THE EFFECTS OF LIMITED ACCESS HIGHWAYS ON ADJACENT PROPERTY VALUES

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The construction of the interstate highway system has brought about a major expansion in right of way acquisition. In the past, right of way activities have played a secondary role in highway construction programs. The construction of new roads was confined primarily to the improvement and upgrading of existing roads. Right of way acquisition dealt mainly with the purchase of adjoining property for widening or minor relocation.

The interstate highways are a new system of federal-aid highways, and about three-fourths of the 41,000 mile system will be totally new roads constructed on new right of way. The Bureau of Public Roads has estimated that right of way for the interstate system will require 1.5 million acres of land and cost over six billion dollars.1 For Kentucky, 700 miles of road has been designated as interstate highways. Since July 1956, the Kentucky Department of Highways has bought about 2,700 parcels of right of way at a cost of $35,237,000, and about two-thirds of the interstate right of way has yet to be purchased or is in the process of being acquired.

With right of way acquisition of such a magnitude for the federal-aid systems, using federal funds, the Bureau of Public Roads has stimulated the states to do research on the effects of right of way acquisition on adjoining property values. Almost all of the states have instituted such research programs. The states and the Bureau of Public Roads want to find out how accurately they and the courts have been in appraising the value of the property taken for right of way and in determining the damages to the remaining property as a result of the highway construction.

To do such research, the Kentucky Department of Highways set up a new research section and is presently performing two such land economic studies. Utilizing highways department personnel, an 18 mile stretch of I-64 from Winchester to Mt. Sterling, Kentucky is being examined in depth. In addition, using an independent appraisal firm, a 40 mile stretch of I-64 in Franklin, Shelby, and Jefferson Counties is being studied and subsequent sales of properties after right of way taking are being analyzed. While this research is still in process and not complete, we can give you an idea of how it is being performed and some of the preliminary findings for the section of road between Winchester and Mt. Sterling.

Our research approach is to study all the parcels severed or significantly affected along a completed section of interstate highway. Most of the other states are analyzing the effects of right of way acquisition on individual cases where there has been a subsequent sale of property. Their aim is to collect a number of individual cases of subsequent sales and to derive common trends and general conclusions from them. Our research approach is slightly different. To better know whether a particular instance of a sale of property is according to a common pattern or is an exception to the rule, we are studying all the properties along a stretch of interstate highway and are examining the effects of the highway on all

these adjoining properties whether or not these properties have subsequently sold. We are also examining the right of way acquisition process used at the time of acquisition to see if it will give us some ideas of how to make our current appraisal and negotiation processes better. By examining subsequent sales of property, we are trying to find better criteria for determining damages and the value of property taken.

Because of their access restrictions, the interstate routes act as natural barriers as did the development of railroad lines. We are trying to find out how adjoining property owners adjust to this barrier. Our research is trying to answer two basic questions. First, what are the economic effects of interstate highways on properties abutting or severed by them? Second, how well did payments to property owners consider these economic effects, and how can we apply these findings to current and future right of way acquisitions?

Four basic sources of information were used to collect data. First, highway department right of way appraisals and payment records were reviewed to find the measurements used in arriving at the amounts paid for the land and damages to the remainder. Second, courthouse records were checked to determine if there had been any sale or purchase of property since the right of way acquisition. Third, to become familiar with the properties, each property was personally inspected by the researchers; and fourth, every property owner in cases under study was interviewed. He was asked whether or not he had sold or purchased, or attempted to sell or purchase, any property since the right of way taking, and if he had had any offers to buy or sell property. He was questioned about what he had done with his property since the right of way taking, and what he intended to do with it in the future. He was also asked to estimate the effects of the new highway on his property.

Along the 18 mile stretch of I-64 from Winchester to Mt. Sterling, seventy-five property owners received payment for right of way taking or damages in connection with the construction of the highway. All cases in which the total property was taken were eliminated from the study since there would be no subsequent effects to study. In addition, cases in which settlements were for less than one thousand dollars and which had little value for research purposes were eliminated. Cases still in litigation were also eliminated from the study. Twenty parcels were eliminated because of one of these reasons. While the research is still quite a way from completion, perhaps we can pass on to you some of our tentative findings.

The severing of properties by limited access highways would normally result in the sale and purchase of properties adjoining the highway. However, we did not realize how extensive such readjustments were. Of the fifty-five cases studied, twenty-four property owners sold one or more pieces of their property affected by the right of way taking. This is about 45 per cent of all cases. In many instances where the highway landlocked a piece of property leaving it without access, the state purchased the tract as a part of the right of way taking. Since our research shows that property owners normally try to sell such property, about two-thirds of the property owners adjoining the highway would have sold some portion of their property as a result of the construction of the highway if the state had not purchased so many of the landlocked tracts.

In twenty-four cases in which there was a sale of property, sixteen were partial sales of property, and eight were sales of the entire remaining property. We found that sales of the whole property occurred either simultaneously with the right of way taking or shortly after. Of the eight cases in which the whole property was sold, six were sold at the same time as the right of way taking or within a couple of months thereafter. For the remaining two properties, one sold nine months after the taking, and the other sold two and one-half years later because of the death of the owner.

Where only a part of the remaining property was sold, twelve of the sixteen sales were parcels separated from the main property. Four of the twelve severed...
tracts that were sold were over 10 acres in size. These four tracts sold within six months after the right of way taking. Sales on the seven severed tracts of less than 10 acres did not occur as quickly since they usually were not a significant part of the farm property. The average time for these sales was one year and four months. For the five properties in which a portion of the main tract was sold, all but one was commercial property and the sales were normal commercial development. These sales of a portion of the main tracts occurred on the average about two years and seven months after the right of way taking.

Since the interstate highway is a limited access highway system, and adjoining property owners do not have the unlimited right to cross or have direct access to the highway, the severing of a portion of property by the highway, in many instances, may cut off access to the severed section except by crossing another person's property. This is what is called landlocking the parcel. In the 18 mile section of I-64 under study, one-third, or eighteen cases, had landlocked parcels as a result of the right of way taking. Should the property owners have retained these landlocked parcels, it is reasonable to expect that they would have tried to sell them. However, in order to keep the property owners from having the problem of trying to dispose of the land-locked property, the highway department offered to buy such landlocked tracts as a part of the right of way taking. Therefore, only five of the eighteen landlocked parcels were retained by the property owners, and all five owners have subsequently sold or traded them. Two owners traded parcels with each other, one was sold in settlement of an estate. The remaining two landlocked tracts belonged to one owner, and he sold them for a profit.

During the course of our interviews, in almost every case, property owners adjoining state held excess property showed interest in purchasing such property from the state. In fact, some of them have written to the highway department indicating their desire to buy the property. Since the state has not yet disposed of the landlocked parcels, and the five sales of landlocked property do not give a definite value pattern, it is not yet possible to determine the extent landlocking a tract damages its subsequent sale value. Our research so far indicates, however, that there is a desire by adjoining land owners to buy such landlocked parcels at a reasonable price.

With the payment to property owners for right of way taken, the owner finds himself in a position of losing land for right of way, perhaps having his property severed by the new highway, and having a cash payment in hand upon which he may have to pay income taxes if it is not reinvested. Therefore, not only does an analysis of the cases show an inclination to sell property, but also it shows a tendency for property owners to buy additional adjoining property. In almost every case, the purchase of additional adjoining land has been property adjacent to the main tract and not to the severed land. Of the fifty-five cases, twelve property owners have bought additional adjacent land. Ten of these purchases were the severed tracts of adjoining property owners.

Thus, there seems to be a definite pattern of property realignment subsequent to right of way taking for limited access highways. Most sales of the total remaining property occur at the same time as the right of way taking. Large severed tracts, if they are going to be sold, usually are sold within about one-half year of the right of way taking. Since they have little money still invested in small severed tracts, property owners take longer or about a year and a half to sell them. Sales of property in the majority of cases are to adjoining property owners whose main parcel abuts the property being sold. We found no cases where an owner of a landlocked or severed tract could not sell his property at what he considered a reasonable price.

In analyzing the sales, we found that a few property owners tended to be very active in buying and selling property after the right of way taking. These owners who did not buy or sell property usually gave one of the following reasons for not doing so: The property had been in the family for years and they wanted
to continue to hold on to it. The farm was tenant operated, the owners lived elsewhere, and they intended to keep it for the present for the investment. The owner had more than one farm and kept the remaining property for the tobacco base and general farming along with the other farms. Some of the owners who kept large severed tracts did so in order to retain the tobacco base. Owners especially retained land near the two cities and at the interchanges, expecting future commercial and suburban subdivision development.

When property owners were questioned about land use before and since the right of way taking, we found that in the majority of cases, land use had not changed significantly because of the right of way taking. The section of route under study runs mainly through farm lands and close to two towns, one of about ten thousand and one of about five thousand people. The majority of cases were farm property where only about 10 to 15 per cent of the property was taken for right of way. In no case did a farmer lose any tobacco base because of right of way taken. One farmer who sold a large landlocked tract of property to the state did lose a proportionate share of his tobacco base with the property. Where large severed parcels were sold there was a readjustment of tobacco base allotments, but where the partial sales were for very small tracts there was no loss of base.

Upon completion of our research we hope to have analyzed a number of other factors such as location, usable acreage, tobacco base, quality of dwelling on the property, layout of remaining property, and access before-and-after taking to see their effects on remaining property values.

One thing that our research has made clear is that while millions of dollars in property damages are being paid to property owners for their land, we do not currently have a scientific way of accurately judging the degree of most damages. Of the fifty-eight cases analyzed, juries decided the value of the taking and damages paid in fifteen instances or 26 per cent of the cases. Nine, or 16 percent, were determined by the county courts, and eleven more went to the county courts for condemnation but were later settled out of court. Thus, about 60 per cent of the right of way settlements were not made by direct negotiations between the highway department and the property owners. Juries and county commissioners, without clear factual measurements of property values and damages, were asked to determine the amount of settlement for the right of way taking for the interstate highway.

The most important single complaint heard from property owners during our interviews was not that they had been unfairly treated, but that they had not been treated equitably in comparison to their neighbors. Sometimes they thought that their neighbors had received too much compared to themselves, and sometimes they felt that their neighbors had not received enough.

We now have about 60 miles of interstate highway under study. We ultimately expect to study the whole system. We hope that the information discovered by our research and the research being done in the rest of the states will develop some valid criteria to better value property taken for right of way purposes and damages resulting to the remaining property because of the construction of the highway.