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# Relocation: Key Concepts and Common Traps

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## What we're going to discuss:

- Big picture of “what is relocation?”
- Residential Relocation
- Business Relocation
- Relocation traps that mess up projects

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# Federal Framework

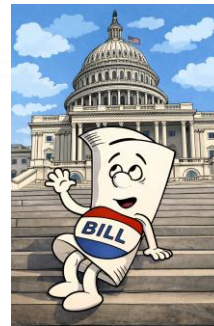
## The Federal Act – Purpose and Policy

### 1. Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4601 et seq)

- Enacted to create national consistency in treatment of displaced persons.
- Goal is *fairness and predictability*, not generosity.
- Applies to projects undertaken by public entities that displace people or businesses.

### 2. Core idea:

- People should not be made worse off simply because a public project required them to move.
- Payments and services are statutory entitlements, not discretionary benefits.



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# Federal Framework

## Federal Rules

Just like MN rules fill in the details of State law, Federal Regulations fill in relocation details (49 CFR Part 24)

1. Regulations implement Act for federally assisted highway and infrastructure projects.
2. Establishes definitions, payment structures, and procedures.

These rules are:

Detailed

Prescriptive

Intended to be applied uniformly nationwide

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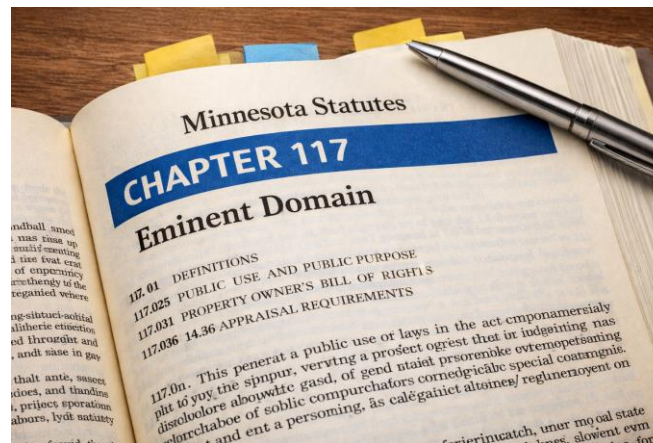
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# Minnesota's Overlay on the Federal Framework

## Minnesota Adoption of Uniform Relocation Act

1. Result:
  - Payments and services must be provided even when no federal dollars are involved.
2. Statutory basis:
  - Minnesota statutes incorporate relocation requirements into state and local acquisitions. Minnesota Statute §117.52



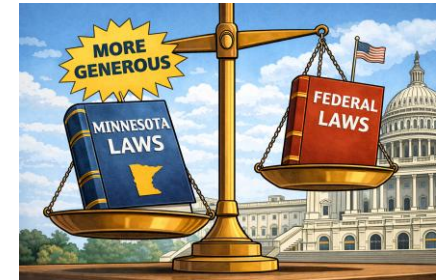
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# Minnesota's Overlay on the Federal Framework

## Minnesota Expanded Benefits

1. Minnesota provides higher relocation benefit caps than the federal minimums.
2. These higher benefits:
  - Apply **regardless of** federal funding
  - Are not optional
3. Practical consequence:
  - Agencies cannot default to federal caps just because a project is locally funded



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# Minnesota's Overlay on the Federal Framework

## Minnesota Waiver Rules Are More Restrictive

1. Federal rules allow certain waivers or exceptions.
2. Minnesota:
  - Narrows those waivers statutorily
  - Requires more formality and justification
3. Bottom line:
  - If you think you can “waive relocation,” you should slow down and verify

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# When Do We Have to Worry About Relocation?

## **The Trigger: One Displaced Person**

1. Relocation obligations are triggered by a project that causes displacement.
2. It only takes one displaced person. It can be an owner, a tenant, and potentially even a squatter.

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# When Do We Have to Worry About Relocation?

## Definition of “Displaced Person”

### 1. Defined in:

- The Act
- 49 CFR Part 24

### 2. Core concept:

- A person or business that **must move as a direct result of** acquisition, rehabilitation, or demolition for a project



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# When Do We Have to Worry About Relocation?

## Timing and Causation Issues

1. Displacement can occur:
  - Before formal acquisition
  - After negotiations
  - As a result of project influence
2. Voluntary sale does not automatically avoid relocation obligations.

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# When Do We Have to Worry About Relocation?

## Exceptions to Displacement

1. Federal regulatory exceptions:
  - Temporary moves
  - Certain short-term occupancies
  - Clearly defined pre-project tenancy
2. Minnesota overlay:
  - Narrower statutory waiver authority
  - More risk if misapplied
3. Practical takeaway:
  - If you are relying on an exception, document it carefully (after you consult with a lawyer, of course)



# Residential Relocation – Owners and Tenants

## Residential Owner-Occupants

Core benefits:

1. Moving expense reimbursement (option for fixed payment)
2. Replacement housing payment
3. Purchase-Related expenses (searching)

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# Residential Relocation – Owners and Tenants

## Residential Tenants

Eligible for:

- Moving expenses
- Replacement housing payments (rental assistance)

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# Moving Expense Options

## Three Primary Methods

1. Actual reasonable moving costs
2. Self-move (with documentation)
3. Fixed payment schedules (federal tables)

## Key considerations:

1. Choice matters
2. Documentation matters
3. Agencies must explain options clearly



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# Replacement Housing Payment

**Purpose is to help displaced person obtain comparable replacement housing**

For owner occupants, covered costs can include:

1. Closing costs on replacement dwelling
2. Incidental purchase expenses (not realtor fees)
3. Mortgage interest differential / interest rate buy-down:
  - Applies where replacement financing costs are higher
  - Particularly relevant in the current interest rate environment



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# Replacement Housing Payment

**Purpose is to help displaced person obtain comparable replacement housing**

For tenant occupants, covered costs can include:

1. Rent differential (capped at 42 months, dollar amount is also capped)
2. Can be paid as down-payment assistance on purchase of a replacement home



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# Business Relocation

## Threshold Issue: What Is a “Business”?

1. Lawful
2. Occurs on Property
3. Commercial purpose
4. Distinct Economic Unit

### Includes:

- Businesses operated from a home or garage
- Sole proprietors
- Certain agricultural operations (others may be farms which are different)

Must meet income or operational criteria.

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# Business Relocation

## Business Moving Expenses

1. Actual reasonable moving costs include:

- Inventory
- Equipment
- Machinery
- Professional disassembly and reinstallation

2. Includes:

- Utility disconnection and reconnection
- Including reconnection to utilities in the public right-of-way



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# Business Relocation

## Fixed Moving Payment (In Lieu of Actual Costs)

1. Available only if income criteria are met.
2. Based on actual net earnings.
3. Not automatic.
4. Often misunderstood and misapplied.

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# Business Relocation

## Reestablishment Expenses

1. Separate category from moving costs.
2. Intended to help businesses:
  - Resume operations
  - Meet code requirements



“Reestablishment helps you get back on your feet — it does not help you build a better business than you had before.”

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# Reestablishment Expenses – What They *Are* and *Are Not*

## **Purpose of Reestablishment**

1. Intended to help a displaced business reestablish operations at a replacement site.
2. Separate from moving expenses.
3. Subject to a statutory cap (\$50,000 in Minnesota, higher than federal regulations).

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# Reestablishment Expenses – What They *Are* and *Are Not*

## Common Allowable Reestablishment Items

1. Renovation or modification of replacement space
  - Interior build-out to accommodate the business
  - Code compliance upgrades required for occupancy
2. Signage
  - Replacement or modification of on-premises signage
3. Increased operating costs
  - Rent, utilities, insurance, etc.
  - Typically limited to up to two years
4. Professional services
  - Permits
  - Utility hookups
  - Design or layout costs tied to reestablishment

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# Reestablishment Expenses – What They *Are* and *Are Not*

## What Reestablishment Cannot Be Used For:

1. Constructing a new building
2. Expanding the business beyond reestablishment
3. Capital improvements or modernization unrelated to displacement

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# Reestablishment Expenses – What They *Are* and *Are Not*

## **Important Clarification: The Business Does Not Have to Be the Same**

1. The replacement operation:
  - Does not have to be identical
  - Must still qualify as a business under the Act
2. This matters for:
  - Home-based businesses
  - Businesses changing format, footprint, or model post-move

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# Closing Costs – Frequently Missed Benefits

## **Business Relocation – Purchase Closing Costs**

1. When a displaced business purchases a replacement property, certain closing costs may be reimbursable
2. Often overlooked because agencies assume relocation = lease

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# Closing Costs – Frequently Missed Benefits

## Residential Relocation – Purchase Closing Costs

1. Residential owner-occupants may receive payment for eligible closing costs on the replacement dwelling
2. Separate from:
  - Replacement housing payment
  - Interest differential
3. This is commonly missed and leads to avoidable disputes.

Practice pointer: displaced person shouldn't pay closing cost on the acquired parcel



# Relocation Services – Not Just Checks

“The Act requires help — not just reimbursement.”

## Services Are Mandatory, Not Optional.

1. Agencies are required to provide relocation advisory services, including:

- Assistance in locating replacement housing
- Referrals to available properties
- Transportation assistance
  - o Especially for elderly, disabled, or low-income occupants

2. Help understanding benefits and options.

3. Coordination of moves where needed.



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# Residential Comparable Housing Obligations

## Comparable Replacement Housing Requirement

1. Agency must provide:
  - At least one comparable replacement dwelling
  - Preferably two or three
2. Comparable means:
  - Functionally similar
  - Reasonably equivalent
  - Within financial means (with benefits applied)



# Residential Comparable Housing Obligations

## Availability Requirement

1. Comparable housing must be:
  - Actually** available
  - Not hypothetical
  - Not contingent on future listings
2. Availability is evaluated at the time it is offered, not later.

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# Residential Comparable Housing Obligations

## Decent, Safe, and Sanitary (DSS)

1. DSS is a minimum condition standard
2. Key clarification:
  - DSS applies regardless of whether the displaced person lived in DSS housing before
3. This is a floor, not a comparison to existing conditions.
4. If DSS is in doubt, professional inspections should be used



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# Housing of Last Resort

## When HLR Comes Into Play

1. Applies when:
  - Comparable DSS housing is not available
  - Replacement housing payments are insufficient

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# Housing of Last Resort

## The “Cap” Is a Soft Cap

1. Statutory limits exist, but:
  - HLR allows agencies to exceed normal caps
2. HLR is not optional if required to provide comparable housing
  - Cost does not eliminate the obligation

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# Housing of Last Resort

## Why This Matters for Agencies

Failure to recognize HLR:

- Delays projects
- Creates litigation risk
- Leads to compliance findings



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# Special Categories: Nonprofits and Farms

## Nonprofits

1. Treated similarly to businesses.
2. Different proof requirements.
3. Still eligible for moving and reestablishment expenses.



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# Special Categories: Nonprofits and Farms

## Farms

1. Separate fixed payment structure.
2. Can apply even in partial takings
3. Frequently overlooked in rural highway projects.



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# “Yes, the Act Likely Applies to Your Acquisition”

## *Triggers Are Broader Than People Think*

1. One displaced person triggers obligations.
2. Applies to:
  - Full acquisitions
  - Partial acquisitions
  - Early acquisitions
  - “Voluntary” acquisitions



**THE UNIFORM  
RELOCATION ACT  
APPLIES TO YOUR  
PROJECT**

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# “Yes, It Is Expensive to Move Low-Income Individuals”

## *Low-Income Residential Relocation Is Cost-Intensive*

1. Limited housing stock
2. Poor condition replacement units
3. DSS failures
4. Transportation and advisory services



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# “Yes, Housing of Last Resort Will Blow Past the ‘Cap’”

## *Housing of Last Resort: The Soft Cap That Isn't Really a Cap*

1. Statutory replacement housing limits exist
2. But they are **not** absolute
3. If comparable DSS housing cannot be provided within limits:
  - You must exceed them



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# “Yes, Business Relocation Will Be Very Expensive”

*Actual Reasonable Moving Expenses Are the Silent Budget Killer*

1. Specialized equipment
2. Professional disassembly and reinstallation
3. Electrical, water, air, and data connections
4. Calibration and testing after reinstallation



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# “Yes, Reestablishment and Fixed Payments Don’t Solve Everything”

## *Why Caps Don’t Save You*

Reestablishment is capped, but fixed moving payments are optional and limited. Neither replaces actual moving expenses, which are not capped.



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# “No, You Can’t Waive Relocation Away”

## *Waivers Are Narrow and Risky*

1. Federal rules allow limited waivers
2. Minnesota is more restrictive
3. Waivers must be:
  - Explicit
  - Justified
  - Well documented



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# Package Deals: High Risk, Low Reward

## *Why Package Deals Should Be Avoided*

1. Bundling acquisition + relocation
2. Loss of transparency
3. Inability to prove compliance



**NO PACKAGE  
DEALS**

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# Comparable Housing: The Step Agencies Forget

*You Must Find Comparable Housing — Before Condemnation*

1. Comparable housing is not theoretical
2. Must be:
  - Available
  - Meet DSS standards
  - Within financial means of displaced person (with benefits)



**FIND COMPARABLE  
HOUSE BEFORE  
FILING  
CONDEMNATION ACTION**

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# The Biggest Mistake

**The biggest mistake is not paying relocation, assuming it won't apply or won't matter.**

1. Relocation problems are rarely about bad faith.
2. They are about:
  - Underestimation
  - Timing
  - Documentation
  - Sequencing



**If you can't realistically relocate the person or business, you're not ready to acquire the property.**

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# TAKE AWAYS

1. Relocation is not discretionary.
2. Minnesota law often goes beyond federal minimums.
3. Early identification of displaced persons avoids:
  - Project delays
  - Claims
  - Litigation
4. When in doubt:
  - Assume relocation applies

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