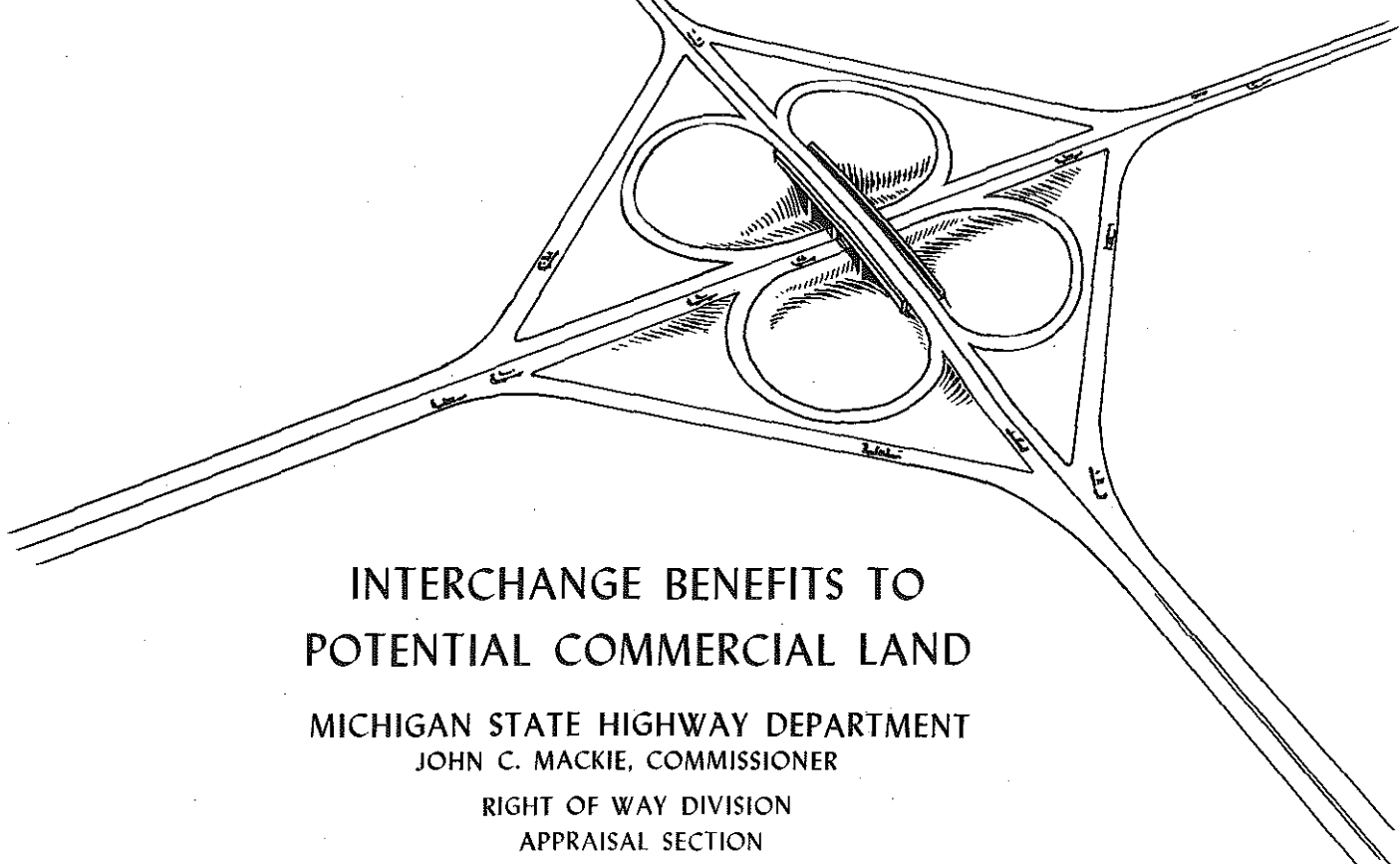


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DEPARTMENT — LANSING

LAND ECONOMIC STUDY

NO. 9

INTERSTATE 94 - ANN ARBOR AREA



INTERCHANGE BENEFITS TO POTENTIAL COMMERCIAL LAND

MICHIGAN STATE HIGHWAY DEPARTMENT
JOHN C. MACKIE, COMMISSIONER

RIGHT OF WAY DIVISION
APPRAISAL SECTION

RIGHT OF WAY RESEARCH PROJECT IN COOPERATION WITH,
UNITED STATES DEPARTMENT OF COMMERCE,
BUREAU OF PUBLIC ROADS

JUNE 1961

INTRODUCTION

This study describes how construction of a main interchange on an interstate freeway increases commercial values of nearby land. It is the ninth in a series of studies designed to guide appraisers, realtors, bankers and property owners. Three important conclusions have been drawn from the study.

- (1) The state's purchase of a small area (one-tenth of an acre) of land did not reduce the original value per acre of the property.
- (2) Less than a year after completion of the interchange, the property value increased more than 80 per cent.
- (3) Before determining compensation for damages, appraisers should carefully consider all economic factors of the property including its eventual accessibility to motorists, its probable future zoning and the rate at which nearby commercial property has been developing.

The land used for illustration, generally referred to as the Allmendinger property, is a six-acre unit near the Jackson interchange on Interstate 94 west of Ann Arbor. (See photographs on pages 2 and 3)



Ann Arbor

West-Bound On-Ramp

East-Bound On-Ramp

SUBJECT

ROW Take

West-Bound Jackson Avenue

1-94

East Bound Off-Ramp

East-Bound Jackson Avenue

I-94 AND JACKSON AVENUE
LOOKING EAST TOWARD ANN ARBOR
APR 1961



I-94 AND JACKSON AVENUE
LOOKING WEST FROM ANN ARBOR
APRIL 1961

GENERAL AREA AND BACKGROUND INFORMATION

The city of Ann Arbor has a population of 67,340 (1960 census) and the University of Michigan, which enrolls well over 20,000 students, is a major factor in its extremely stable economy. Various industrial companies have established research laboratories in Ann Arbor, and several large companies--such as Argus Camera and Hoover Ball Bearing--have plants in the Ann Arbor area.

As a result of these influences, the area east of I-94, between the Jackson interchange and the city, has been undergoing rapid commercial development since about 1950. This development has occurred primarily along Stadium Blvd., which until 1956, was a city belt line and a bypass for US-12 traffic.

Prior to construction of the interchange, most of the land on the north side of Jackson Ave. in the vicinity of the Allmendinger property and west of I-94 was vacant. Most of the land on the south side of Jackson Ave. in this area was occupied by a cemetery. Only the land on the north side was available for extensive commercial development.

At the time of the state's purchase, the Allmendinger property was not part of Ann Arbor. However, incorporation was almost certain, since the land immediately east and west of the property was already part of the city. The adjoining property was commercially zoned.

ANALYSIS OF APPRAISAL

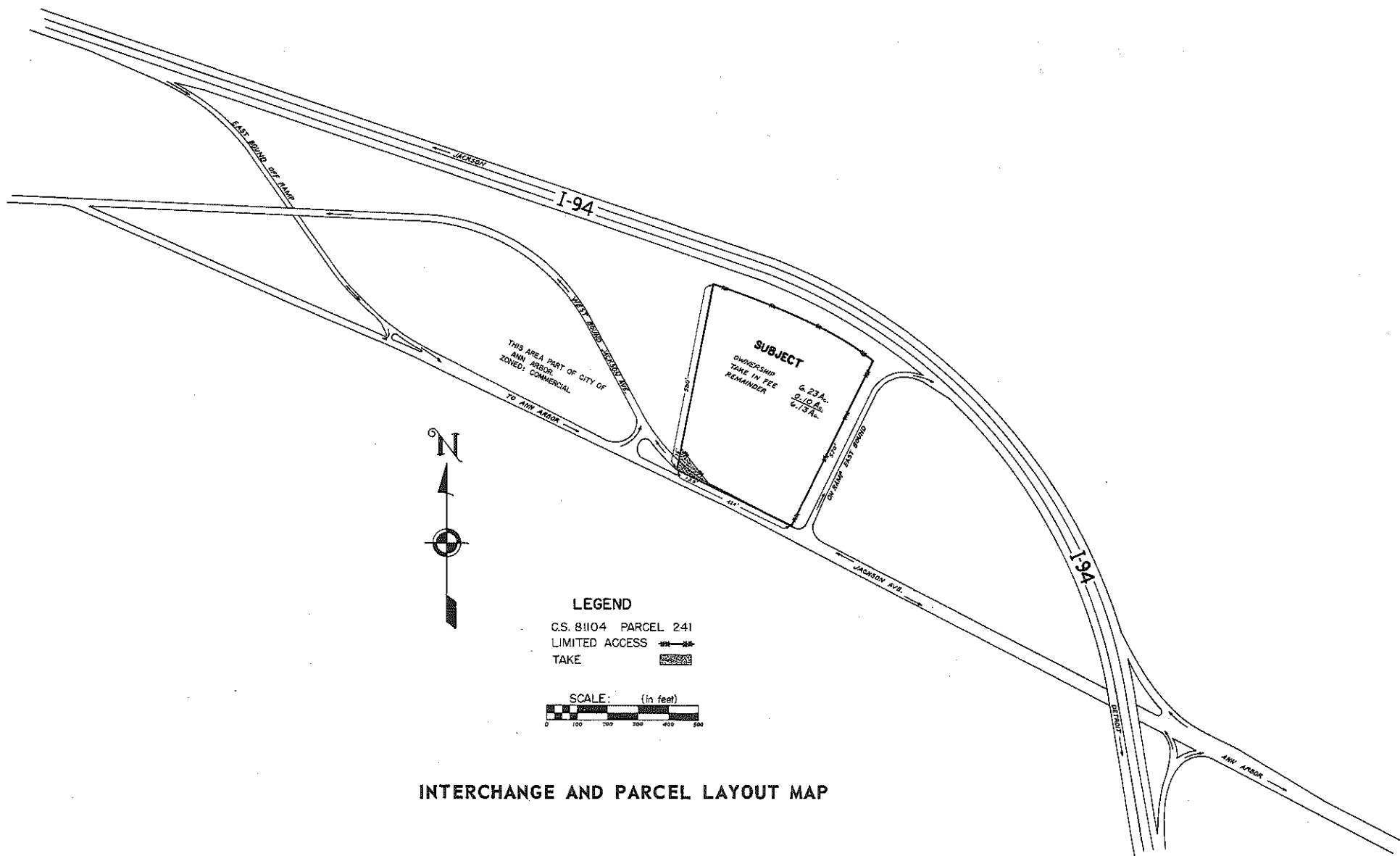
The Allmendinger property originally consisted of 6.23 acres with a 424-foot frontage on Jackson Ave. Between 1956 and 1958, before the state's purchase, a real estate agent asked the owner to list the property. The owner did not sign a listing, but did indicate his willingness to accept approximately \$100 a front foot, or \$40,000. This price was for the land only, since it did not contain valuable buildings.

In December of 1959, the state purchased a tenth of an acre, a triangular section on the southwest corner of the property. (See map on page 6) This section, used for the interchange, reduced the frontage on Jackson Ave. by 125 feet--from 424 to 299 feet.

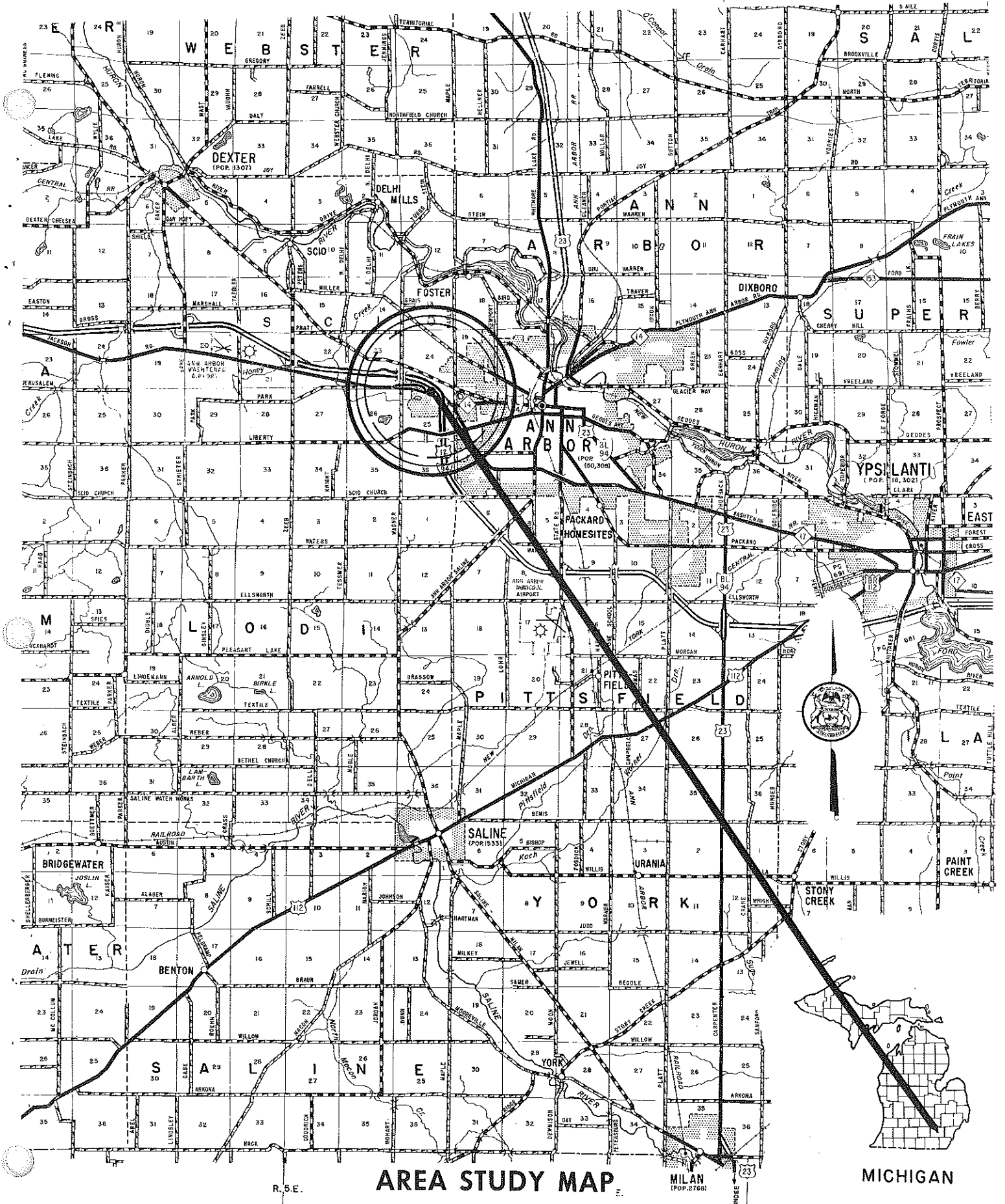
Although the owner had not received a formal offer for his land, the state's appraisal was similar to his \$40,000 evaluation for the property.

Appraiser's valuation before acquisition of right of way		
6.23 acres		
424 front feet @ \$100 per foot	\$42,400	
Buildings (No Value)	<u> </u>	
Estimated Value		\$42,400
Appraiser's valuation after acquisition of right of way		
6.13 acres		
299 front feet*	\$33,900	
Buildings (No Value)	<u> </u>	
Estimated Value		<u>\$33,900</u>
Estimated Compensation to owner		\$ 8,500
Compensation allocation by appraiser		
.10 acre bought by state	\$3,300	
Damages to remaining land for loss of frontage	<u>5,200</u>	
Total	\$8,500	

* The appraiser did not itemize this value. The parcel has 299 front feet plus acreage which no longer has direct frontage access.



INTERCHANGE AND PARCEL LAYOUT MAP



AREA STUDY MAP

MICHIGAN

83°-50'

83°-40'

SCALE 0 1 2 3 MILES

TO DUNDEE (23)

The appraiser apparently reasoned that by reducing the frontage on Jackson Ave., the utility and value of the remaining property was also reduced. The appraiser made no reference to the financial benefits the owner might receive from an improved location near the interchange.

THE SALE OF THE REMAINDER AND ITS ANALYSIS

In June of 1960, the owner sold the remaining 6.13 acres for \$40,000 on condition it would be annexed by the city. The price was identical to what he originally asked for 6.23 acres. The property was annexed upon application and the buyer requested permission to build a bowling alley. The City Council refused permission for the bowling alley at a zoning hearing in August of 1960. However, in November of 1961, the council zoned the property for motels.

In March of 1961, the buyer resold to the Holiday Inn Corporation for \$72,500. The new owner reports motel experts considered the site an ideal location. He expects to have a 107-unit motel in operation by January 1, 1962. It will be a first class motel with a swimming pool.

The following figures summarize the transaction by showing the owner's evaluation of the original 6.23 acres, the state appraiser's evaluation of 6.13 acres and the actual prices paid for 6.13 acres.

1956 to 1958: Owner's asking price for 6.23 acres (no offers)	\$40,000
1959 (September): State evaluation of 6.23 acres	42,400
1959 (September): State evaluation of 6.13 acres	33,900
1960 (April): Settlement for .10 acre and damages	8,500
1960 (June): Selling price for 6.13 acres	40,000
1961 (March): Second selling price for 6.13 acres	72,500

CONCLUSION:

At first glance, the price received from the Holiday Inn Corporation might seem to be a stroke of good luck. However, a careful analysis of the economic situation in August of 1959, would indicate the value of the Allmendinger property was almost certain to increase sharply after the state's purchase. Of various economic factors that pointed to this conclusion, probably the most important were the following:

- (1) The property lies at the main point of access to downtown Ann Arbor from the west. The property was therefore visible and accessible to all eastbound motorists leaving I-94 for Ann Arbor. It was also visible and accessible to all westbound motorists on Jackson Ave.
- (2) Commercial development on Jackson Ave. east of I-94 had been extremely active before the interchange was constructed. The interchange merely stimulated an already fast developing area.
- (3) At the time of the state's appraisal, the Allmendinger property lay between Ann Arbor and land already annexed to the city and approval of annexation was inevitable. Water and sewers were assured. In addition, the property was a single parcel, contiguous to the city boundary and could be annexed with a minimum of time and legal fees.

(4) Since the adjoining property to the east and west was already zoned commercial, it was highly probable that the Allmendinger property would also be zoned commercial and therefore increase in value.

The sales history of this land clearly suggests that compensation for damages should have been considerably less than \$8,500. The history also supports the motor age concept that a site has basic requirements for commercial success if it can be seen by a large number of potential customers and can easily be reached by automobile.

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