Relocation Payments and Services

(Cochairmen, Floyd I. Wise and Herbert L. Selesnick)

This summation of the opinions and desires of those who participated in the workshop on relocation payments and services is divided into two parts. Part 1 relates to relocation payments. Part 2 covers the discussion of relocation services.

RELOCATION PAYMENTS

Various types of relocation payments were considered individually in the workshops. Workshop participants were encouraged to discuss (a) existing payments available under P.L. 91-646, (b) payments that would be available under proposed legislation, and (c) other payment proposals that should be considered.

Residential Fixed-Payment Moving Expense Schedules

Practically all workshop participants favored the proposal in pending legislation to increase the $300 maximum fixed moving-cost payment to $600. There was some reservation, however, about raising the $200 dislocation allowance to $400 for all residential displacees. The dissenting participants believe that the occupants of sleeping rooms and furnished units should receive a smaller dislocation allowance because they do not experience the incidental expenses that this payment was designed to cover. Their reasoning is that such displacees would receive somewhat of a windfall if they receive $400 plus their "per-room" moving-cost payment, and then they would merely "pack their suitcase and walk away." The majority did not necessarily disagree with these contentions.

Rather, they felt that this is a rather trivial point considering the magnitude of the overall program. After discussion, the majority of the conferees favored the proposal to raise the dislocation allowance to $400 for all residential displacees.

Maximum Payment Limitations for Relocation Housing Payments

In every workshop the same two lines of thought emerged when the desirability for establishing maximum replacement housing, down payment, and rent supplement payment limitations was discussed.

One group believes that the existing prohibition against displacing residential occupants unless and until comparable decent, safe, and sanitary replacement housing is made available to them causes maximum payment limitations to be totally ineffective. This group explained that, when a relocation cannot be accomplished within the maximum payment limitation, the acquiring agency (of necessity) merely "switches" to the last-resort housing program and pays the amount necessary to provide the required replacement housing—without regard for the so-called payment limitations.

Their contention is that such payment limitations do not reduce, control, or, in reality, even affect the amount of actual relocation housing payments. They do force them to unnecessarily use the more complicated and time-consuming last-resort payment process that increases administrative costs and often imposes payment procedures that are undesirable to the displacee. This group favors the elimination of all maximum payment limitations for relocation housing payments.

The remaining participants did not necessarily disagree with the contentions of the majority, but believed that maximum payment limitations are necessary to effect better control of the program and assure that the amounts in relocation housing payments are properly computed and fully justified. They explained that, in many cases, the agencies under their jurisdiction that administer the relocation program in the field are understaffed, inadequately trained, and often operate with limited supervision by the parent agency. As a result they fear that, without this element of control, relocation housing payments could, in their words, "run wild." This group strongly favors maximum payment limitations.

Both groups for the most part agreed that, if such maximum payment limitations are included in new legislation, they should be increased to $8000 for rent supplement and down payments and to $25 000 for replacement housing payments to 180-day owners. It was also generally agreed that such maximum payments relate only to the basic relocation housing payment and do not include incidental closing and/or increased interest payments.

Down Payments

A substantial majority favored eliminating the $2000 down-payment matching funds requirement because those who most need the payment often cannot produce the required matching funds and, as a result, receive a lesser payment than those who are financially able to do so. A limited number of the participants expressed the feeling that the requirement should be continued. Their reason is that displacees will take a greater interest in their replacement homes if they invest some of their own funds in the purchase.
Business and Farm In-Lieu-Of Moving Payments

Almost without exception, everyone in the workshops preferred to increase the maximum in-lieu-of moving payments to $20,000 but to leave the minimum at $2,500. It was generally agreed that the eligible owners of displaced businesses and farm operations producing average annual net earnings in excess of $10,000 are unduly penalized by the existing maximum payment limitation. The participants also agreed that payments in excess of $2,500 to the owners of marginal operations with little or no income-producing ability cannot be justified. (Some preferred that the existing $2,500 minimum payment be decreased.)

Business and Farm Operation Relocation Allowance Payment

A majority of the workshop participants favored the creation of some type of payment to help the owners of displaced businesses and farms to reestablish their operations. The payment would also provide a cash flow during the difficult displacement and relocation period. The proposed payment would only be available to those who relocate and continue their existing operations. Various payment proposals were presented. After considerable discussion, the following two proposals were considered most desirable. All agreed that only one payment procedure be created—but did not express a firm preference. (Most believe, however, that Procedure A, described below, would be much simpler to administer.)

Procedure A

Eligible owners of displaced businesses and farm operations would receive a lump sum relocation allowance—based on their average annual net earnings. The following fixed payment schedule, which establishes a $25,000 maximum payment limitation, was suggested:

1. Net earnings of $0 to $5,000 justify a $2,500 relocation allowance;
2. Net earnings of $5,000 to $20,000 justify a $5,000 relocation allowance;
3. Net earnings of $20,000 to $50,000 justify a $10,000 relocation allowance; and
4. Net earnings of $50,000 to $100,000 justify a $25,000 relocation allowance.

Procedure B

This procedure provides an element of flexibility for infusing capital to all non-residential displacees who desire to relocate, but do not have the financial backing to make the transition. It is based on the proponents’ belief that the most responsive way of providing financial aid to business and farm operation displacees who genuinely wish to relocate is to assure the availability of low-interest loans. The acquiring agency would offer to subsidize a commercial loan provided that the resulting money be used exclusively by the displacee in reestablishing the operation. (As to constraint, an increase in operating capacity of up to 150 percent of the existing establishment could be allowed.)

The displacee would be encouraged to investigate all relocation options and discuss prospective plans with local lending institutions. The acquiring agency would then enter the loan negotiations and develop a plan with the lending institution to reimburse them the current worth of the difference between the monthly loan payment at the current commercial interest rate and some lower-interest requirement. For example, if a displaced business owner borrowed $50,000 at an interest rate of 12 percent, the monthly payment may be $700. The same loan at 6 percent may result in a monthly payment of $350—reflecting a difference of $150. This monthly payment difference would be converted into a current worth value that would be paid directly to the lending institution with the understanding that the displacee will pay off the loan at the lower rate. As an incentive to the lending institution, the discount rate used in computing the current worth of the monthly payment differential could be 1 percent less than the going commercial loan rate.

There was little, if any, support for an additive payment based on the increased purchase price or rental cost of a replacement site. It was generally agreed that it would be impossible to compute a fair and reasonable payment of this type (or one that could be documented) because, in nearly every case, business operations are updated, expanded, modernized, and/or otherwise changed when reestablished at the replacement site. As a consequence, no one could establish the actual additional cost that would have been experienced (if any) in reestablishing the operation at the same level that existed prior to displacement.

Increased Tax Payment

The workshop participants expressed a firm opinion that, based on their extensive experience in dealing with residential displacees, the creation of an increased tax payment is neither necessary nor justified.

Annual Increase in Maximum Payment Limitations

The participants summarily rejected the proposal that maximum relocation payments be adjusted annually to reflect increases in the Consumer Price Index. In fact, they rejected annual adjustments of any type. Some of the reasons given for this firm stand were: (a) displacees' incomes would delay their relocation during the latter months of the payment year to take advantage of the next anticipated annual adjustment; (b) inconsistent payments would be made in the same area (even in the same neighborhood) for identical displacements—depending on when the payment is made; (c) it would be necessary to reprint relocation brochures, manuals, regulations, and other publications on an annual basis—creating confusion and unnecessary expenses in administering the program; and (d) some states would need annual permissive state legislation to adjust maximum payment limitations.

There was a feeling among the participants that the ‘one agency’ to be designated by the president to write relocation regulations and procedures (if this proposal becomes a reality) should be authorized in the act to adjust maximum payment limitations—without the necessity for legislative action.

Increased Interest Payments

With no dissenting opinion, the workshop participants favored approval of a new increased interest computation procedure. The new procedure should be based on the payment (payment) necessary to enable the displacee to reduce the balance of the mortgage on the replacement dwelling to the monthly principal and interest payment that was being paid on the dwelling from which he or she was displaced. For example, if the remaining unpaid balance of a
mortgage on the dwelling from which the displacement occurs is $16,500, the remaining term of the mortgage is 288 months, and the annual interest rate is 8 percent, the displacee would be entitled to an increased interest payment of $17,803 under existing computation procedures if he or she borrows the same amount ($16,500) for the same term (288 months) and pays an annual interest rate of 17 percent.

Under the recommended procedure, he or she would receive a payment of

1. $7,550 to reduce the unpaid balance of the mortgage on the replacement dwelling to $8,950;
2. $16,500 at 8 percent interest for 288 months requires a monthly principal and interest payment of $129.04; or
3. $8,950 at 17 percent interest for 288 months requires a monthly principal and interest payment of $129.04.

It was generally agreed that the mechanics for implementing the recommended procedure could be worked out without difficulty.

RELOCATION SERVICES

The workshop on payments and services considered three specific questions with regard to relocation assistance advisory services: How available are relocation services? Are relocation services adequate? and Are relocation services used?

With regard to availability, workshop participants observed that budgetary cuts and staffing freezes are beginning to affect the ability of state highway agencies, local public agencies, and other acquiring bodies to provide relocation services for displacees. In the highway programs there has recently been pressure to combine relocation with other right-of-way acquisition functions and eliminate staff who specialize solely in relocation. It was generally agreed that this consolidation would be detrimental to the relocation services program because the skills and aptitudes of appraisers, negotiators, and property managers are very different from those required of relocation agents. In addition, the time-consuming nature of the other acquisition activities would further reduce the current low priority given to relocation services.

Other participants noted that relocation services are one of the first items state and local acquisition agencies have been cutting back in response to recent budgetary constraints. The result in some areas has been an increased tendency to contract out the relocation portion of the acquisition program. Typically, relocation contractors do not place much emphasis on the provision of advisory services, and the services they do provide vary greatly in quality.

Most of the workshop participants were in agreement that the single, largest impediment to greater availability of relocation assistance advisory services for displacees is the current attitude of administrators of state and local acquisition programs. The consensus was that many program administrators simply do not recognize the "make-or-break" importance of relocation services in accelerating the acquisition process and in building public acceptance and good will for acquisition programs. In addition, it appears that many program administrators underestimate or are unaware of the scope and complexity of social and personal problems in the relocation caseload. They, therefore, tend to discount the legitimacy and value of key relocation functions, such as information and referral, and to view services in general as "a necessary evil."

An additional constraint on the availability of relocation services noted by workshop participants is the ineligibility of relocatees who are displaced by federally assisted activities when there is no intervening public acquiring agency. Moreover, in high-density high-social-impact displacement areas, where most of the relocation staff's time is spent on inordinately slow or rapid acquisition schedules, having an agency that has the most visible and urgent problems, there is a strong likelihood that other elements of the caseload who could also benefit from services go unattended.

With regard to the adequacy of relocation services, workshop participants observed that experienced and trained staff are difficult to come by. In addition, there are in the field in many cases staff who are not well qualified to provide relocation services effectively, and that not enough emphasis is placed on staff training and the enforcement of standards of quality in relocation services.

Participants noted that the current inflationary situation with regard to housing prices and mortgage interest rates has greatly complicated the nature of housing information and advice that must be conveyed to displacees. Many relocation agents are not sufficiently informed about housing finance and real estate transactions to provide the necessary advice or referrals adequately.

Participants also observed that, while it is highly desirable to make more advisory assistance available to displaced businesses, especially small businesses, the nature of this advisory assistance is usually more technical and more complex than the kind of guidance that is needed by most tenants and homeowners. Workshop participants expressed doubt that many acquiring agencies possess the necessary business relocation experience on their staffs to advise or refer commercial relocatees adequately. In addition, the workshop participants questioned the adequacy of relocation staff capabilities in relation to the kinds of homeownership counseling assistance typically required by many displaced low-income tenants who are becoming first-time homeowners.

It was generally agreed that existing training and technical assistance opportunities for relocation agents are simply not adequate for equipping them to deal effectively with the social and personal problems of residential displacees or with the technical and financial problems of displaced businesses and farm operations. Moreover, workshop participants expressed the view that it is unreasonable to expect any one relocation agent to acquire the broad range of knowledge and skills necessary to deal with all of these problems.

With regard to the use of existing relocation services, workshop participants observed that the single factor most responsible for a low-utilization rate is the current emphasis on lump sum payments. This causes displacees to view the acquiring agency as a "quick fix" agency rather than as a rehousing agency. Many then fail to take advantage of the advisory services they could also receive from the agency. In addition, workshop participants observed that inadequate information programs, insufficient explanation of benefits, and immediately slow or rapid acquisition schedules contributed to "premature moves" and underutilization of available relocation advisory services.

RECOMMENDATIONS

To address these relocation service problems, workshop participants offered the following recommendations.

1. Define and limit the scope of services. Re-
Processes for Greater Uniformity

(Cochairmen, Bruce D. McDowell and Robert R. Poinsett)

The topic of "process" deals with the means and coordinating mechanisms for achieving greater uniformity in relocation and real property acquisition activities. Therefore, this series of workshops dealt with such things as coordinating committees, single agencies for rulemaking, standard regulations, and central relocation offices. It did not focus on the substance of what should be made uniform.

Nevertheless, substance could not be ignored totally. Initially, some participants questioned the need for greater uniformity. It was pointed out, and almost everyone agreed, that great progress has been made over the past decade in raising benefits and achieving fair and equitable compensation and benefits under the 1970 relocation act. However, each of the five groups recognized the need for at least some further progress toward greater uniformity. At that point, consensus ended.

Feelings about the degree of additional progress needed ranged from minor needs for fine tuning the 1970 act to serious inequities needing urgent attention. Some of the most troublesome differences discussed included the following.

1. Certain federally-funded programs are not subject to the existing law.
2. "Housing of last resort" is not always allowed, either because of federal agency interpretations or because of state laws.
3. Donated lands are being accepted by some federal agencies prior to appraisals, though this is technically illegal under the 1970 law. There are significant advantages to this in some cases, but proposals to change the law have been unsuccessful so far.
4. Some federal agencies require the preparation of relocation plans before displacement may take place, while others simply require assurances that relocation will be accomplished. This ignores the 1973 interagency agreement calling for preplanning as standard practice.
5. Administrative appeals under the act are easy and quick in some federal agencies, but difficult and long delayed in others. Some are worse than formal court cases, despite the intent that fairness and equity demand expeditious handling.
6. There are great differences among federal agencies in the treatment of business relocations.
7. There is no specific authorization in the 1970 act for one federal agency to take responsibility for all acquisition and/or relocation involved in jointly funded projects. Although some federal agencies cooperate with each other in this fashion, others feel that they cannot do so.

Relocation offices that provide central services under several different federally funded programs notice these differences most. Examples were cited from Maryland, Ohio, West Virginia, and the District of Columbia.

Although substantial progress has been made toward uniformity among those programs involving federal funds, relatively little progress has been made in most states among programs funded strictly by state revenues. Of course, such projects are beyond the direct reach of the 1970 act, but the same concepts of fairness and equity still apply in principle, and the federal act does call for parallel state legislation. Thus, eventually, all federal, state, and local acquisition and relocation programs would become comparable. This simply has not happened yet.

Lack of uniformity comes from several different sources. These include the following:

1. Supplemental federal laws affecting only one program or one agency--The U.S. Department of Interior and HUD were cited as examples;
2. Differing federal agency interpretations of the 1970 Uniform Act--This causes differences not only between one department and another but among