

# TRUST LANDS REAL ESTATE MARKET ANALYSIS



**NORTH DAKOTA DEPARTMENT  
OF TRUST LANDS**

**NORTH DAKOTA STATE  
LAND BOARD**

FINAL REPORT  
AUGUST 19, 2015



# TABLE OF CONTENTS

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INTRODUCTION.....	1
EXISTING AND FUTURE CONDITIONS.....	2
DEVELOPMENT ALTERNATIVES .....	13
SALES AND MARKET ANALYSIS.....	18
DIVISION OF LAND .....	19
SALES PLAN .....	25

## LIST OF FIGURES

---

<i>FIGURE 1 – VICINITY MAP .....</i>	<i>1</i>
<i>FIGURE 2 – TOPOGRAPHY .....</i>	<i>3</i>
<i>FIGURE 3 – FLOODPLAIN AND WETLANDS .....</i>	<i>4</i>
<i>FIGURE 4 – UTILITY LINES AND EASEMENTS .....</i>	<i>5</i>
<i>FIGURE 5 – EXTERNAL ROAD NETWORK.....</i>	<i>7</i>
<i>FIGURE 6 – ACCESS LOCATIONS.....</i>	<i>8</i>
<i>FIGURE 7 – EXISTING ZONING .....</i>	<i>9</i>
<i>FIGURE 8 – FUTURE LAND USE AND DEVELOPMENT ALTERNATIVE 1.....</i>	<i>10</i>
<i>FIGURE 9 – LANDFILL WATERSHED BOUNDARIES .....</i>	<i>12</i>
<i>FIGURE 10 – ACCESS LOCATIONS AND POTENTIAL BARRIERS FOR INTERNAL ROADS .....</i>	<i>14</i>
<i>FIGURE 11 – DEVELOPMENT ALTERNATIVE 2.....</i>	<i>16</i>
<i>FIGURE 12 – DEVELOPMENT ALTERNATIVE 3 .....</i>	<i>17</i>
<i>FIGURE 13 – SALE PRICE ANALYSIS.....</i>	<i>18</i>
<i>FIGURE 14 – POTENTIAL BUYER ANALYSIS.....</i>	<i>19</i>
<i>FIGURE 15 – POTENTIAL ROAD NETWORK .....</i>	<i>20</i>
<i>FIGURE 16 – POTENTIAL DIVISION OF LAND .....</i>	<i>21</i>
<i>FIGURE 17 – POTENTIAL LAND DIVISION BY FUTURE LAND USE .....</i>	<i>23</i>
<i>FIGURE 18 – ALTERNATIVE LAND DIVISION BY FUTURE LAND USE .....</i>	<i>24</i>

# FINAL REPORT FOR TRUST LANDS REAL ESTATE MARKET ANALYSIS – BURLEIGH COUNTY

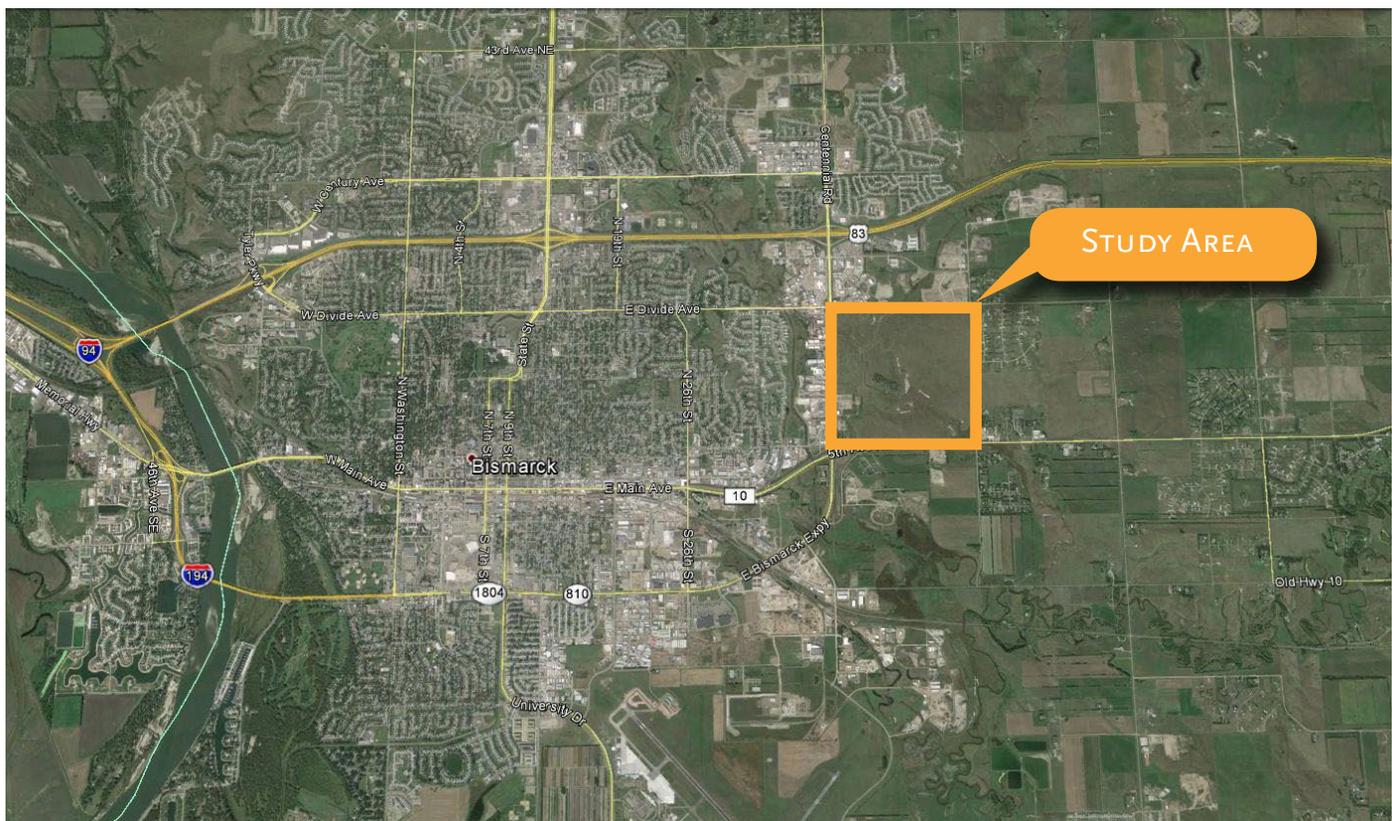
## INTRODUCTION

### *HISTORICAL BACKGROUND*

Section 36 Township 139N Range 80W in Burleigh County has been managed by the Board of University and School Lands since the state's inception. The Department of State Trust Lands is charged with management of these properties with the intent of maximizing the income received from them in order to maximize the benefit to the Common Schools Trust Fund.

The Department and the State Land Board have long recognized the special situation of this tract because of its location at the eastern edge of the city of Bismarck (See Figure 1). Past studies have investigated various aspects about the potential sale of this land because it has been recognized that sale of the land would likely produce more monies than can ever be realized through the ongoing rental of the pasture land.

*Figure 1 – Vicinity Map*



## *STUDY OBJECTIVES*

The objectives of this study are to:

- » Conduct a market study which identifies the potential sales value of land in Section 36 and recommend how the land should be divided for sale.
- » Provide a recommended sales plan with a timeline for each recommended tract of land.

## EXISTING AND FUTURE CONDITIONS

### *NATURAL CONDITIONS*

Section 36 has natural features which impact the way it is likely to be developed. Figure 2 illustrates steep slopes that preclude development of any type without cutting and filling. Figure 3 depicts the drainageway that meanders from north to south through the Section. This drainageway has been mapped with floodplain and floodway, which essentially divide the Section into three parts. The national wetlands inventory indicates two areas as wetlands, but there are likely other low lying areas that are also wetlands.

### *UTILITY LINES AND EASEMENTS*

The most physically obvious features of Section 36 are the electrical substations, transmission and distribution lines which spread across the western and northern sides of the site. There are additional underground utility lines and easements. Figure 4 illustrates the centerlines of the above ground lines along their easements, and the location of easements for underground utilities.

Figure 2 – Topography



Figure 3 – Floodplain and Wetlands

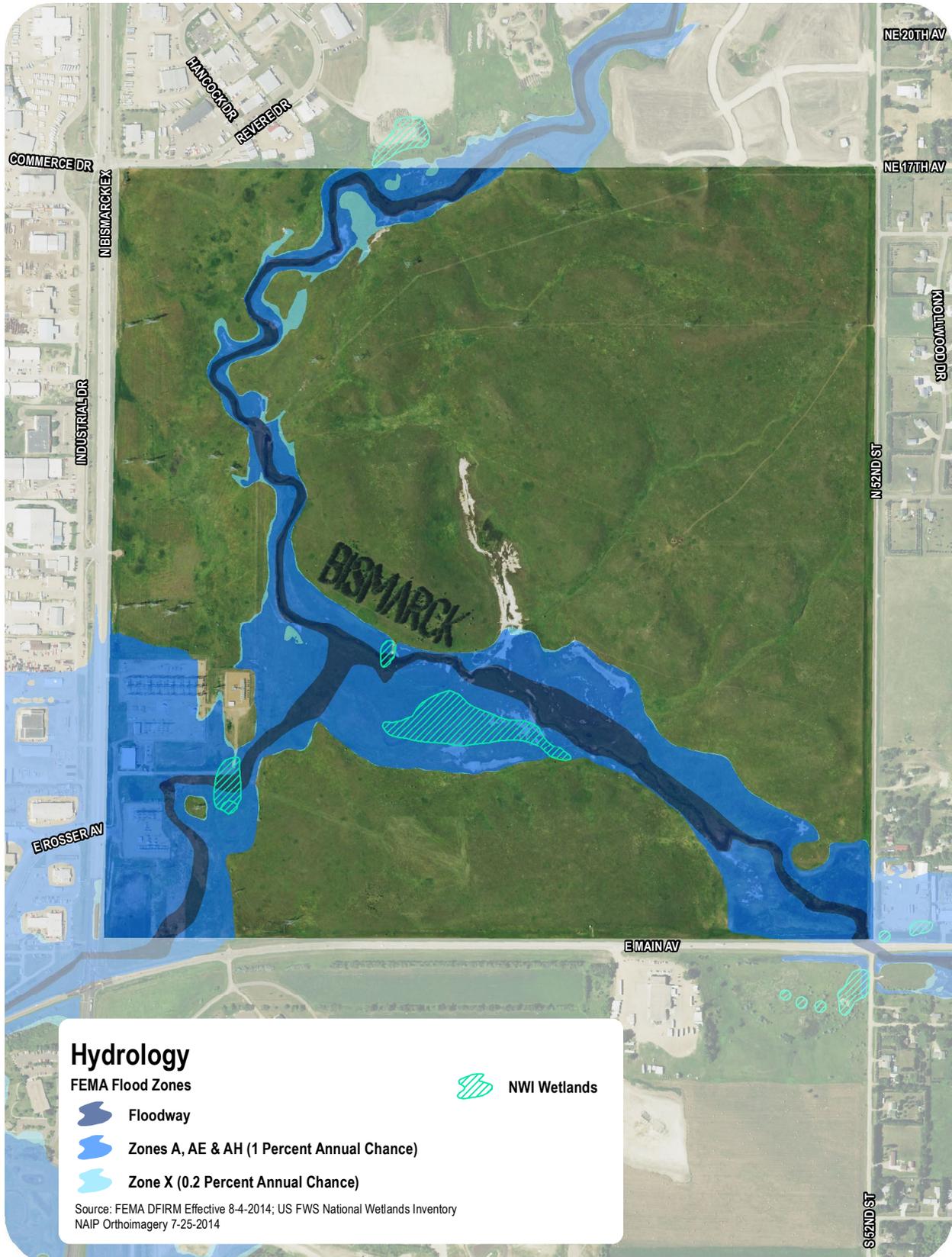
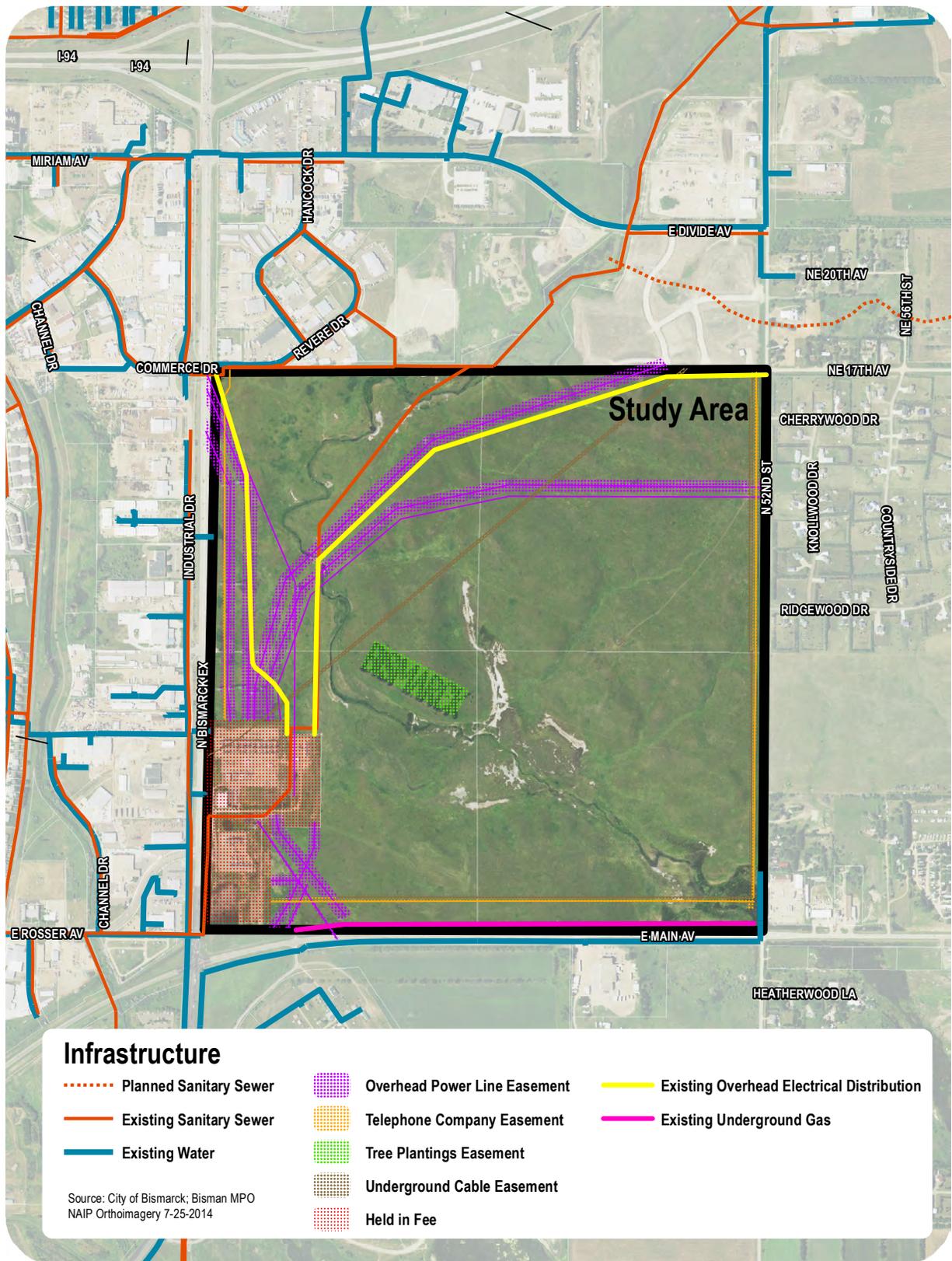


Figure 4 – Utility Lines and Easements



## ***EXISTING AND FUTURE WATER AND SEWER***

Development will require access to municipal sewer and water. As can be seen in Figure 4, a major sewer line roughly parallels the drainageway for much of its length in Section 36. The sewer line has capacity to serve almost the entire Section by gravity. The only location where this is not likely is in the southeastern corner of the site. Figure 4 also shows the existing water distribution system already in place around the Section. When Divide Avenue is relocated to the north section line of Section 36, a trunk line will be installed to connect to the existing water trunk line that runs up to the landfill along 52nd Street. When development occurs within the Section it will be relatively easy to install internal local water mains along the new internal streets.

## ***EXISTING AND FUTURE TRANSPORTATION***

Roadways already exist on the west, south and east section lines. Additionally, as inferred previously, Divide Avenue is planned to be realigned to the north section line of the site (See Figure 5). Therefore, access will be available from all four sides of the site. Expressway Boulevard and East Main Avenue are both already principal arterials in the Bismarck transportation network. The realigned Divide Avenue is planned to become a major parallel route for development on the south side of I-94 and will extend all the way east to the planned new interchange at 66th Street. The 2040 Long Range Transportation Plan suggests that east-west and north-south collector roads may be appropriate within the Section. However, the topography within the Section may limit the practicality of this suggestion. Because of planned status as arterial roadways and existing conditions at the perimeter of the site, access locations will be limited. Figure 6 illustrates existing access locations and potential future access locations.

## ***EXISTING AND FUTURE LAND USE AND ZONING***

Existing land use on the west and north sides of Section 36 is light industrial or heavy commercial in character where the land is already developed. The south side has some light industrial development and the remaining land is part of the Burleigh County Missouri Valley Complex. It is feasible that more industrial development will also occur on the south side. The east side has some rural residential and minimal light industrial or heavy commercial development. The remaining land on the east side is currently being used for agricultural.

Figure 7 illustrates the existing zoning in the vicinity of Section 36. The Section itself is zoned Agriculture. In order for development to take place in the Section, it will have to be rezoned. Adjoining zoning to the west, north and half of the south side are all MA. This zoning district provides for a broad range of land uses that are industrial in nature, but does not allow the more intrusive uses that are not good neighbors. The majority of the land to the east is zoned rural residential or agricultural. According to the Future Land Use Map and the Bismarck Growth Management Plan of 2014, the undeveloped land on the east side is expected to be developed primarily into urban low-density residential uses. The underlying future land use identified by the 2014 Bismarck Growth Management Plan calls for industrial development on the west and south, for a business park in the northeast and medium density residential on the remainder of the east side (See Figure 8).

When proposed zoning is consistent with the Future Land Use Plan, developers are reasonably assured of the types of development they can complete. If development on the west and south sides of the Section were to follow the guidance of the future land use map, one option would be for it to be zoned MA similar to the land just across Expressway to the west. The MA District allows the most commercial activity while in an industrial zone, providing considerable flexibility for different uses.

Figure 5 – External Road Network

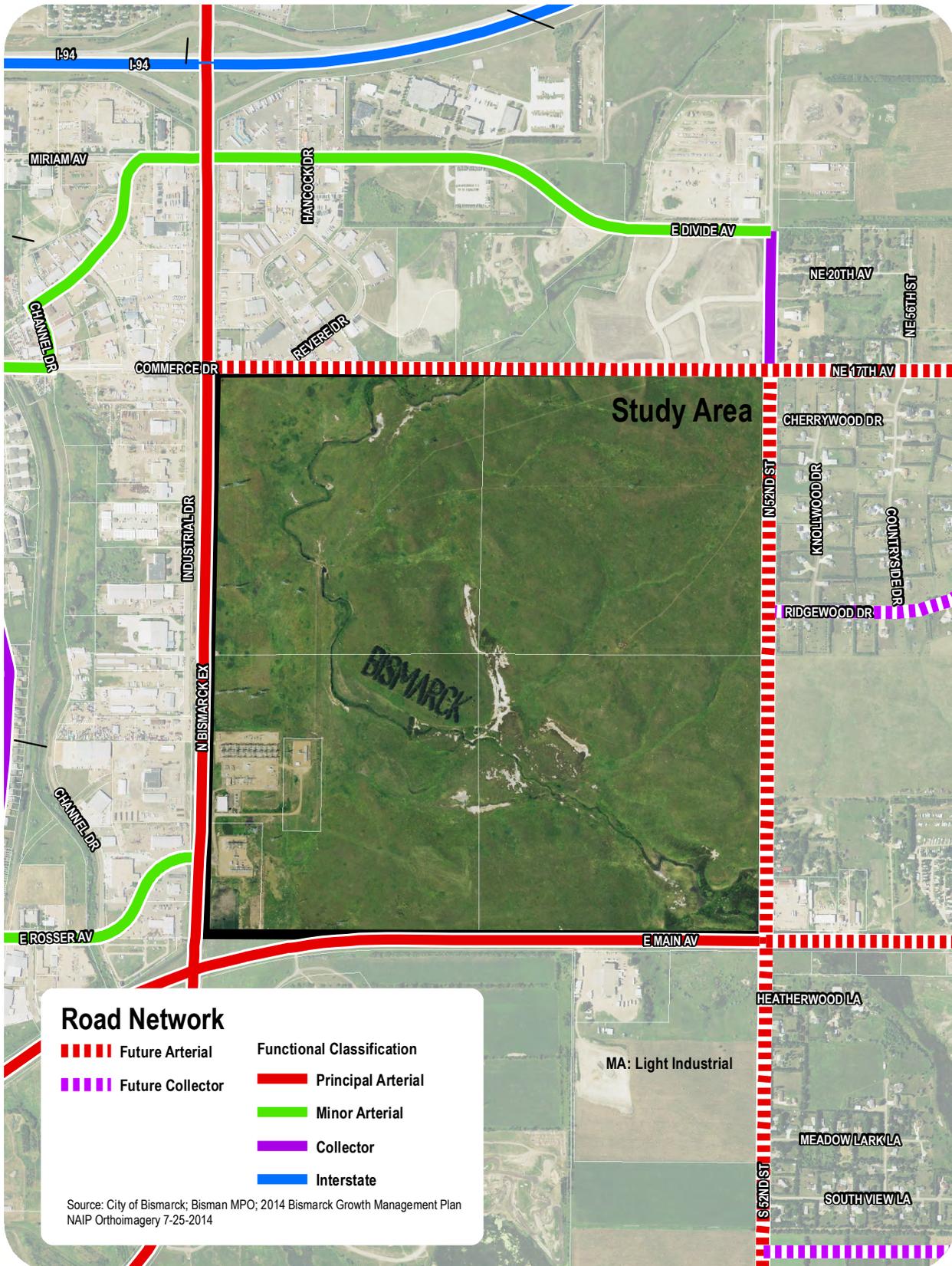


Figure 6 – Access Locations

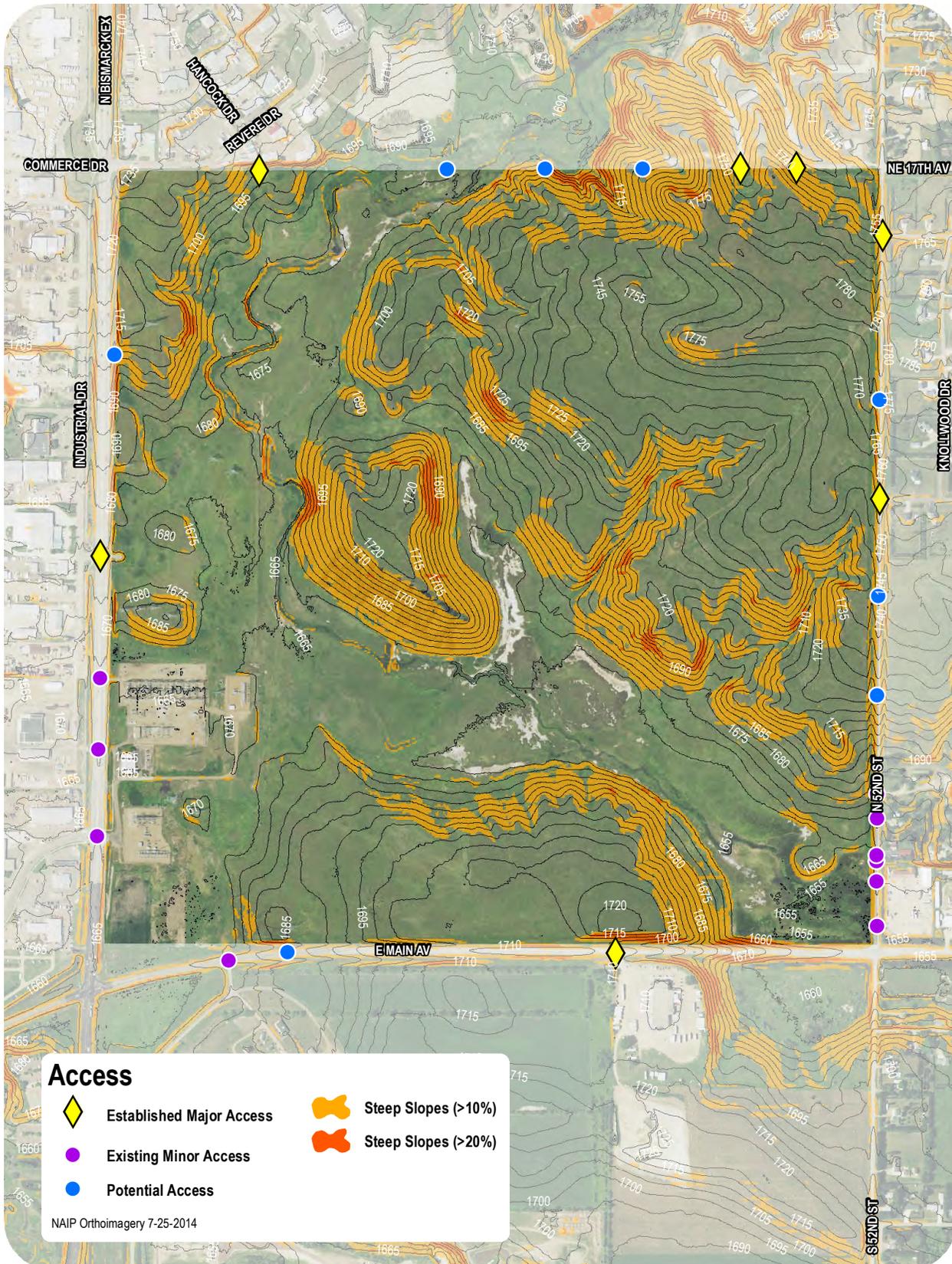


Figure 7 – Existing Zoning

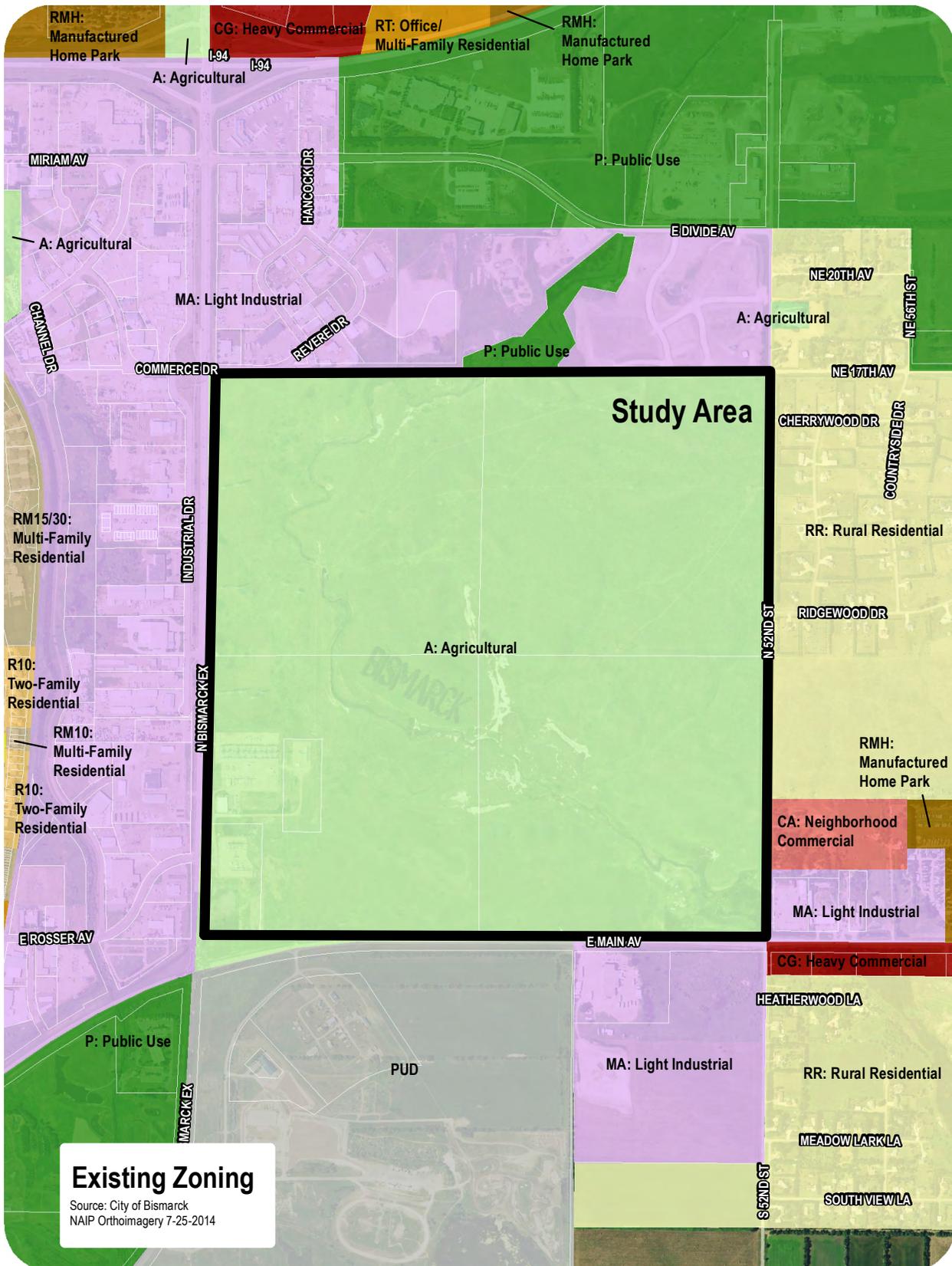


Figure 8 – Future Land Use and Development Alternative 1



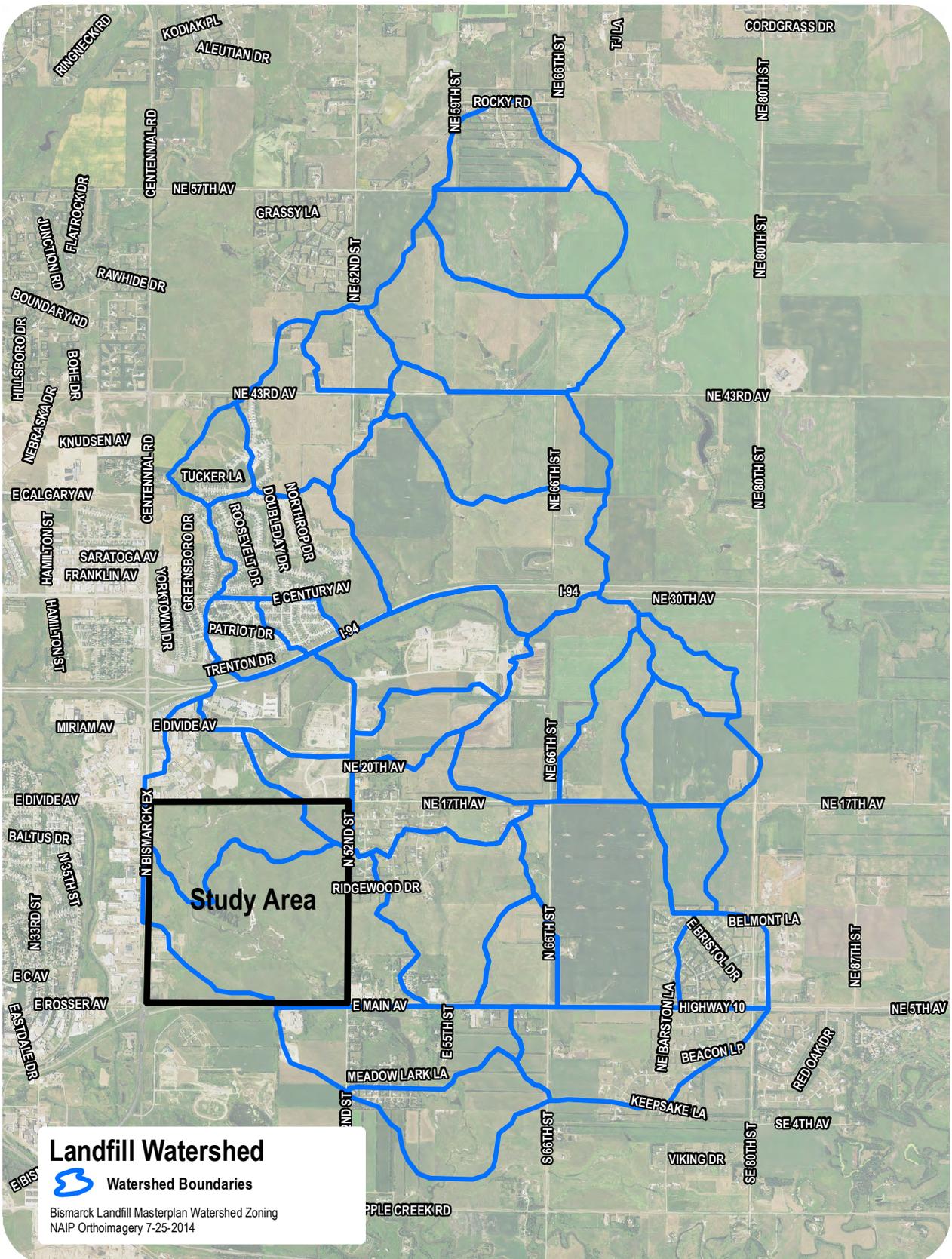
## *STORM WATER PLANS*

A concept-level regional storm water master plan was completed in 2004 for the area known as the Landfill Watershed, which includes Section 36. Figure 9 illustrates the Landfill Watershed, its subwatersheds and the location of Section 36 in this watershed.

Bismarck Director of Utility Operations Keith Demke has indicated that the existing Regional Storm Water Master Plan needs to be updated because significant additional development has occurred within the watershed since 2004 and a new Future Land Use Plan has been adopted by the City of Bismarck. The update would be completed at a more technical level and would include an analysis of water detention needs for Section 36, and appropriate elevations for water storage and potential road crossings. The update would show locations for regional storm water detention areas and conveyance areas, and it would also provide an implementation strategy. The benefit to the Department of Trust Lands for the completion of such a plan is that it provides an overall framework for storm water management of individual developments and plats within Section 36. The update may also provide a basis for the City to purchase land that is not highly developable.

It is reasonable to expect that a regional storm water detention pond of a yet unknown size would be needed in the southeast corner of Section 36. It is the City's practice to acquire land needed for regional storm water ponds in similar situations. If the Regional Storm Water Master Plan were updated, it would provide more guidance on the location of appropriate boundary lines for tracts abutting the drainageway within Section 36. Director of Utility Operations Keith Demke has indicated that the City of Bismarck will update the relevant Regional Storm Water Master Plan over the next several months. The plan is anticipated to be updated in spring 2016.

Figure 9 – Landfill Watershed Boundaries



## DEVELOPMENT ALTERNATIVES

### CONSTRAINTS

Any wise development is completed in the context of its constraints and opportunities. Constraints help to define the rational options for development patterns and sometimes suggest the type of development as well. This section of the report identifies the constraints of the site and its vicinity, and discusses implications of these constraints.

### ACCESS LOCATIONS

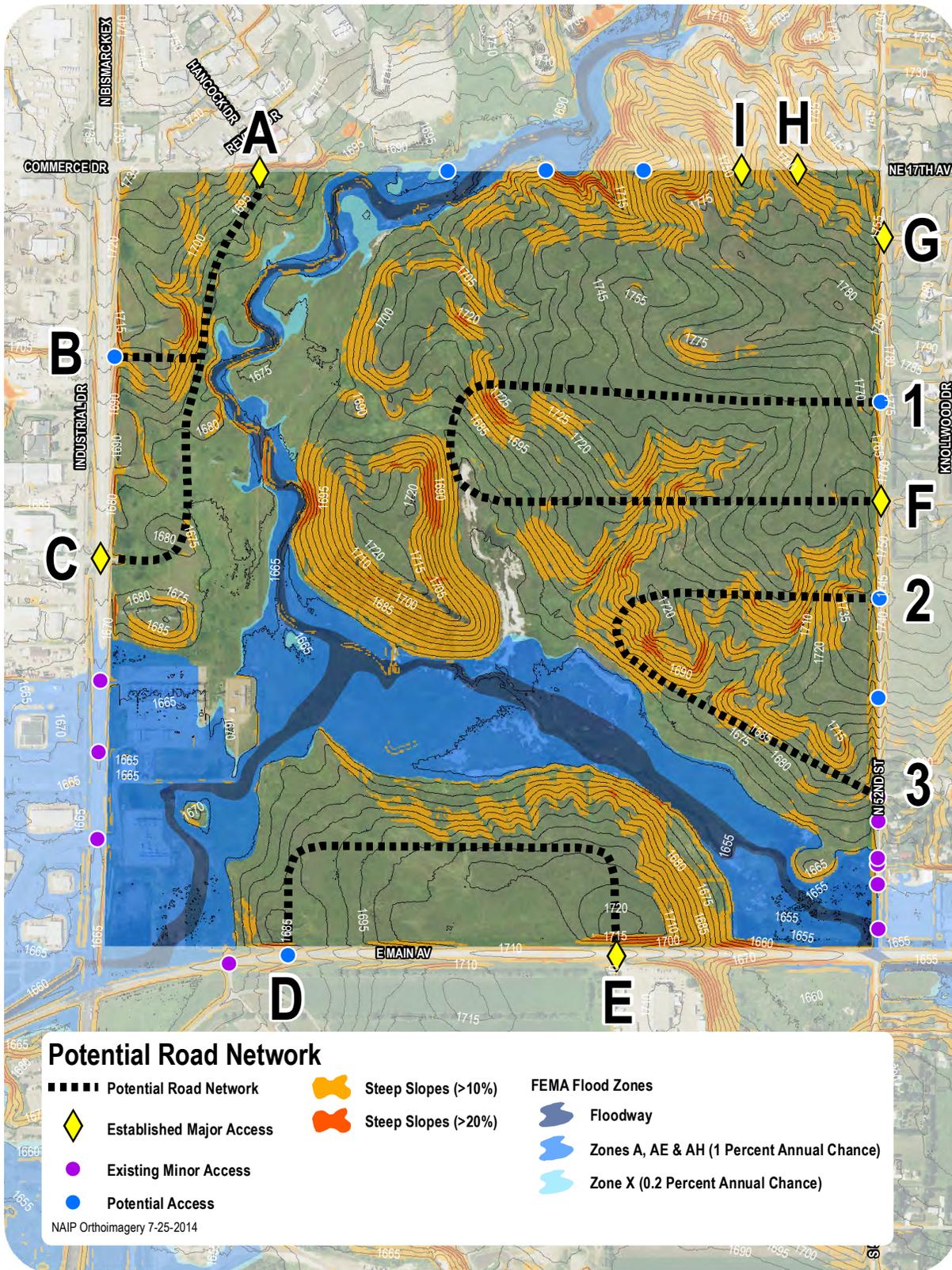
Access locations at the perimeter of the site are a significant determinant in the location of collector roads within the Section. The primary factors that influence access locations for the Section are steep slopes, access spacing guidelines established by state and local governments and the barrier created by the drainageway and the related floodplain and floodway within the site. Figure 10 identifies potential access points based on spacing guidelines for each Section line bordering the site and on existing slope conditions. Access along Expressway is likely to be limited to one point, which does not already exist. Two reasonable options for this access are identified as Point B and Point C in Figure 10. The benefit of Point C is that it already provides access to the west, and provides pasture access to the east. The benefit of Point B is that it is closer to the main area likely to be developed on the west side of the Section, which would potentially reduce the cost of road development for a developer along the west side of Section 36. It is possible that access at Point B would only be allowed as a right in-right out access point.

The most recent Long Range Transportation Plan indicates the expectation of north-south and east-west collector roads being developed in Section 36. The floodplain and steep slopes act as a barrier to through roads running north-south and east-west. Additionally, development in the floodplain creates impacts on other developable land. In order to minimize those impacts, a crossing location at a narrow point in the floodplain would be preferable. Bismarck Traffic Engineer Mark Berg highlighted the benefit of an east-west collector being the ability to reduce indirect travel and shorten trips that for the next twenty years are likely to be primarily in a westward direction from Section 36. The need for a north-south collector road is less clear, and likely would not be pursued in most development concepts.

### FLOODPLAIN

The 100-year floodplain impacts development on the site in several ways. First of all, it is low land that is subject to flooding. Second, because of its potential for flooding it is less valuable and less developable. The floodway itself must be protected from any development. The total amount of land in the floodplain is approximately 165 acres. The total amount of land in the floodway is 30 acres. Because the Future Land Use Plan calls out the bottomland running through Section 36 as Conservation land it suggests that this land should not be developed. The amount of land shown as Conservation is 130 acres.

Figure 10 – Access Locations and Potential Barriers for Internal Roads



## *EASEMENTS AND UTILITY LINES*

Figure 4 identified existing easements, transmission, distribution and utility lines which cover a significant part of the Section. The southwest corner contains land owned by other parties and is the least developable because of the density of existing powerlines. These existing conditions limit the options for development in parts of the Section, and reduce the value of land in those areas. Our expectation is that land in the northwest is highly developable, and that land south of the powerlines on the east side is also highly developable.

## *LAND USE OPPORTUNITIES AND ALTERNATIVES*

The Future Land Use Plan illustrates one potential development pattern that could occur on the site (See Figure 8). The Future Land Use Plan identifies development along the west and south sides of the site very broadly by calling it industrial. In some ways the term industrial is more constraining than the Bismarck Zoning Districts associated with industrial development. This is because the industrial zone in place for land at the perimeter of the north and west sides of Section 36 is MA. This, as previously noted, allows a wide range of commercial land use activities in addition to the land uses associated with activities typically considered industrial. The Future Land Use Plan identifies development in the northeast corner of the site as a business park. This term could apply to a variety of uses ranging, for example, from freight transfer locations to corporate headquarters. Land located just north of the business park area of the site is also labeled business park in the Future Land Use Plan and is being developed under the MA zoning category. The Future Land Use Plan identifies the remainder of land on the east side of the Section as medium density residential. This does not mean residential development has to all be medium density; instead, it means that the average density works out to 6-7 dwelling units per acre.

Additional opportunities for development outside the land uses identified in the Future Land Use Plan include:

- » Either high-density residential or retail/service center in the northwest corner of the site.
- » High-density residential located behind commercial development on the south side of the site.
- » Larger area of residential development on the east side of the site mixed with a neighborhood commercial center.

These concepts are illustrated in Figures 11 and 12. Ultimately, the choice of land use will be determined by developers and the City of Bismarck. But understanding potential land use scenarios helps to identify appropriate divisions of the land for sale and suggests potential timetables for sale and development.

Figure 11 – Development Alternative 2

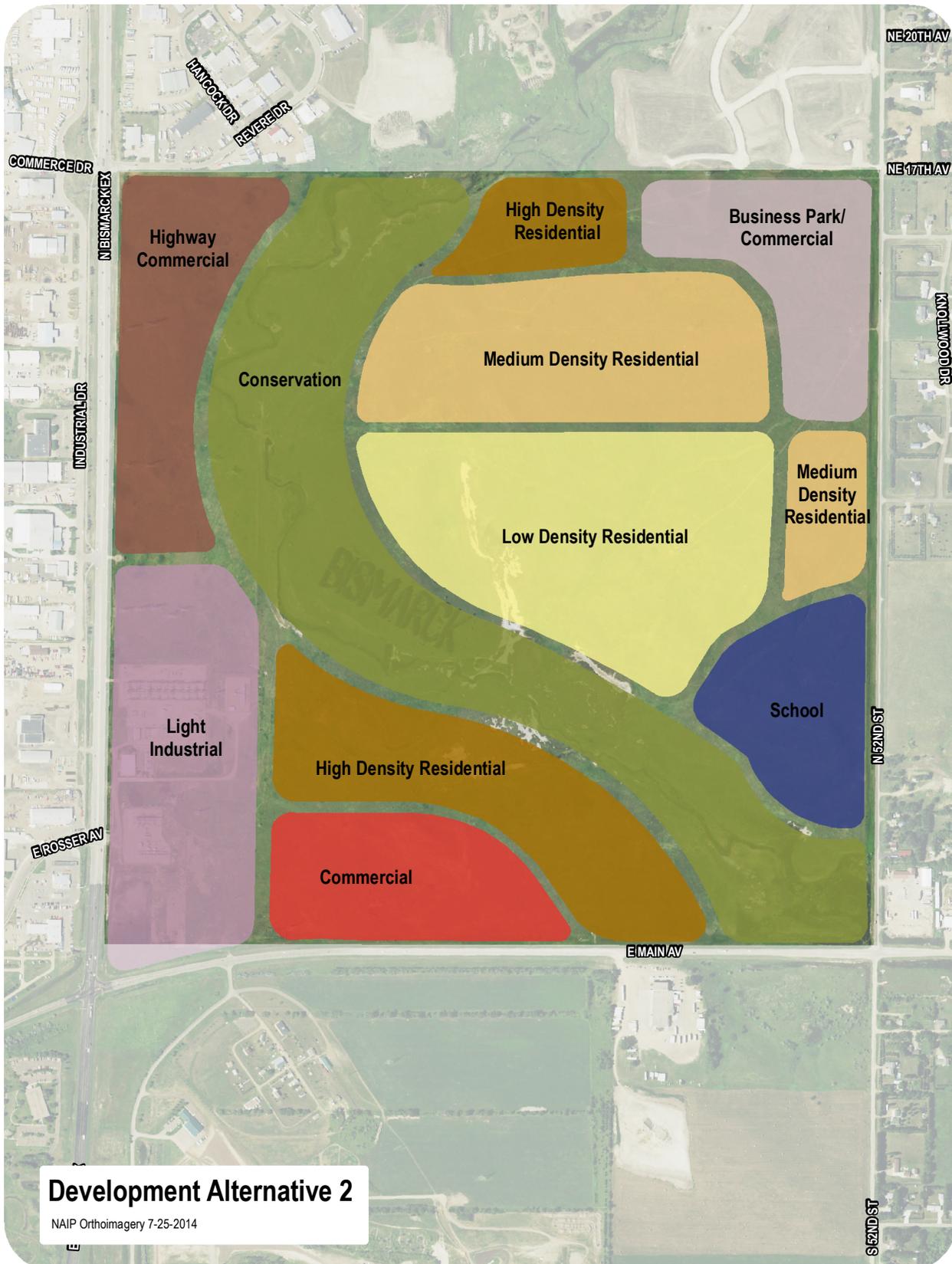


Figure 12 – Development Alternative 3



## SALES AND MARKET ANALYSIS

### ESTIMATED SALE PRICE

Research on sales of comparable raw land tracts was completed in April 2015. It should be noted that where there are easements or impediments to development, some discount in price should be anticipated. Key factors in comparable land were proximity to the subject tract and having similar considerations (such as tax structure and incentives) from a buyer perspective. Both small tracts and large tracts were evaluated. The research findings are summarized in Figure 13 below.

**Figure 13 – Sale Price Analysis**

Tract	Size	Price	Price Per Acre
Low price, small tract	2.11 acres	\$211,396.68	\$100,188.00
High price, small tract	3.28 acres	\$611,512.70	\$186,436.80
Subject estimate			\$148,975.00
Low large tract	61.39 acres	\$3,603,470.22	\$58,698.00
High large tract	10.32 acres	\$1,324,521.02	\$128,345.06
Subject estimate			\$81,239.00

Small tract sales are usually measured in dollars per square foot, but have been converted to price per acre for comparison purposes. Small tracts typically sell for a higher price; however, the division of land we anticipate for sale better fits the large tract category.

### MARKET ANALYSIS

Data to provide an objective analysis of market demand for the study area is difficult to obtain in part because there is not a master database for sales of commercial and industrial land. Therefore, our analysis was largely dependent on interviews with local experts and our own experience in the community.

We were able to prepare a comparison of absorption rates for residential land in 2014 and 2015, and we found the absorption rate had risen from approximately 11 percent in 2014 to approximately 19 percent in the first five months of 2015. This substantial change suggests that the investment market for residential real estate has become more aggressive despite the downturn in oil prices in late 2014.

Common themes we heard in our contacts with local experts regarding the market for commercial or industrial land were:

- » There is ongoing demand for more land.
- » Prices for land are dependent on visibility, anticipated uses and needs in the area and accessibility.

It is our experience that although residential land is often developed rapidly, commercial or industrial land tends to be on the market for a significantly longer period of time. It is also the case that investors in commercial real estate typically are not also investors in residential real estate, so the sale of land in Section 36 will be for two largely different groups of people.

The size of parcels being sold impacts the number of potential buyers because the larger the purchase price the fewer buyers there are with the financial capacity to buy. Based on confidential sources and our estimated sales price, we estimated the number of potential buyers for various sized tracts of land. These estimates are detailed in Figure 14 and generally match up with anticipated maximum parcel sizes, which are detailed in the following section on the division of land.

**Figure 14 – Potential Buyer Analysis**

Tract Size (acres)	Estimated Purchase Price	Estimated Number of Potential Buyers
246	\$20,000,000	3
138	\$11,210,982	3
123	\$10,000,000	5
83	\$6,742,837	5
75	\$6,092,925*	5
55	\$4,468,145	15
41	\$3,330,799	15
33	\$2,680,887	15

\* Note this parcel contains only about 33 acres of highly marketable land, so this is only a theoretical sales price; actual sale price would likely be lower.

It may be worth noting that short-term market conditions have little bearing for this study because final sales of platted land will not likely be accomplished over the course of months, but rather over several years.

## DIVISION OF LAND

One of the key findings of the 2013 East Bismarck Marketability Study and Property Analysis was that saleability of land in Section 36 would be greatly enhanced by division of land into smaller tracts, which would better match a developer's needs. Therefore, this study has focused on identifying factors that should influence that division of land. These factors are discussed in the following list:

1. It is our understanding that the Department of Trust Lands intends to ultimately have no land left to manage in Section 36. This means that land needs to be sold in a manner that includes less desirable or marketable areas with more desirable areas.
2. Land in the floodplain and land already owned by other parties creates a natural division of Section 36 into three separate areas, which very likely will be developed independently.
3. All the land west of the floodplain and north of the WAPA site needs to be sold as one parcel. To split the land into more than one parcel for sale is to invite a no sale for the less desirable area(s). Additionally, access options available by keeping the land in one parcel are much greater, giving the buyer more options for the ultimate configuration and use of the developed land.
4. All of the land south of the floodplain needs to be sold as one parcel. The most reasonable approach to access is illustrated in Figure 15. If the land is split, this access and road network option may not be possible.
5. The remaining land on the north and east side of the floodplain needs to be sold as more than one parcel. This is important because the total area is approximately 316 acres which is too large to be sold as a single tract, because the cost would limit the number of buyers significantly (See Figure 14).
6. Access locations have some bearing on where tract lines should be located because each tract needs to have its own looped access and should not be dependent on another tract for completing the loop. Figure 15 illustrates these conceptual looped accesses.
7. Splitting the land along the south side of the powerline running east-west through the northeast quarter section allows future lots to back onto the powerline easement (See Figure 16). It is unlikely that more than one east-west road is needed for the business park area so the reduced depth of the business park area should still leave it developable and, therefore, saleable.
8. The remaining question is whether or not to split the now expanded residential area into more than one tract. Splitting into more than one tract leaves less flexibility for street layouts, but it increases the number of potential buyers. Access to 52nd is the only reasonable option, so tracts must include frontage on 52nd. One access location is fixed because of the location of Ridgewood Drive in the adjoining section. That intersection should be a primary intersection with the highest potential for a traffic signal in the future. Ideally, there should be one additional intersection to the north and one to the south along 52nd in the residential area. Two intersections would result in potentially negative traffic impacts on 52nd. Two intersections to the south is viable, but not preferable. If the tracts are split along a straight east-west line the natural storm water drainage would involve crossing from one tract to the other. Therefore, the proposed division of residential tracts is designed to allow each to have separate natural drainage systems.

Figure 15 – Potential Road Network

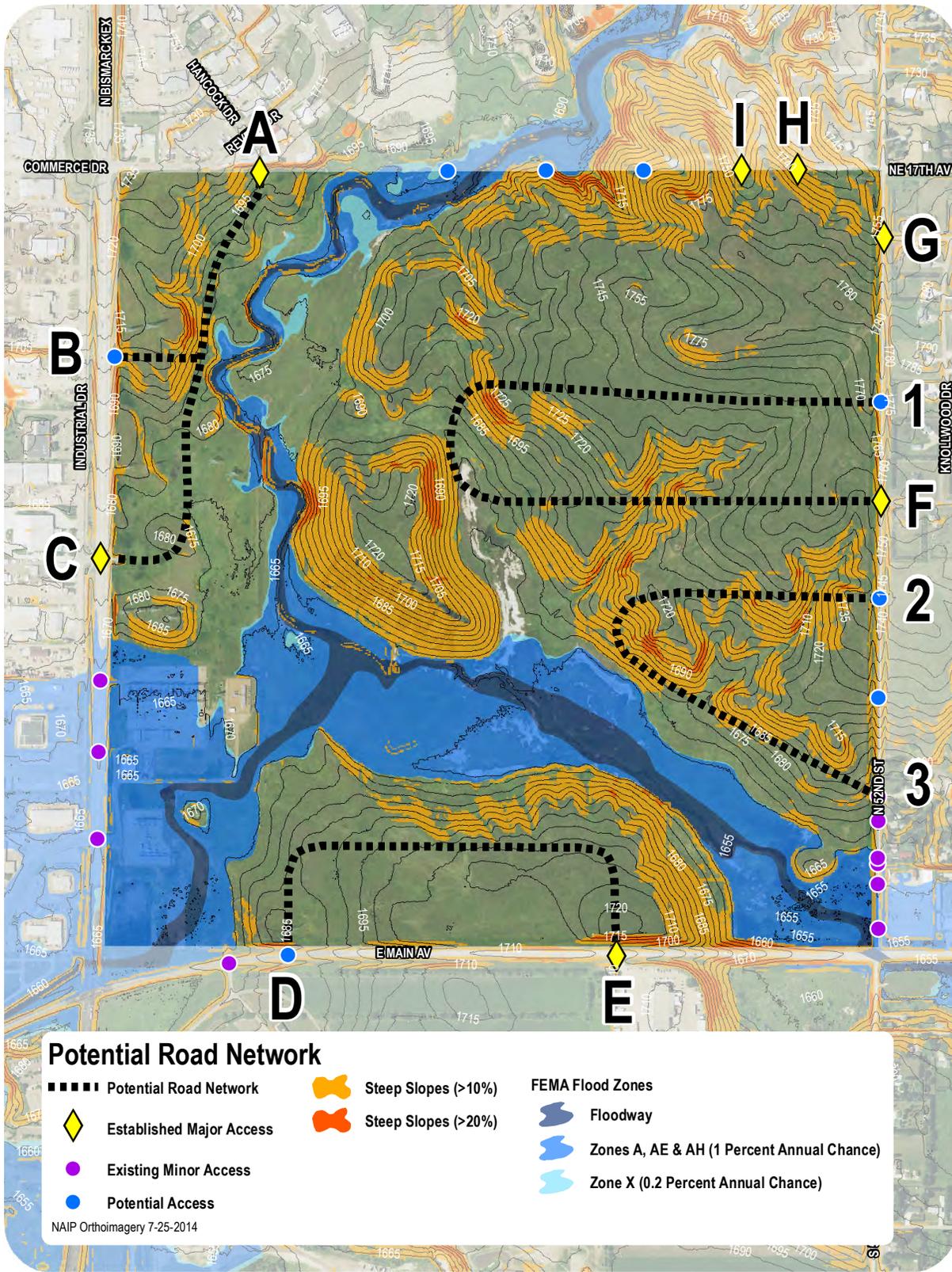
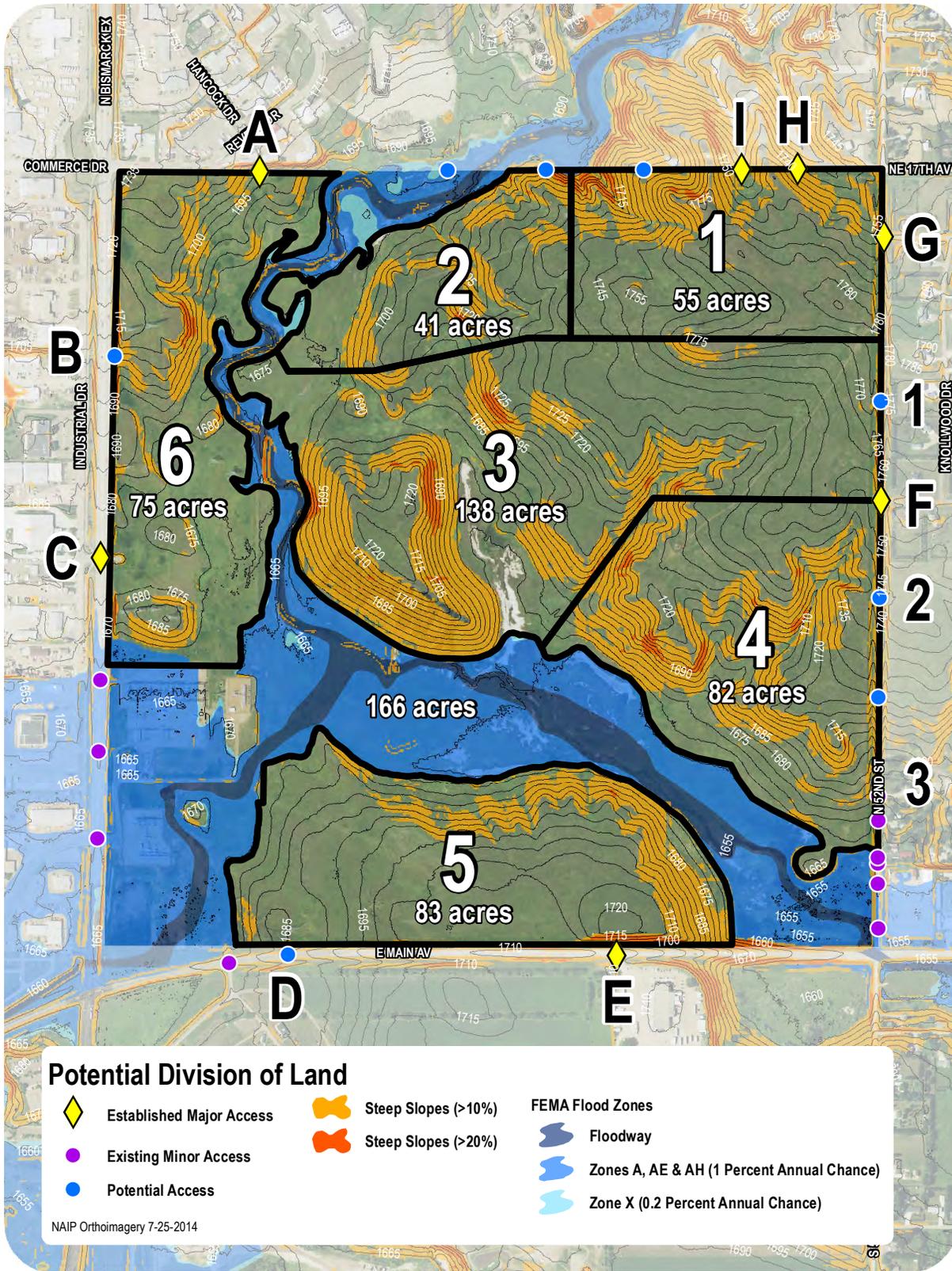


Figure 16 – Potential Division of Land



9. There is potential for some of the land identified for conservation in the Bismarck Future Land Use Plan to be owned by the City of Bismarck. At a minimum, it is reasonable to assume that some of the floodplain area in the southeastern part of Section 36 could be set aside for separate sale and used for storm water detention. Additionally, it is likely that the updated Regional Storm Water Master Plan will identify some additional conveyance areas along the drainageway running through the Section. Such a conveyance area is likely to roughly parallel the existing sewer main that runs through part of the Section. It is also likely to parallel a proposed multi-use trail, which is identified in the Bismarck-Mandan Long Range Transportation Plan. The convergence of the existing sewer main, probable conveyance area and potential multi-use trail along the same general path suggests the potential for additional land that may be in the City's interest to acquire. City acquisition of any land within Section 36 could occur through the "private sale for a public use" process instead of the "public sale" process.

Because of the potential for sale of land along the drainageway for storm water detention, and possibly for other public purposes, the preferred scenario would be to create a tract encompassing land desired by the City from the conservation area. This would result in simple boundary lines for the remaining tracts of land where they abut the drainageway area. If, for some reason, the creation of such a tract is not feasible, the other option will be to create a simple boundary line through the area containing the drainageway that does not follow the exact meander of the drainageway. Figure 17 illustrates the approximate area of each proposed tract if all the land in the floodplain were included in the tract encompassing land desired by the City. The actual area of such a tract to be owned by the City would likely be considerably smaller. Figure 18 illustrates one way to divide the land into tracts if no land is set aside for public purposes.

Figure 17 – Potential Land Division by Future Land Use

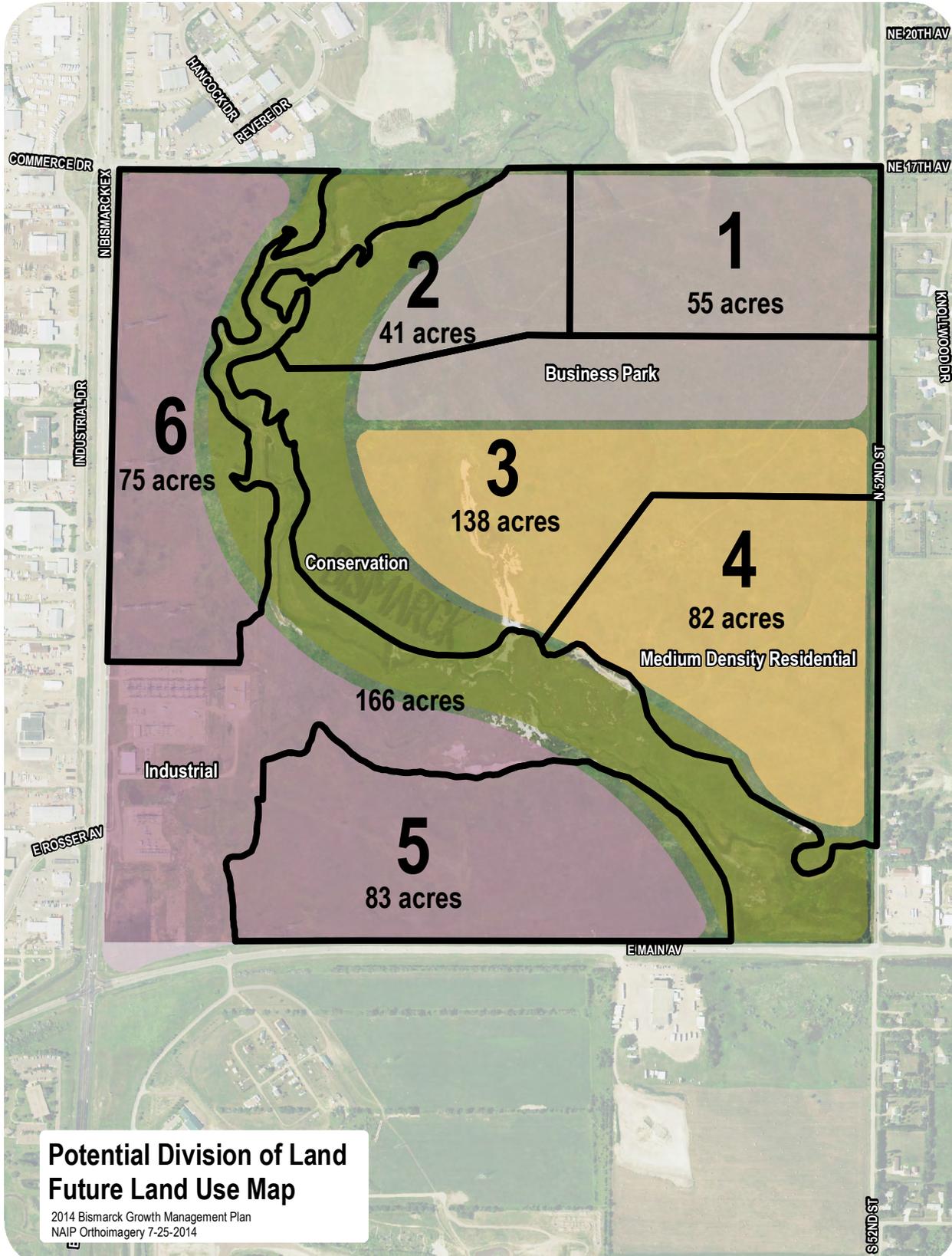


Figure 18 – Alternative Land Division by Future Land Use



## SALES PLAN

Based on the analysis for division of land and previous discussion regarding market demand and saleability, the following points summarize the recommended process and timetable for selling the land in Section 36:

1. Coordinate with the City for the update and completion of an existing draft Regional Storm Water Master Plan, which includes Section 36. The Regional Storm Water Master Plan will address storm water management for the watershed in which Section 36 is located, and will identify a primary detention area(s) within Section 36 as well as any additional area along the drainageway to be publicly owned and maintained by the City for storm water management and floodplain management. The master plan is targeted for completion by summer 2016 at the earliest.
2. Because of the potential for sale of some land along the drainageway for storm water management and other public purposes, the preferred scenario would be to create a tract encompassing land from the conservation area to be used for public purposes, and sell that land to the City of Bismarck. This would result in simple boundary lines for the remaining tracts of land where they abut the drainageway area. If, for some reason, the creation of such a tract is not feasible, the other option will be to create a simple boundary line through the area containing the drainageway that does not follow the exact meander of the drainageway. See Figures 17 and 18 for illustrations of these two alternatives.

Assuming the preferred scenario, after the City's acceptance of the Regional Storm Water Master Plan, the process to complete a purchase agreement with the City for public purpose land can be started. The area to be purchased could include the regional storm water detention area(s), and possibly additional area along the drainageway for:

- » Storm water conveyance and flood control
- » Additional land identified by the City for utility access
- » A multi-use trail

The timing of the purchase process will depend on the complexity of the issues involved. Generally, the process is not completed until platting is complete so that the property to be purchased can be platted as lots, making legal descriptions much easier; however, it is possible to complete the purchase before the platting process. The purchase agreement is targeted for completion in 2016.

3. Use the Auditor's Lot process to divide land into saleable tracts, as explained in the previous section of this report.
4. Complete right-of-way sale to the City to allow a realigned Divide Avenue to be constructed and special assessments to be placed against the property. Special assessments are typically applied to property in mid-February of the year following the meeting of the Bismarck Special Assessment Commission's hearing on a completed project. For this project, construction would likely be divided into two phases to be completed in successive years. The first construction year is anticipated to be 2017.
5. Sell potential residential land first (mid-2016) because residential development is the hottest market and getting residential started before industrial or commercial development may enhance the saleability of land slated for residential development. This land is Tracts 3 and 4 as identified in Figure 17.
6. Sell the tract along Expressway as a single parcel when Divide is constructed (late 2017). This land is Tract 6 in Figure 17.
7. Sell the tract along eastern Divide when the Business Park on the north side has been largely filled (timing uncertain but could be as soon as 2016 or as late as 2019). This land is Tracts 1 and 2 in Figure 17.
8. Sell the land along Main Avenue when Midwest Motor Express subdivision is largely filled (timing uncertain but may be as soon as 2016 or as late as 2019). This land is Tract 5 in Figure 17.

