

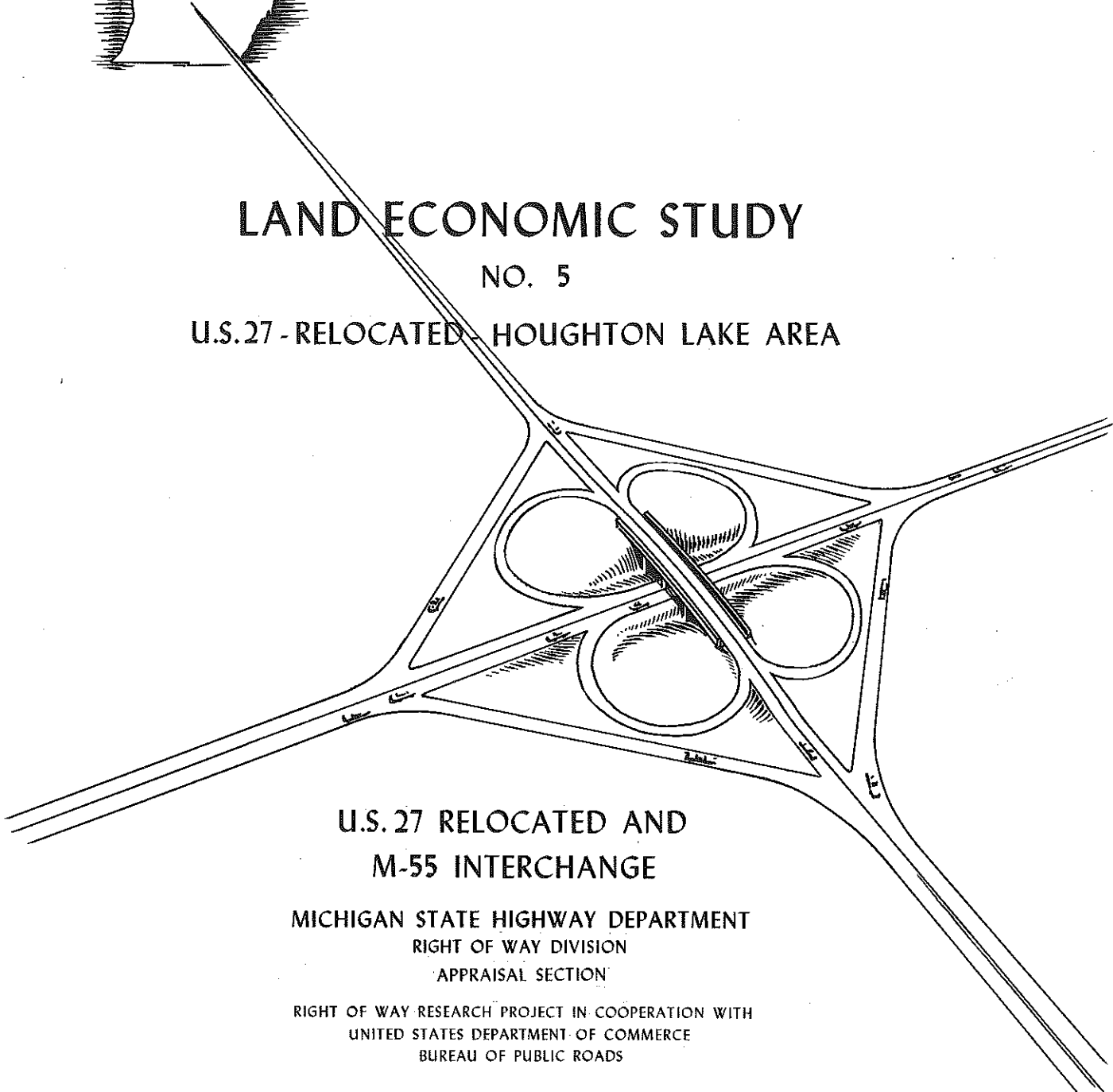
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DEPARTMENT — LANSING



LAND ECONOMIC STUDY

NO. 5

U.S. 27 - RELOCATED - HOUGHTON LAKE AREA

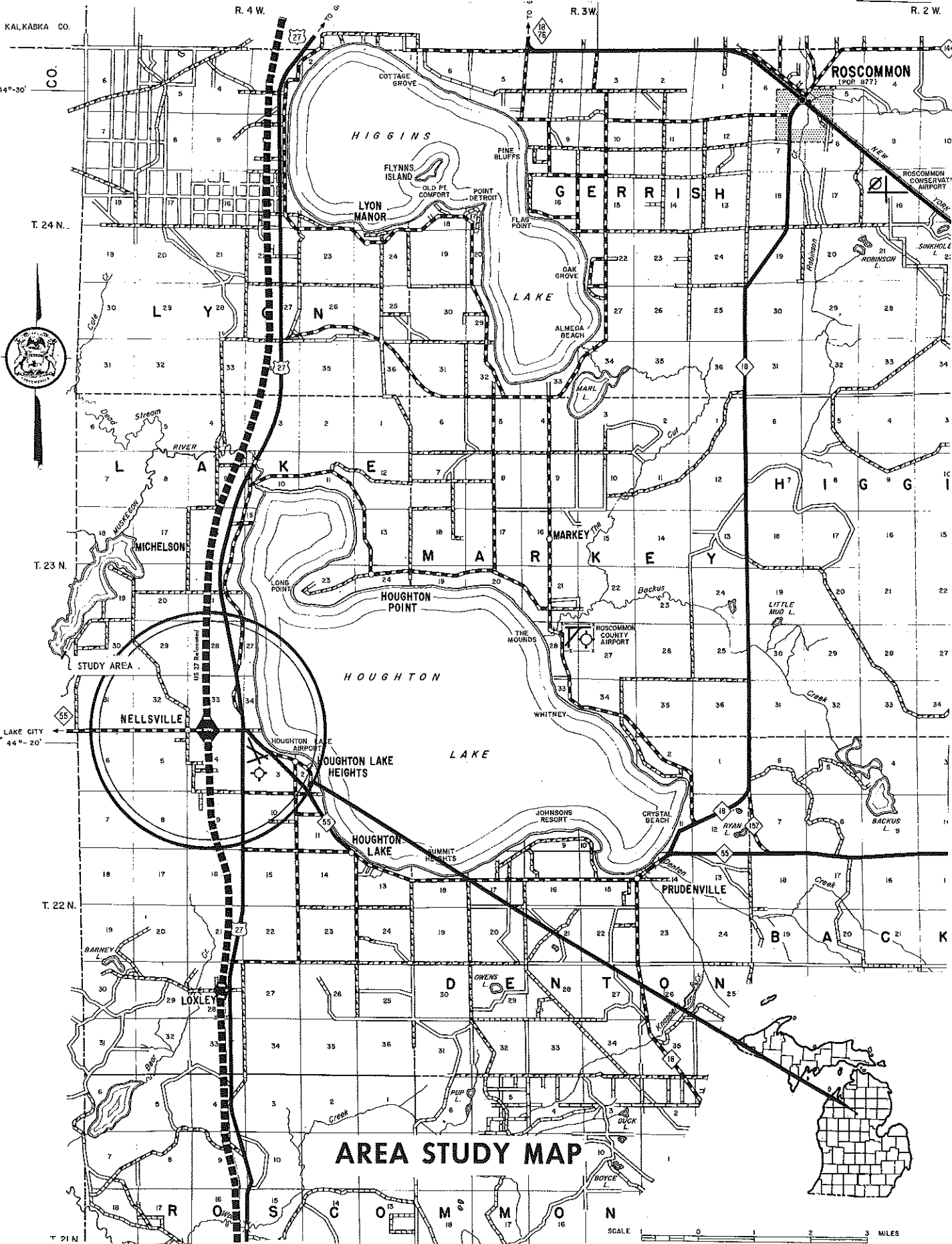


U.S. 27 RELOCATED AND M-55 INTERCHANGE

MICHIGAN STATE HIGHWAY DEPARTMENT
RIGHT OF WAY DIVISION
APPRAISAL SECTION

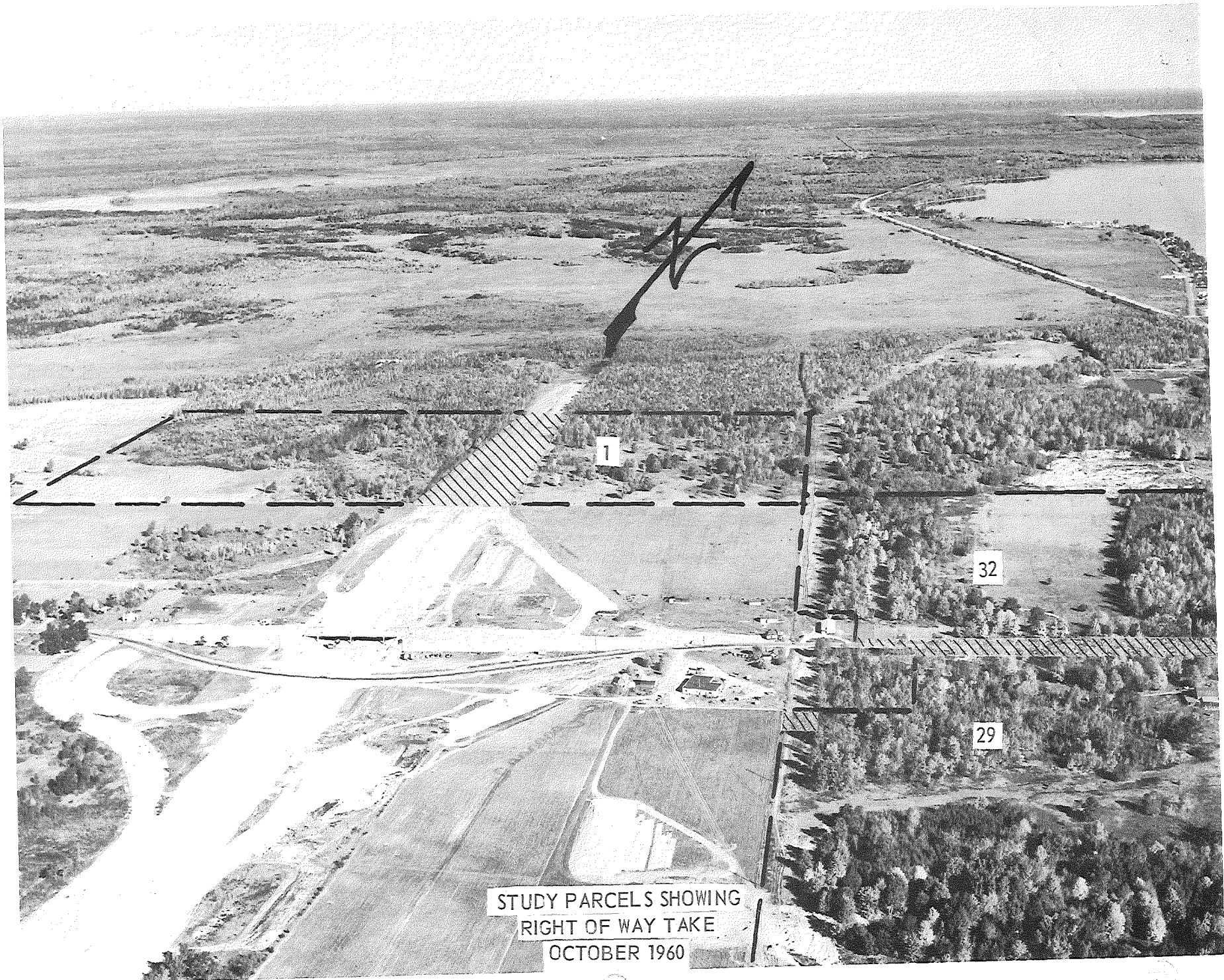
RIGHT OF WAY RESEARCH PROJECT IN COOPERATION WITH
UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF PUBLIC ROADS

October 1960



AREA STUDY MAP

SCALE 0 1 2 3 MILES



STUDY PARCELS SHOWING
RIGHT OF WAY TAKE
OCTOBER 1960

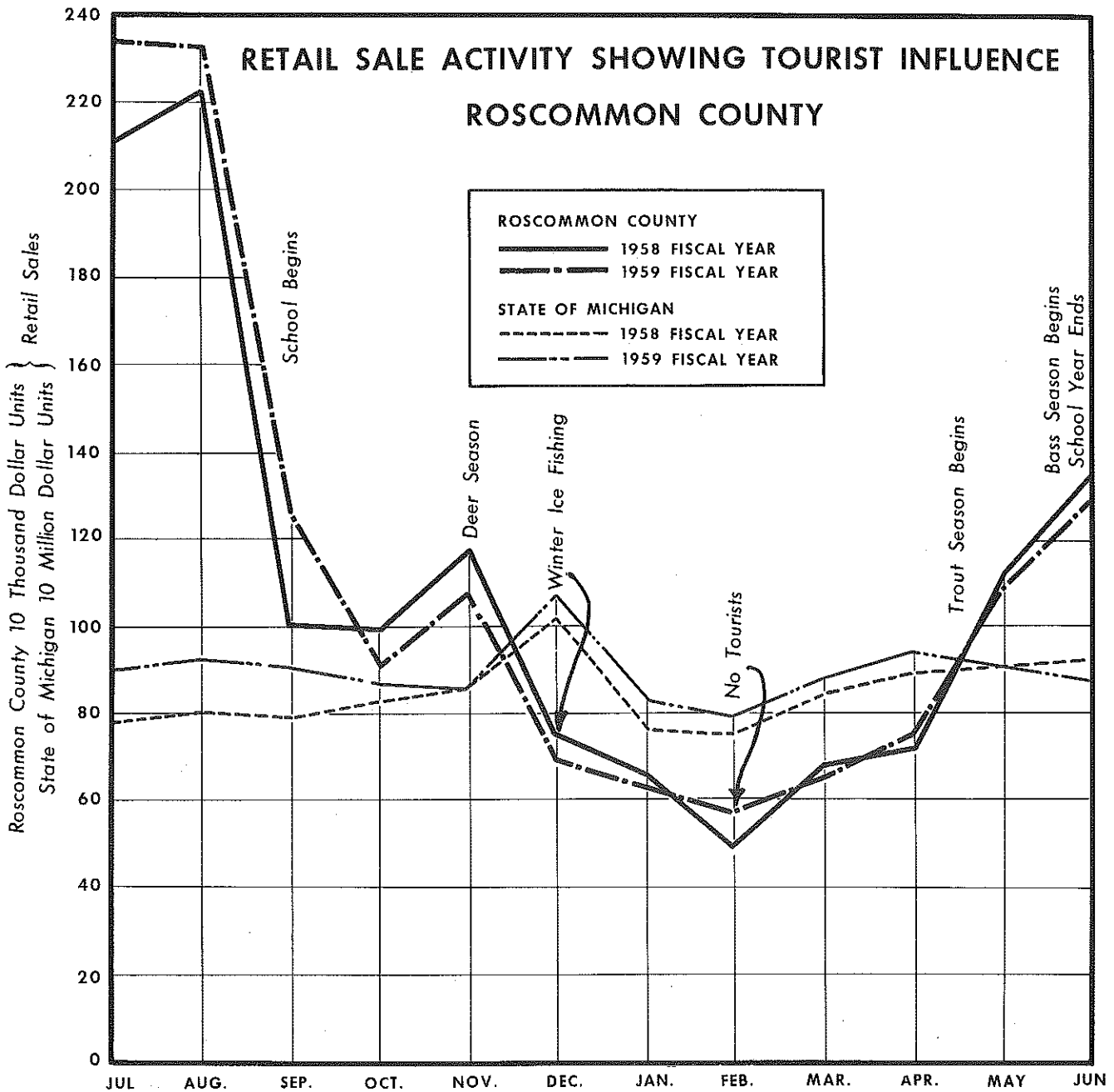
VALUE DEVELOPMENT AT AN INTERCHANGE

This study covers the land immediately adjoining the interchange of US-27 (Relocated) and State Road M-55. The rapidity with which land use and land values change because of highway relocation is demonstrated by the sale of three parcels in close proximity to the interchange.

GENERAL AREA INFORMATION

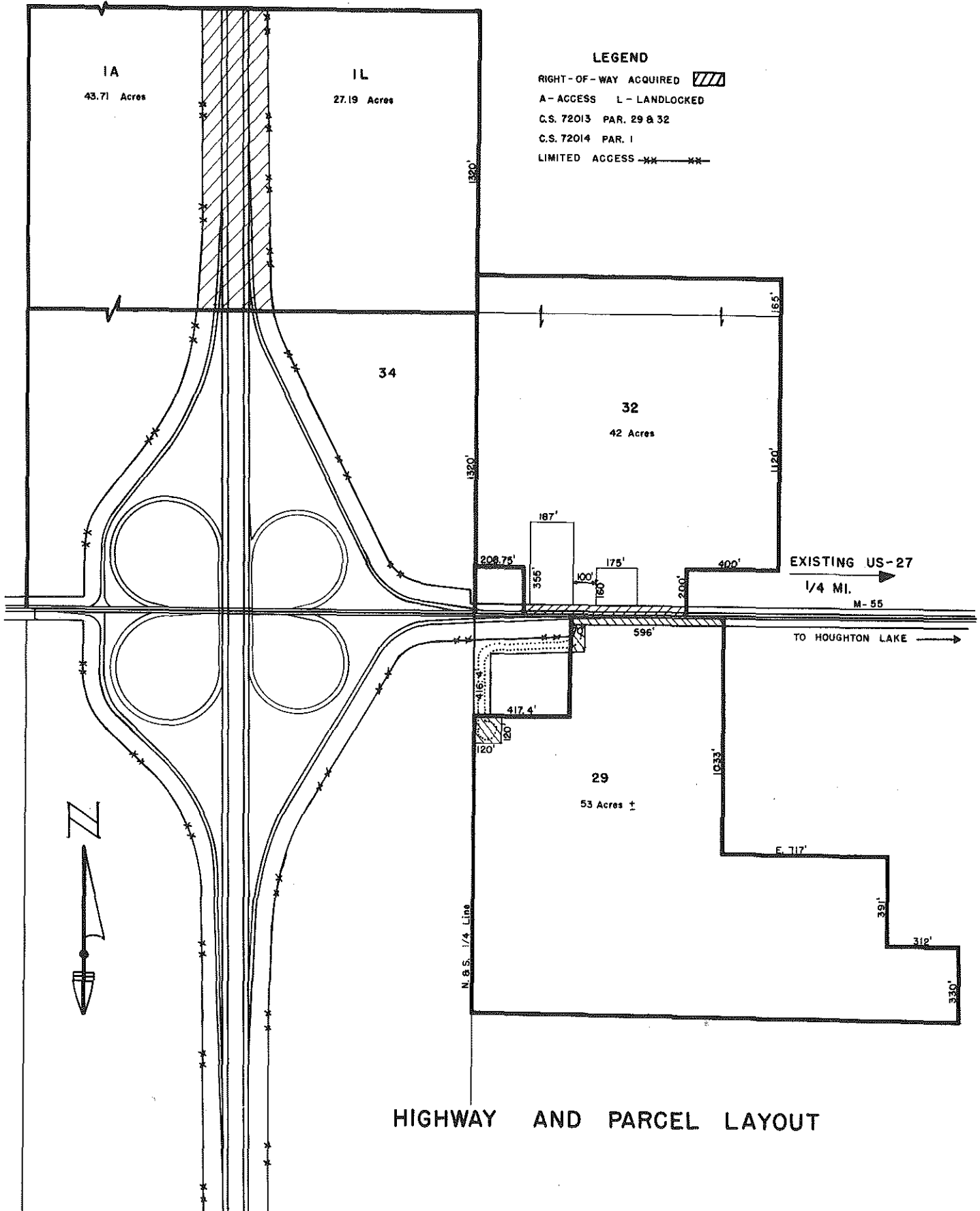
The Houghton Lake area, served by US-27 is a Tourist Mecca. The first tourist invasion takes place with the opening of the trout season and the mushroom season at the end of April. The wave is enlarged as the bass season opens in June. At the same time the families freed from school start flowing into the area and by the time July has arrived the tourist influx is a flood. In September the movement of family tourist dwindles to a trickle but the hunter with a vision of partridge or duck still maintains the rank of the tourist invasion through October. In November a resurgent army of hunters arrive for deer season. As deer season ends, the hunters leave; but the hardy ice fishermen hold on until March when tourists no longer appear.

The impact of the tourist is demonstrated by the gross retail sales in Roscommon County. An examination of this (see Retail Sales Graph) shows 4 to 4.5 times greater amount of money spent in August than in the months of January to March. Retail Sales at a state level place January through March as only six percent less than the month of August.



The Tourist Council estimates that 8 percent of the tourists come to this section, which amounts to three-quarters of a million people.

Examination of the immediate area shows US-27 (present location) moderately well developed with three service stations, seven motels, several restaurants, a bar, and several real estate offices all within one mile of the intersection of M-55.



LEGEND

- RIGHT-OF-WAY ACQUIRED
- A - ACCESS L - LANDLOCKED
- C.S. 72013 PAR. 29 & 32
- C.S. 72014 PAR. 1
- LIMITED ACCESS

1A
43.71 Acres

1L
27.19 Acres

34

32
42 Acres

29
53 Acres ±

HIGHWAY AND PARCEL LAYOUT

EXISTING US-27
1/4 MI.
M-55

TO HOUGHTON LAKE

N.B.S. 1/4 Line



1320'

1320'

1320'

155'

1120'

187'

208.75'

355'

175'

100'

160'

400'

200'

596'

416.4'

417.4'

120'

120'

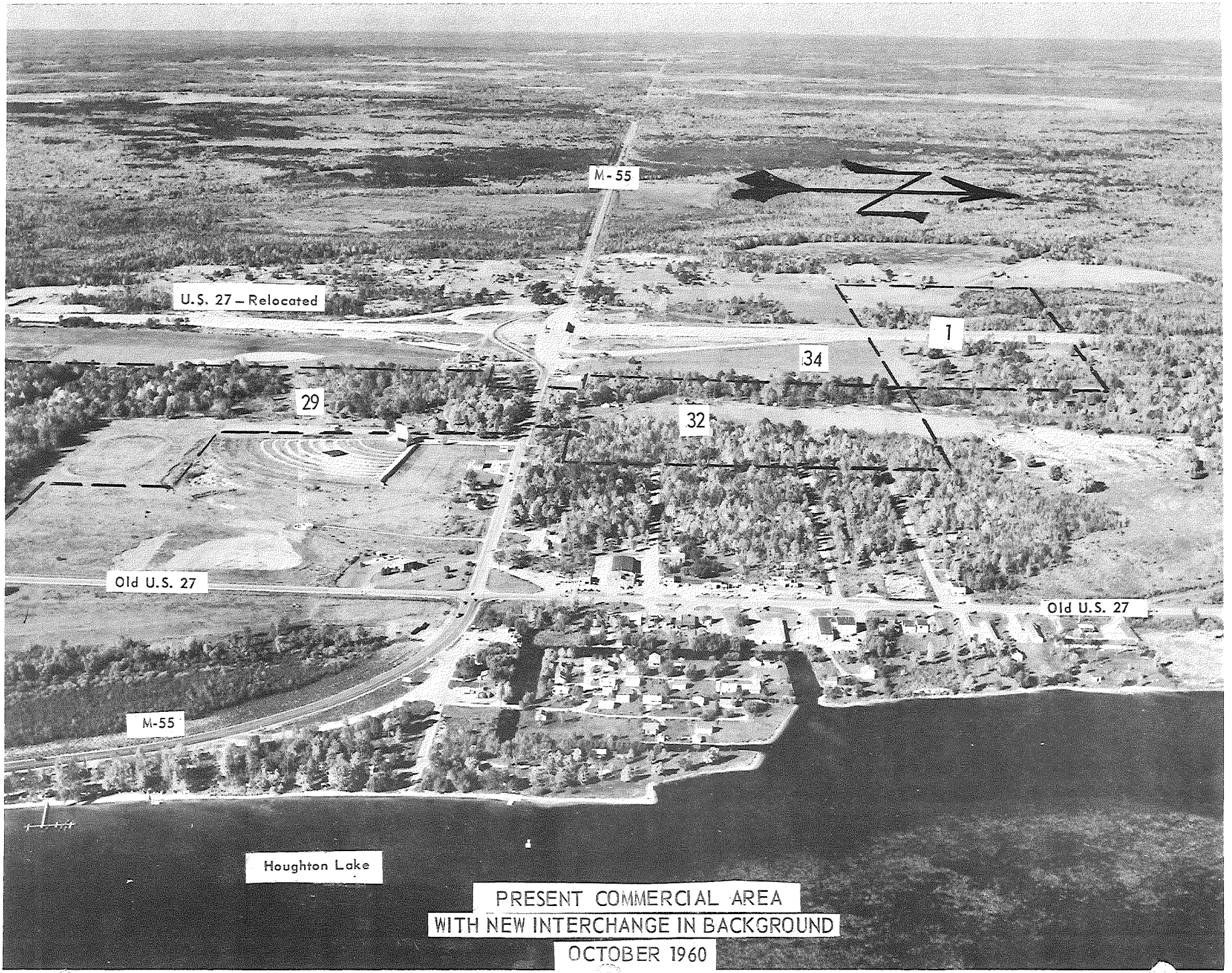
1033'

E. 717'

391'

310'

330'



U.S. 27 - Relocated

M-55

29

34

1

32

Old U.S. 27

Old U.S. 27

M-55

Houghton Lake

PRESENT COMMERCIAL AREA
WITH NEW INTERCHANGE IN BACKGROUND

OCTOBER 1960

ANALYSIS OF APPRAISALS AND SALES

The subject properties were appraised in the month of January 1960 and all sales covered by this study occurred within the next six months. Inasmuch as the time element is so short the appraised before values which were adequately supported by the State Appraiser are used as a base. The before appraised value and actual sale are compared with each other.

The analysis of the estimated before value by the appraiser and the sale of the individual parcels follows:

Control Section 72013

Parcel 29

The appraisal was made on January 22, 1960, and is as follows:

Before Value	
Buildings	\$ 6,000
Land 53 acres with frontage	<u>8,000</u>
Total Value	\$14,000

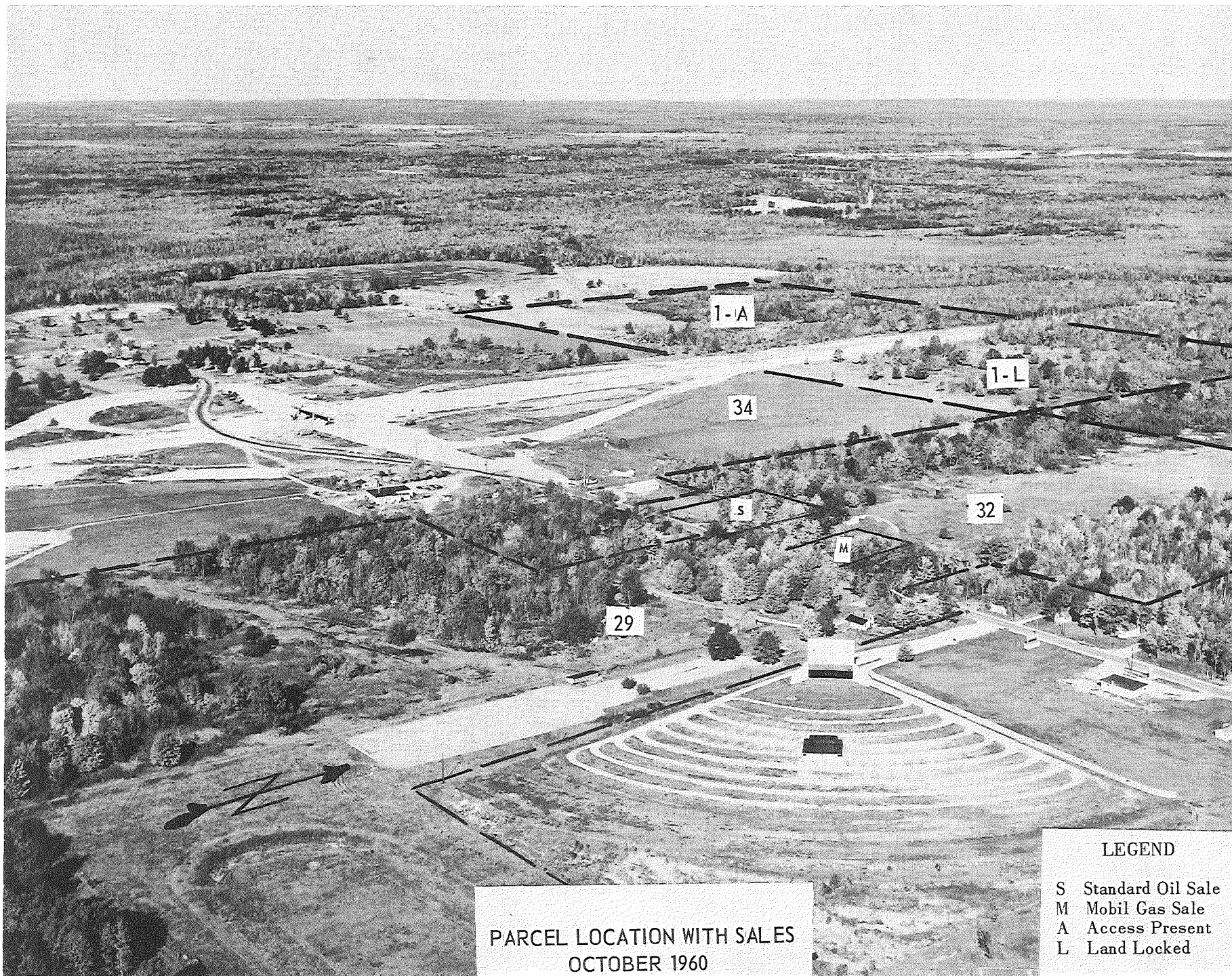
Take 1.14 acres (.45 acres Existing Easement)

After Value	
Buildings	\$ 6,000
Frontage 600 ft.	25,000
Backland	<u>7,500</u>
Total Value	\$38,500

Compensation	-0-
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Settlement - Token Payment	\$150
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On February 24, 1960, the property sold for \$25,000 on a Land Contract with \$7,000 down and \$5,000 per year (L. 166 P. 369). This sale was made prior to the contract letting for the construction. The purchaser now has the frontage listed with a local realtor.



PARCEL LOCATION WITH SALES
OCTOBER 1960

- LEGEND**
- S Standard Oil Sale
 - M Mobil Gas Sale
 - A Access Present
 - L Land Locked

Parcel 32

The appraisal was made on January 13, 1960, and is as follows:

Before Value	
Land Value 42 acres with frontage	\$ 4,000
Buildings	<u>\$ 7,000</u>
Total Value	<u>\$11,000</u>

Take .65 acres (.54 acres Existing Easement)

After Value	
Frontage 710 ft. with buildings	\$35,000
Backland	<u>\$ 2,000</u>
Total Value	<u>\$37,000</u>

Compensation -0-

Settlement - Token Payment \$50

During negotiation for purchase of the right-of-way the owner sold off two parcels for future service stations. The balance of the acreage is being retained for later sale or development by the owner pending better tax advantage.

The sales are as follows:

Sold to Standard Oil Company on April 20, 1960, for \$14,655 (L. 165 P. 298). This parcel has 187 front feet by a depth of 315 feet from the highway right-of-way (1.35 acres). This tract is located approximately 250 feet from the east exit of interchange.

The second sale was made to a representative of Mobil Gas and was by Land Contract. The sale was made in May of 1960 for a price of \$15,750 with \$3,000 down. It has 175 front feet by a depth of 160 feet from the north right-of-way line (.62 acres). The tract lies 100 feet east of the other service station site.

Thus it is noted that the owner has sold a total of \$30,405 worth of land and still has his house with 39 acres of land and 350 feet of frontage.

Control Section 72014

Parcel 1

This parcel does not immediately adjoin the interchange but because it sold and was near the interchange the parcel was included in this study. It involves a landlocked parcel and demonstrates the recovery which may occur on a landlocked parcel. In 1959 the property was listed for \$8,000. At that time there was no knowledge of the highway location.

The appraisal is as follows:

Before Value	
Buildings	\$ 2,700
12 acres @ \$100	\$ 1,200
68 acres @ \$ 50	<u>\$ 3,400</u>
Total Value	\$ 7,300
Take 9.1 acres	
After Value	
Free Access Portion	
Buildings	\$ 2,700
12 acres @ \$100	\$ 1,200
31.71 acres @ \$50	<u>\$ 1,585</u>
Value of Free Access Portion	\$ 5,485
Landlocked Portion East of Highway	
27.19 acres @ \$20	<u>\$ 544</u>
Total After Value	\$ 6,029
Rounded to	\$ 6,000
Recommended Compensation	\$ 1,300

On July 25, 1960, the landlocked portion was sold to the owner of Parcel 34, Control Section 72013 for \$2,500 or \$91.21 per acre. The purchaser bought the property to add to his remaining 17 acres

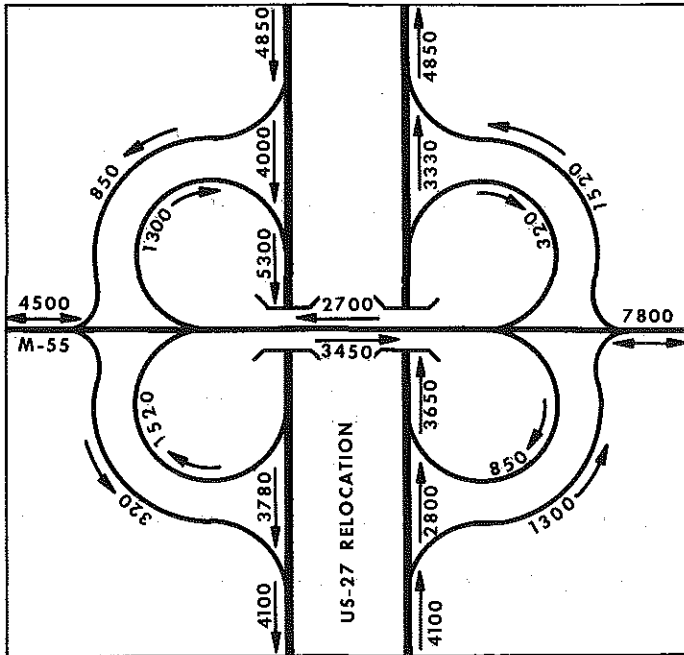
because he wanted to continue to farm and live at that particular location. He also believed the property might be worth more in the future even though he retained only 21 feet of access to M-55.

The balance of Parcel 1 (free access portion) is now listed for \$6,500 by the firm that had previously listed the entire parcel for \$8,000 in 1959.

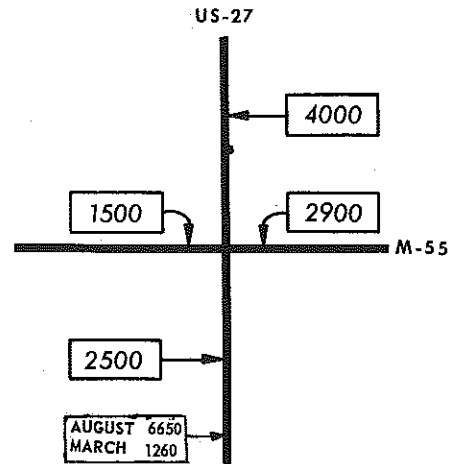
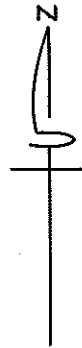
The sales activity of 29 and 32 showed the immediate change of value due to the change in highest and best use at the freeway interchange. The change of value took place when it was evident that the highway would be placed as now relocated and occurred before right-of-way acquisition was complete and before a single bulldozer had moved.

Why is the investor willing to place his money into a property that won't have the flow of traffic by it for eighteen months? A review of the intersection of old US-27 and M-55 shows successful commercial development so it is logical that the new intersection of US-27 relocated and M-55 should equally be successful. Secondly, an examination of the predicted traffic movement shows that one third of the vehicles entering the interchange will make a turning movement. (See Traffic Pattern Diagram). M-55 now moves an average of 1,500 cars per day but by 1978 it will move 7,800 cars per day. US-27 north of M-55 now moves an average of 3,800 cars per day while in 1978 US-27 relocated will move 9,700 cars per day. All of these vehicles will need service and people will be looking for a place to stay or eat.

AVERAGE DAILY TRAFFIC MOVEMENT



US-27 RELOCATED AND M-55
ESTIMATED TRAFFIC FLOW 1978



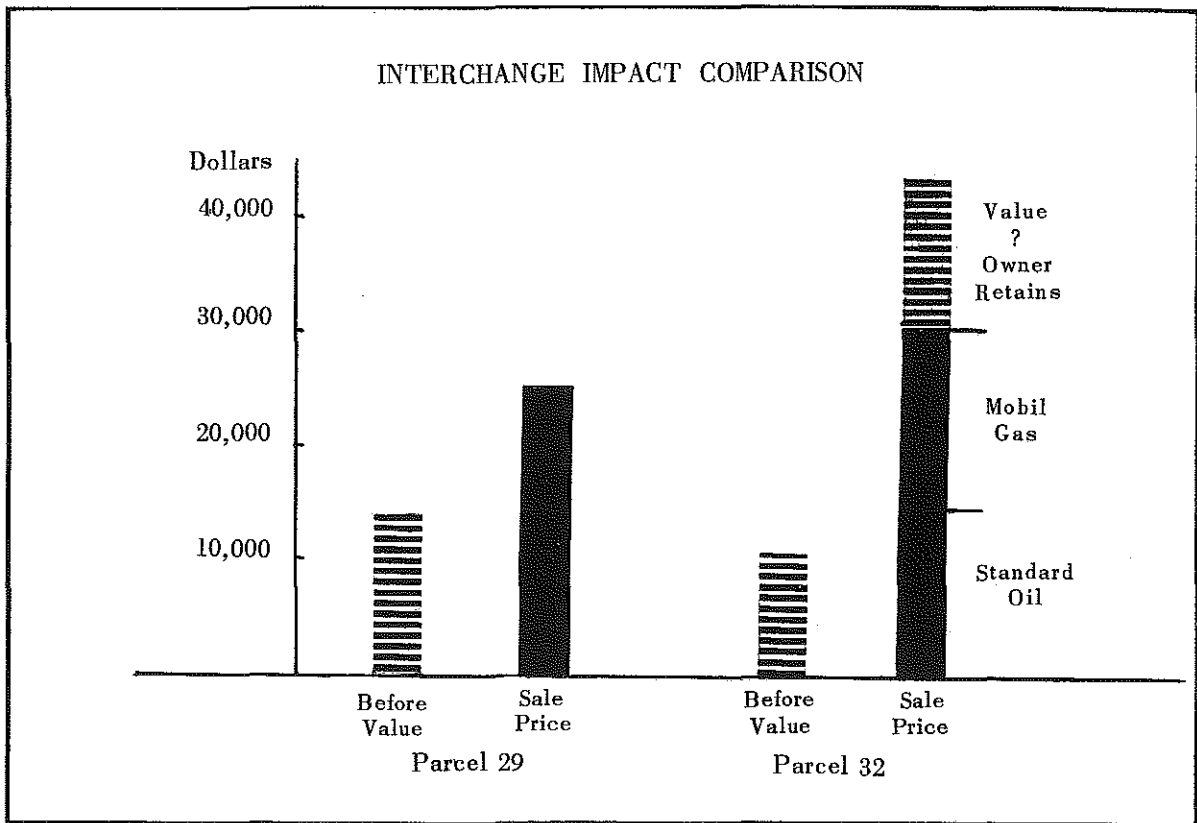
EXISTING US-27 AND M-55
TRAFFIC FLOW 1958

CONCLUSIONS

It is immediately evident that the appraiser was correct in his appraisals in recognizing special benefits when estimating his after value.

The acreage value of parcel 29 increased 1.8 times over its before value while in the case of parcel 32 the owner has already realized 3 times the estimated market value of the original 42 acres and he still has 39 acres which includes his home and 40 percent of his frontage.

INTERCHANGE IMPACT COMPARISON



Thus it is evident that the impact of the highway must be taken into consideration in estimating the after value of a property. Special benefits are demonstrated by increased value and are recognized in the market long before a road carries a single vehicle.

Also, in this study we observed a sale of a landlocked parcel whose estimated before value was \$1360 and whose estimated after value was \$544. The adjoining owner purchased it for \$2500. The purchaser had his property reduced by the highway and he wanted to remain in his present location. As a result he was willing to spend damage allowances to replace it. Thus a landlocked parcel may be of special value to the adjoining owner.