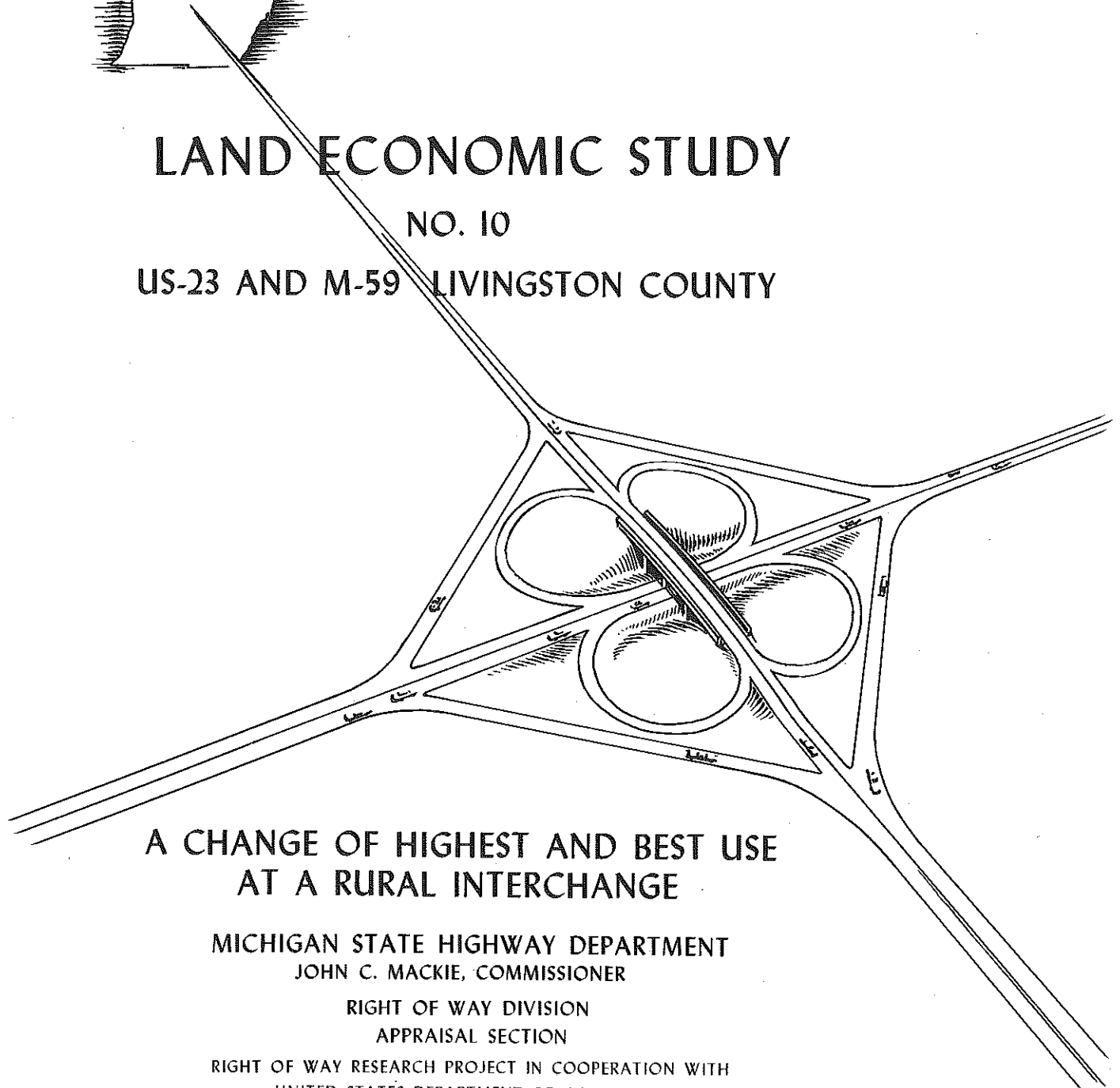


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LAND ECONOMIC STUDY

NO. 10

US-23 AND M-59 LIVINGSTON COUNTY



A CHANGE OF HIGHEST AND BEST USE AT A RURAL INTERCHANGE

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 1962

INTRODUCTION

Michigan State Highway Department studies during the past two years have shown that freeway interchanges at entrances to large cities are good locations for investment.

In almost every instance, there has been a sharp increase in the value of property adjoining these urban interchanges.

Businessmen are spending millions of dollars at these interchange points for construction of gas stations, restaurants, motels, shopping centers and other facilities to serve the public.

Does this same pattern of economic growth apply to property adjoining rural freeway interchanges?

This is the first Highway Department report on the influence of a rural interchange on nearby land.

It reveals a pronounced increase in the value of nearby land more than a year before the interchange was ready for traffic.

GENERAL AREA INFORMATION

The study covers 34 acres of land---known as the Atkins' property---in the northeast corner of a Livingston County interchange connecting the US-23 Freeway and M-59.

The interchange is in a rural community about eight miles north of Brighton and 10 miles east of Howell.

Within a five-mile radius of the property there are approximately 3,250 people (1960 census), an average of 42 people per square mile.

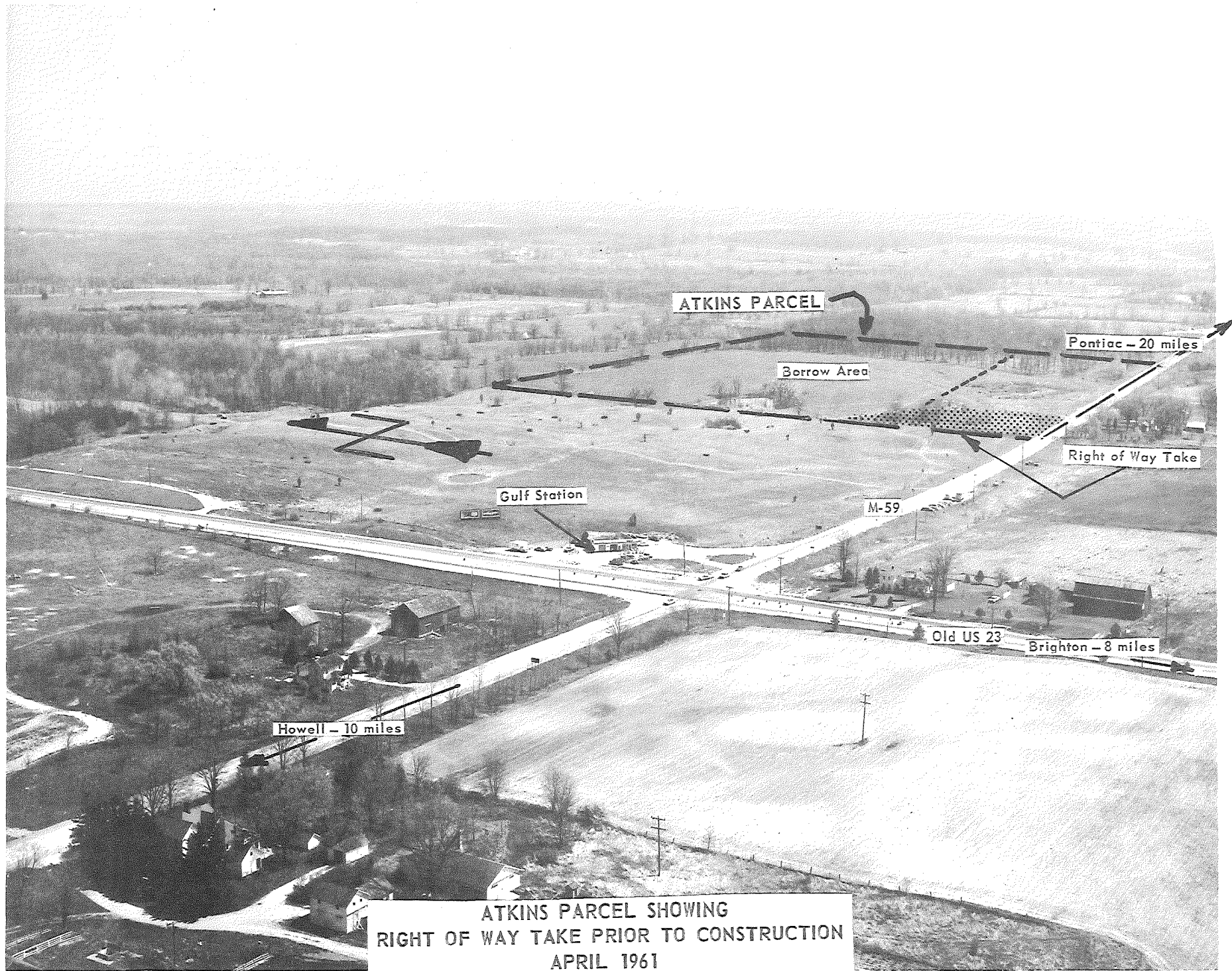
Nearby towns and their populations include:

---Brighton, eight miles south, 2,282 persons

---Howell, 10 miles west, 4,861 persons.

---Highland, seven miles east, 375 persons.

---Fenton, 11 miles north, 6,142 persons.



ATKINS PARCEL SHOWING
RIGHT OF WAY TAKE PRIOR TO CONSTRUCTION
APRIL 1961



ATKINS PARCEL SHOWING
CONSTRUCTION IN PROGRESS
MARCH 1962

The only commercial development in the immediate area of the interchange is a Gulf Oil station about 1,300 feet west of the Atkins' property. (See Interchange and Parcel Map, Page 6).

Across the road from the Atkins' property is a platted subdivision containing 59 lots and improved streets. Although the lots have been on the market for about a year, there is no record of a sale or construction of homes.

Remaining land in the general area of the Atkins' property is basically agricultural with emphasis on family dairy operations.

APPRAISAL AND SALE ANALYSIS

The acquisition appraisal for the Atkins' property, dated March 2, 1960, was based on taking 3.07 acres for highway purposes. This included 1.23 acres for a 70-foot service road.

Appraiser's Evaluation BEFORE Right of Way Acquisition:

34.0 acres at \$450 an acre.	\$14,300.00
Improvements.	none

Appraiser's Evaluation AFTER Right of Way Acquisition:

30.93 acres at \$407.37 an acre.	\$12,600.00
Estimated compensation.	2,700.00

Allocation of Estimated Compensation:

Right of way take: 3.07 acres at \$450 an acre. . .	\$ 1,381.50
Damage to remaining land (irregular shape).	1,000.00
Replacing fence along frontage road	<u>318.50</u>
Total	\$ 2,700.00

No mention was made of two important factors -- the possible influence the interchange would have on the remaining 30.93 acres and that the remaining property would have 600 feet of new frontage on a frontage road

On September 21, 1960, the Highway Department purchased 3.07 acres of the Atkins' property for \$2,700.

In December of the same year, it was decided that the west 23 acres of the Atkins' property were needed for borrow. Estimated compensation for the borrow was \$9,650.

During negotiations for the borrow, the Highway Department learned that the remaining 30.93 acres of the Atkins' property had been optioned by the American Oil Company for \$33,000 who had no knowledge of the highway need for borrow for the grade separation.

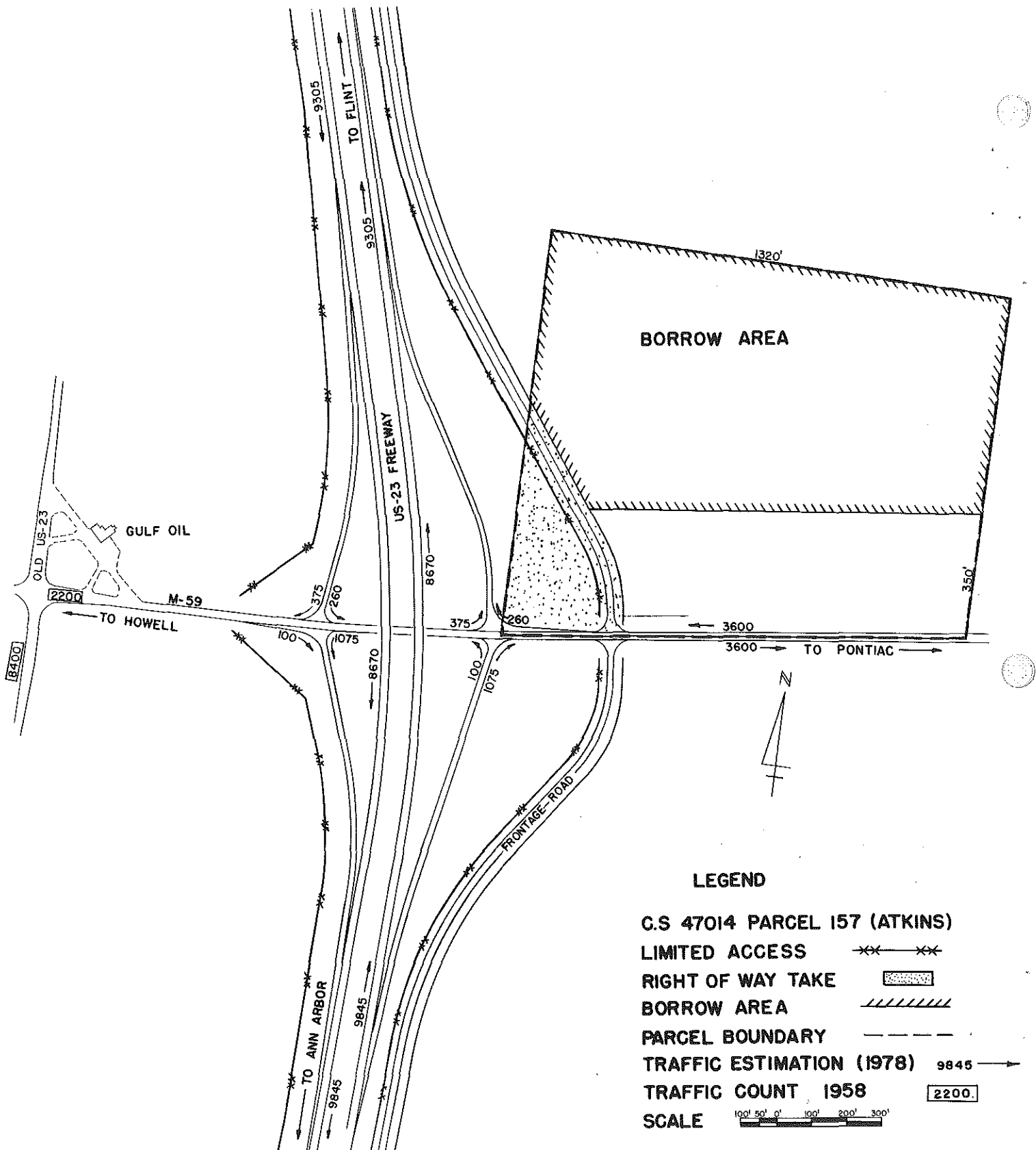
The Highway Department then offered to change the borrow removal to the north 23 acres so that usable frontage would remain intact. Under this arrangement, there would be no compensation for borrow.

Oil company officials recognized that removal of the borrow from the north 23 acres would give them a level piece of property. Accordingly, they exercised the \$33,000 option with Atkins with the understanding that the Highway Department could remove the borrow earth necessary for construction without compensation thereof.

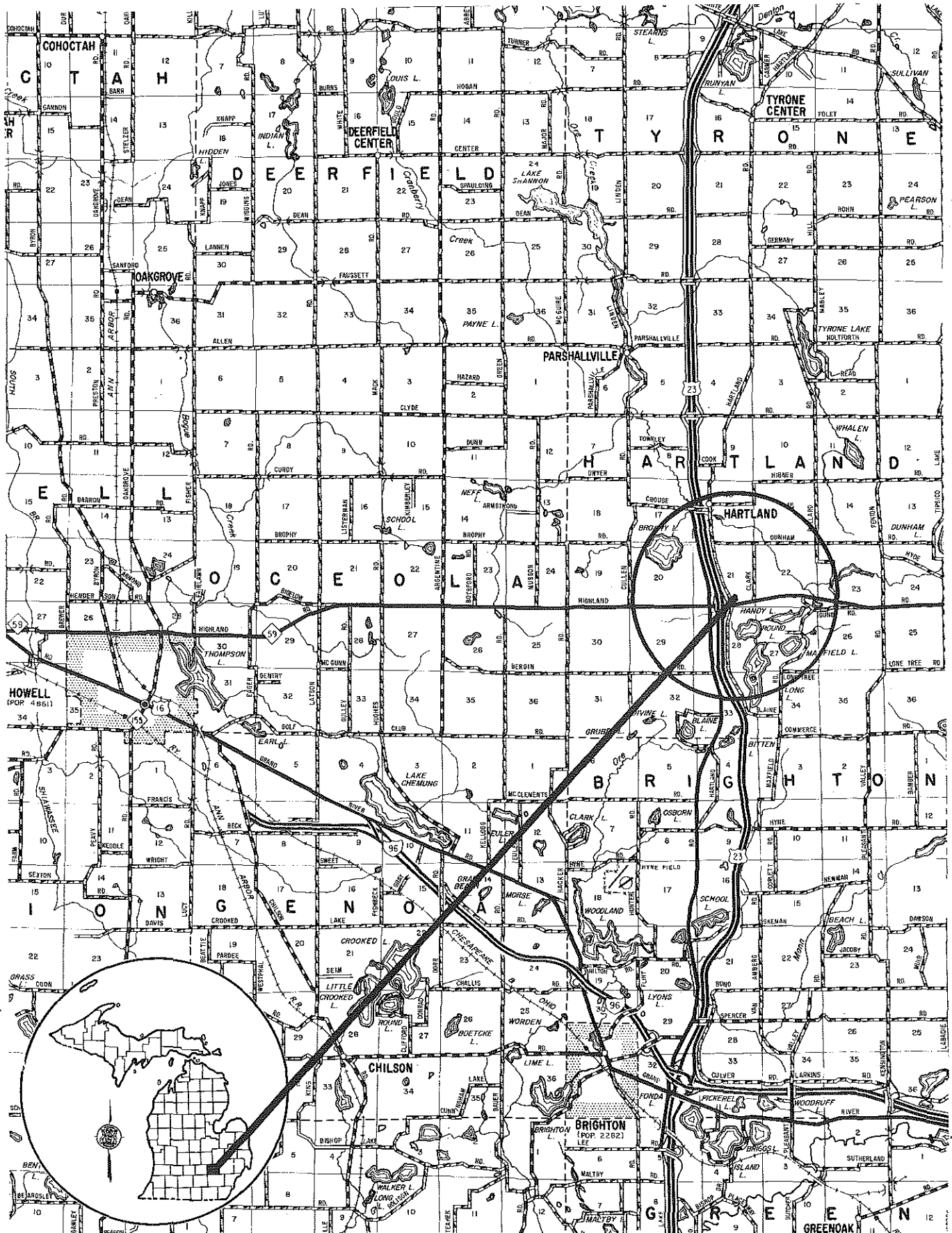
On August 5, 1961, the American Oil Company exercised its option for the remaining 30.93 acres for \$33,000 (Liber 397, P. 374, Livingston County Records).

The property, with 10 to 15 feet of borrow removed, thus sold for \$1,067 per acre, the same as the original option price by the oil company.

This was 137 per cent more than the original appraisal estimate of the property and 162 per cent more than its estimated appraised value of the land after necessary right of way had been purchased.



INTERCHANGE AND PARCEL LAYOUT MAP



AREA STUDY MAP

FACTORS INFLUENCING HIGHEST AND BEST USE

Why was the oil company so willing to invest money for a piece of property that wouldn't have traffic flowing by it for 12 to 18 months?

A review of data available at the time of appraisal revealed a number of facts that serve to answer this question.

Traffic Flow: Highway Department traffic engineers predicted that 24,700 vehicles a day would use the new freeway interchange---17.500 on US-23 and 7,200 on M-59 (See Interchange and Parcel Map, Page 6).

About 2,500 cars entering the interchange each day would make a turning movement that would carry them by the Atkins' property.

Commercial Factors: As noted earlier, the Gulf Oil Company has a gas station on the northeast corner of M-59 and old US-23, the same relative location the new station will have on the freeway.

During 1960, the Gulf station pumped an average of 35,000 gallons a month or 420,000 gallons a year.

With traffic expected to double by 1978, the station on the Atkins' property is certain to prosper.

CONCLUSIONS

The value of the Atkins' property increased 2.4 times in the short period between the Highway Department appraisal and the oil company purchase.

The appraiser's initial damage allowance was erroneous as indicated by the oil company option taken immediately after right of way was purchased by the Highway Department.

The fact that the oil company amended its option with Atkins and relinquishing any claims for borrow compensation indicates that the market value of the remaining 30.97 acres of the Atkins' property was not reduced by borrow removal.

It is evident that this interchange in a rural area enhanced the value of nearby property.

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