signing a drilling lease or entering into a mineral-rights agreement, Freddie Mac has the legal authority to exercise a call on a mortgage’s full amount if a borrower, according to an agency spokesman.
- In addition to **Wells Fargo, Provident Funding, GMAC, FNCB, Fidelity and First Liberty, First Place Bank, Solvay Bank, Tompkins Trust Co., CFCU Community Credit Union** are either **putting hard-to-meet conditions on mortgages or denying loans altogether** on properties with oil and gas leases.
- Federal lending and mortgage institutions (**FHA, Fannie Mae, Freddie Mac**) all have **prohibitions against lending on properties where drilling is taking place** or where hazardous materials are stored. A drilling lease on a property financed through one of these agencies would result in a “technical default.” **FHA’s guidelines also don’t allow it to finance mortgages where homes are within 300 feet of an active or planned drilling site.**

Cost to repair infrastructure:

- The truck traffic needed to deliver water to **a single fracking well causes as much damage to local roads as nearly 3.5 million car trips.** The state of Texas has approved **\$40 million** in funding for road repairs in the Barnett Shale region, while **Pennsylvania estimated in 2010** that \$265 million would be needed to repair damaged roads in the Marcellus Shale region.
- The oil and gas industry has left thousands of **orphaned wells** from previous fossil fuel booms. **Taxpayers may wind up on the hook** for the considerable expense of plugging and reclaiming orphaned wells – **Cabot Oil & Gas claims to have spent \$730,000 per well to cap three shale gas wells in Pennsylvania.**
- Fracking brings with it **increased demands for public services.** A 2011 survey of eight Pennsylvania counties found that 911 calls had increased in seven of them, with the number of calls increasing in one county by 49 percent over three years.
- In **2012, the State of Texas took in approximately \$3.6B in severance taxes** from all oil and gas produced in the state. That would be wonderful if it weren’t for the fact that **TxDOT estimated that the damage to Texas roads from drilling operations now totals \$4B.**
- The same pattern has emerged in the **Fayetteville shale play in Arkansas.** Since 2009, **Arkansas has taken in approximately \$182M in severance taxes but estimates its road damage from drilling to be \$450M.**
- New numbers are emerging on the appalling condition of Pennsylvania roads. In **2010, PennDOT estimated road damage from drilling to \$265M. But by 2013, the state estimated that \$3.5billion would be needed just to maintain the states existing assets and \$8.7billion to make all the necessary bridge repairs.** (Article admits not all is attributable to drilling, but roads that are in acute disrepair are most susceptible to flooding and peripheral problems from flooding. During Hurricane Sandy, the roads that were hardest hit were in the areas most heavily drilled. According to the Times-Tribune)
- **Heavier vehicles cause exponentially greater roadway damage:** A single axle with a 3,000-pounds load has a load equivalency factor (LEF) of 0.0011; for an 18,000-pound load, the LEF is 1.0; and for 30,000 pounds, it’s 8.28. “This means that 18,000-pound and 30,000-pound single-axle ... do about 900 times and 7,500 times more damage than a 3,000-pound single axle pass, respectively.”
- The estimated **road-reconstruction costs associated with a single horizontal well range from**

\$13,000 to \$23,000. However, Pennsylvania often negotiates with drilling companies to rebuild smaller roads that are visibly damaged, so the researchers' conservative estimate of uncompensated roadway damage is \$5,000 and \$10,000 per well.

- While the per-well figure of \$5,000-\$10,000 appears small, the increasingly large number of wells being drilled means that **substantial costs fall on the state:** "Because there were more than 1,700 horizontal wells drilled [in Pennsylvania] in 2011, the statewide range of consumptive **road costs for that year was between \$8.5 and \$39 million,**" **costs paid by state transportation authorities, and thus taxpayers.**

Strains on government services:

- The article quoted a **2012 study by Montana and North Dakota officials** that said **crime had risen by 32 percent in boom communities** since 2005. One city had a **565 percent increase in arrests during the same time period; one county, an increase of 855 percent.** One county jail was so overwhelmed that those committing more minor crimes were ticketed and released.
- *New York Times* report in January [2013] offered a number of anecdotes about sexual assault cases in **Williston, N.D.** Statistics on crime in Williston in 2012 showed a **48 percent increase in criminal cases.**
- Between 2010 and 2011, there was a **16.1 percent increase in violent crime and a 10.3 percent increase in property crime statewide [ND].** The increase in crime has been driven, in part, by higher crime rates in the state's western counties where the shale oil fracking is occurring. North Dakota Attorney General Wayne Stenehjem cautions that the **crime increase in western North Dakota is proportionate with the region's population growth.** Statistics show that counties in the oil patch account for about a quarter of the state's population and about a quarter of the crimes, Stenehjem says.
- "Across the country, **fracking is accompanied by steep increases in crime rates and greater strain on social services,**" Binghamton [NY] Mayor Matt Ryan said as he and other officials held a round of meetings with state officials. "That hit home for Binghamton recently when an out-of-state gas industry employee shot two police officers. We can't afford this. Our communities deserve better."
- Increases in crime and temporary population influxes **increase the need for medical services, law enforcement and fire fighters at taxpayer expense.**

Insurance and Liabilities:

- Last July, **Nationwide Insurance** spelled out specifically that it **would not provide coverage for damage related to fracking.** According to an internal memo outlining the company's policy, "After months of research and discussion, we have determined that the exposures presented by hydraulic fracturing are too great to ignore. **Risks involved with hydraulic fracturing are now prohibited for General Liability, Commercial Auto, Motor Truck Cargo, Auto Physical Damage and Public Auto (insurance) coverage.**"
- Often, a **driller or well operator's insurance won't cover damages,** according to the NYSBA summary. Homeowners may have to sue for damages and, even if they win, may not get paid for all damages since drillers admit in their regulatory filings that they may not carry enough insurance.

General Observation:

An economic analysis by the Headwaters Institute undermines the idea that oil and gas developments fatten the bank accounts of communities and leave them better off than before drilling started. While there may be short-term windfalls, the study of six western states found that **over the long-term "oil**

and gas specialization is observed to have negative effects on change in per capita income, crime rate and education rate.”

Resources:

The Costs of Fracking

<http://environmentnewyork.org/reports/nye/costs-fracking>

Drilling Casts Shadow on Home Mortgages

<http://www.ncbr.com/article/20140307/EDITION/140309948>

'Fracking' Sparks Concern Over Nearby Home Values

<http://realtormag.realtor.org/daily-news/2013/12/20/fracking-sparks-concern-over-nearby-home-values#.UrmDIIPmVu8.twitter>

How Fracking Destroys the American Dream

<http://ecowatch.com/2014/03/20/udated-fracking-vs-american-dream-resource-guide/>

Summary of oil and gas issues related to mortgage lending from a brokerage vice president

http://www.tompkins-co.org/tccog/Gas_Drilling/Focus_Groups/Assessment%20Documents/White%20Paper.pdf

How the Fracking Boom Could Lead to Housing Bust

<http://www.theatlanticcities.com/politics/2013/08/how-fracking-boom-could-lead-housing-bust/6588/>

Nationwide Insurance: Fracking Damage Won't Be Covered

http://www.huffingtonpost.com/2012/07/13/nationwide-insurance-fracking_n_1669775.html?utm_hp_ref=tw

How Fracking Lowers Property Values

<http://www.savecoloradofromfracking.org/harm/propertyvalues.html>

Opponent says a link between fracking and crime

<http://thesouthern.com/news/local/129e5200-8646-11e3-873d-001a4bcf887a.html>

Fracking and Mortgage Problems

<http://www.catskillmountainkeeper.org/our-programs/fracking/whats-wrong-with-fracking-2/mortgage-problems/>

Mortgages for Drilling Properties May Face Hurdle

http://www.nytimes.com/2012/03/19/us/drilling-property-mortgages-may-get-closer-look-from-agriculture-dept.html?_r=3&hp&

The Impact of Natural Gas Extraction and Fracking on State and Local Roadways

<http://journalistsresource.org/studies/government/infrastructure-government/costs-shale-natural-gas-extraction-local-roads#>

Externalities of Shale: Road Damage

<http://webcache.googleusercontent.com/search?q=cache:http://www.resilience.org/stories/2013-04-04/externalities-of-shale-road-damage>

DOJ to Study Fracking Boom and Sexual Assault

<http://freebeacon.com/politics/doj-to-study-fracking-boom-and-sexual-assault/>

Crime Accompanies Flow of Oil Workers into North Dakota

http://www.earthisland.org/journal/index.php/elist/eListRead/crime_accompanies_flow_of_oil_workers_into_north_dakota

Officials against fracking raise concerns about potential increases in crime rates

<http://www.troyrecord.com/general-news/20121114/officials-against-fracking-raise-concerns-about-potential-increases-in-crime-rates>