



RESEARCH SERVICES SECTION

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PROJECT COST:

\$65,000



Researchers analyzed property values in three counties to assess the appreciation rate of adjacent vacant properties.

Best Practices for Advanced Acquisition of Right of Way

What Was the Need?

For transportation projects such as roadway expansions, acquiring the land to build on—the right of way—can be one of the highest expenses. ROWs can be purchased at the time of construction (generally the most expensive option), or Mn/DOT can use various ROW preservation techniques including land-use regulation or negotiations with landowners. Advanced acquisition is the practice of obtaining land well in advance of when it will be needed for a transportation construction project. While this can save money, it can also result in reconveyance, whereby unused land is resold to property owners.

Some recent studies found little financial benefit from advanced acquisition, suggesting that further analysis is needed to ensure that Mn/DOT's current use of this practice is justified. Officials needed to know what circumstances warrant this practice; clearer guidelines for ROW preservation would simplify Mn/DOT's planning processes and save Minnesota money.

What Was Our Goal?

The objectives of this study were to:

- Assess current ROW acquisition practices in Minnesota.
- Investigate the appreciation of land adjacent to transportation corridors.
- Create a model to help project managers make decisions about advanced acquisition.

What Did We Do?

The study employed two surveys. Researchers first obtained information on ROW acquisition processes, including reconveyance rates, from eight Mn/DOT districts as well as Mn/DOT databases. Then they surveyed (typically via mail, but sometimes by phone) officials in 34 Minnesota cities and two counties on their use of ROW preservation tools and ways to improve the ROW acquisition process.

In the second part of the study, researchers selected three transportation corridors from around the state (based on property assessment data availability) to assess the appreciation rate of adjacent vacant properties. They compared groups of parcels located within 100 meters of these corridors to a control group of randomly selected properties from the three counties involved.

What Did We Learn?

A major survey finding was the lack of district-specific guidelines for the use of advanced acquisition and other ROW preservation tools. A majority of districts indicated that guidelines would help district staff make better use of these tools and encourage their consistent statewide application. This majority also asserted that greater use of official mapping—the practice of denoting where future roadways are planned in zoning maps—would result in more effective advanced acquisition, though this practice has been used relatively infrequently.

The Metro District was found to have a disproportionate number of reconveyances: While it accounts for 54 percent of statewide ROW expenditures since 1993, it is responsible for 68 percent of reconveyed parcels. This suggests that Mn/DOT's current acquisition practices could be improved.

“The Minnesota Trunk Highway 36 case study indicates that tracking and purchasing properties with high potential appreciation, such as parcels that are about to subdivide or undergo land use changes, may help avoid higher ROW costs later.”

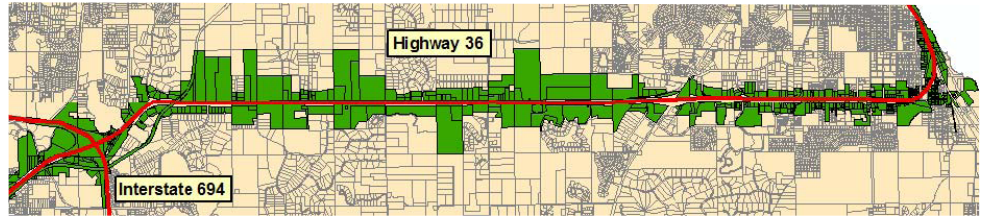
—Rabinder Bains,
Economic Policy Analyst,
Mn/DOT Office of
Investment Management

“This study identified the need for guidelines that can be applied by ROW engineers to determine how and when to use ROW preservation tools.”

—Adeel Lari,
Director, Innovative
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and Local Policy Program,
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An analysis of 380 properties adjacent to Minnesota Trunk Highway 36 in Washington County revealed only a slight advantage in appreciation over those not adjacent: 9 percent in average growth compared to 7.9 percent. Nonetheless, the aggregate value of these properties was three times more than those in the control group in both 1996 and 2007.

The survey of Minnesota cities and counties highlighted the need for improved communication and coordination. Respondents who reported working with Mn/DOT on advanced acquisition noted a cooperative communication process but recommended initiating communication earlier in the roadway planning process to streamline ROW acquisition activities.

Initial findings from the land appreciation analysis were mixed. While researchers found that the average parcel adjacent to a transportation corridor is not a good candidate for advanced acquisition, they speculated that specific property characteristics could have predictive value in identifying categories of properties that appreciate rapidly and offer financial benefits with advanced acquisition.

Researchers tested this hypothesis with a finer-grained analysis of parcels adjacent to Minnesota Trunk Highway 36 in Washington County. The analysis showed that a property being subdivided increases the probability that the property will appreciate rapidly—more than 25 percent per year—by an absolute measure of 33.3 percentage points. This result suggests that Mn/DOT should focus its advanced acquisition activities on properties that are ready to subdivide or are subject to a land use change.

What's Next?

Researchers' recommended next steps include developing:

- Guidelines for use by Mn/DOT districts to increase awareness of ROW preservation tools. The new guidelines will augment the [Mn/DOT ROW](#) manual, which describes how to conduct advanced acquisition but does not provide guidance on when its use is recommended.
- A monitoring program for transportation corridors in the Twin Cities metropolitan area to identify properties that will be subject to subdivision or a land use change. Such a program can be used to identify candidate properties for advanced acquisition in areas where Mn/DOT is planning roadway expansion. Further study would help determine the usefulness of a monitoring program in other areas of the state.