

Chapter Five **Housing of Last Resort**

Housing of Last Resort allows the use of payments in excess of statutory maximums or the use of other unusual methods of providing comparable housing. Authorization for Housing of Last Resort may be found in 761 IAC 111.404. Examples include:

- payments in excess of the statutory limits;
- rehabilitation of and/or additions to an existing replacement dwelling;
- new construction;
- providing a direct loan or use of other financial techniques;
- physical relocation of a dwelling;
- purchase of existing housing;
- removal of barriers to the disabled, etc.

For eligible owners the threshold for implementing Housing of Last Resort provisions is when the sum of the supplemental housing payment, mortgage interest differential payment and incidental closing costs exceed \$22,500. These provisions are most generally employed when comparable replacement dwellings are not available within the monetary limit of \$22,500 for 180-day owner occupants, thus necessitating the need to provide additional or alternative assistance.

For tenants Housing of Last Resort provisions are employed when comparable replacement dwellings are not available for rent within the monetary limit of \$5,250, thus necessitating the need to provide additional or alternative assistance.

Any decision to provide Housing of Last Resort assistance must be adequately justified:

- On a case-by-case basis after consideration is given to:
 - ❖ The availability of comparable replacement housing in the project area;
 - ❖ The resources available to provide comparable replacement housing (in the community or the Iowa DOT);
 - ❖ The individual circumstances of the displacee; or
- On an area or project basis because:
 - ❖ There is little, if any, comparable replacement housing available to displacee's within an entire project area; and
 - ❖ The project cannot be completed in a timely manner without Housing of Last Resort assistance; and
 - ❖ The method(s) selected for providing replacement housing is/are cost effective given the potential cost of project delays

Right of Way Management must be involved in the decision to provide Housing of Last Resort on a project-wide basis so that Division Management may be consulted if necessary to consider the potential costs of project delays versus the potential cost of the replacement housing.

No person will be required to move from a displacement dwelling unless comparable DSS replacement housing is made available. No person will be required to accept a dwelling under these provisions in lieu of any acquisition payment or any relocation payment that the displacee might otherwise be eligible to receive, unless the displacee and Iowa Department of Transportation have entered into a contract requiring the person to do so.

Methods of Providing Replacement Housing

There is broad latitude, but the method must be cost effective and must be justified on a case-by case basis unless a determination is made that if Housing of Last Resort assistance is necessary for an entire project.

This option provides an opportunity for the Relocation Advisor to present innovative or unconventional ideas in order to solve the housing problem. However, the selected method must be determined to be the most cost effective of the methods analyzed. The advisor should present all possible solutions to the Relocation Supervisor and the Production Coordinator who can assist the advisor in determining which ideas to pursue.

Possible methods include, but are not limited to:

- For owners
 - ❖ Payments in excess of the \$22,500 monetary limit. Most of the time, this is the situation that triggers the implementation of last resort payments and the documentation requirements that go along with it.
 - ❖ Rehabilitation of and/or additions to an existing replacement dwelling. There may be occasions when there is available housing, but it may be necessary to cure DSS deficiencies or the addition of a room would make an otherwise deficient replacement dwelling work for the displacee. If cost effective, this a viable solution to solve the displacee's housing needs.
 - ❖ Construction of a new replacement dwelling.
 - ❖ Purchasing land/or a replacement dwelling by the Iowa DOT with subsequent lease or sale to, or exchange with a displacee.
 - ❖ The removal of barriers to the disabled.
 - ❖ The change in status of the displacee with his or her agreement from tenant or homeowner if it is more economical to provide a down payment rather than Housing

of Last Resort rental supplemental payment.

In some circumstances, when a person is displaced from a very large or substandard dwelling, a replacement housing supplemental payment based on different space and physical characteristics than the displacement is possible. Smaller, better quality replacement housing that is DSS and is adequate in size to accommodate the displacee's can be used. However, the housing must be functionally equivalent to the displacement dwelling.

➤ For tenants

- ❖ Payments in excess of the \$5,250 monetary limit. If a rental assistance payment is in excess of \$10,000 is necessary, the payments may be provided in periodic installments (generally annually), The Relocation Advisor should seek input from Relocation Supervisor and/or Production Coordinator on payments over \$10,000. If the Relocation Advisor believes that it would be in the displacee's best interest (because of a personal circumstance or condition) to provide a payment that is less than \$10,000 in periodic installments, the Relocation Supervisor and/or Production Coordinator should be consulted.
- ❖ Providing a direct loan with regular amortization or deferred repayment, secured or unsecured, interest bearing or interest free.
- ❖ Purchasing land/or a replacement dwelling by the Iowa DOT with subsequent lease or sale to, or exchange with a displacee.
- ❖ The removal of barriers to the disabled.
- ❖ The change in status of the displacee with his or her agreement from tenant or homeowner if it is more economical to provide a down payment rather than a Housing of Last Resort rental supplemental payment.

In some circumstances, when a person is displaced from a very large or substandard dwelling, a rental supplemental payment based on different space and physical characteristics than the displacement is possible. Smaller, better quality replacement housing that is DSS and is adequate in size to accommodate the displacee's can be used. However, the housing must be functionally equivalent to the displacement dwelling.

Documentation

To document the need for last resort housing provisions, the Relocation Advisor will develop a written plan that addresses the circumstances of the displacee, the problems encountered and the proposed solution. This plan must provide a solution that is legally possible, cost effective, and orderly. This plan will be submitted to the Relocation Supervisor for review and approval.

New Construction

New construction may be warranted when a partial acquisition from an operating farm operation includes the acquisition of the owner-occupied dwelling. The Iowa DOT has historically agreed with the necessity of the owner operator to remain living on the farm operation.

New construction may also be warranted when comparable replacement housing is not available in the market. For example a rural market may not have any available rural residential properties for sale at the time of displacement. Unique attributes such as several bedrooms for a displacee with a large family may necessitate new construction if adequate DSS housing is not available in the market at the time of displacement.

The RHP for new construction is based upon the replacement of the attributes of the dwelling being acquired. Additional bedrooms may be considered if the displacee requires the additional bedrooms to remain in DSS compliance. While the general attributes of the acquired dwelling should be considered, certain attributes in excess of the residential portion should not be included. These types of attributes include such items as swimming pools and greenhouses.

To secure cost estimates the Relocation Advisor may consider two alternatives.

- The Relocation Advisor may secure building proposals from builders in the local area.
 - ❖ Advantages include the ability to obtain accurate and reliable costs in developing the RHP.
 - ❖ Advantages include the ability to identify and estimate only eligible attributes.
 - ❖ Disadvantages include difficulty in obtaining estimates. Builders tend to resist providing proposals when they probably will not receive the work.
 - ❖ Disadvantages include a greater frequency in disagreements with the displacee's. Incidents of disagreement increase when the displacee's do not feel they have a voice in the calculations.
- Another alternative is to allow the displacee to secure their own building proposal with the understanding the Iowa DOT will only participate in the replacement of the applicable attributes. The displacee may design the home of their choice, but the RHP is calculated minus any upgrades from the existing dwelling.
 - ❖ Advantages include willingness of builders to provide proposals.
 - ❖ Advantages include accurate and reliable cost estimates from a source agreeable to the Iowa DOT and the displacee.
 - ❖ Advantages include the ability for the Iowa DOT to limit reimbursement only to

appropriate levels while allowing the displacee the flexibility to design their replacement home.

- ❖ Disadvantages include the required review and documentation by the Relocation Advisor to ensure reimbursement is limited to the appropriate levels.

For Total Acquisitions

In the vast majority of displacements existing replacement housing should be available in the market. New construction as replacement housing when the entire property is to be acquired should only be considered in isolated, unique situations. New construction in these cases may truly be considered as Housing of Last Resort.

The Relocation Advisor should work closely with the displacee in order to ascertain their needs as they relate to site location, type and quality of construction. The Relocation Advisor must still research the market in order to locate a site for the construction of the replacement dwelling. The Relocation Advisor should be aware of any restrictive covenants on the tract, size of the tract, zoning and availability of utilities to the site that may affect its usability by the displacee.

When gathering costs for new construction, the Relocation Advisor must remember that our objective is not to duplicate all the physical attributes of the displacement dwelling but rather to meet the functional needs of the displacee. The Relocation Advisor should make every attempt to gather cost information for a dwelling of similar quality and construction.

The Relocation Advisor should base the estimate on habitable space (See Chapter 3) rather than gross square footage, although this is not critical when comparing like structures. It is critical when comparing different types of dwellings (1-story, 2-story, split level, split-foyer, earth homes, etc.). The advisor should be cognizant of special features involving windows, fireplaces, plumbing features, cabinetry, heating, cooling, etc.

It is important to note that if the displacee's are in a 1-story now, we should not be basing replacement housing of any type on anything except 1-story. We should refrain from considering more stories/steps than the subject)

For Partial Acquisitions

The Relocation Advisor should work closely with the displacee in order to ascertain their needs as they relate to location on the remaining property, type and quality of construction.

The land value used in this situation is based on the land value that is attributed to the residential portion of the acquisition. This value is allocated from the appraisal in developing the cost of new construction. If the final acquisition price exceeds the appraised value, this value could change.

When gathering costs for new construction, the Relocation Advisor must remember that our

objective is not to duplicate all the physical attributes of the displacement dwelling but rather to meet the functional needs of the displacee. The Relocation Advisor should make every attempt to gather cost information for a dwelling of similar quality and construction.

The Relocation Advisor should base their estimate on habitable space rather than gross square footage, although this is not critical when comparing like structures. It is critical when comparing different types of dwellings (1-story, 2-story, split level, split-foyer, earth homes, etc.). The Relocation Advisor should be cognizant of special features involving windows, fireplaces, plumbing features, cabinetry, heating, cooling, etc.

Removal of Barriers

The removal of barriers or the addition to or the rehabilitation of an existing dwelling to assist the elderly or those displacee's with special needs is sometimes necessary. The cost of these features should be based on the lowest of two bids for the actual, reasonable and necessary modification on the actual replacement, if needed. Examples of these adaptations include ramps or lifts, wider doors, first floor laundry, garage openers, special commodes (toilets) and/or showers, lower counters, special features for the hearing impaired, etc.

In the case of new construction any adaptations necessary should be considered in the original estimate as it is generally more cost effective to add these features during construction.

In some circumstances, when the person is displaced from a very large or substandard dwelling, a replacement housing payment based on different space and physical characteristics than the displacement is possible. Smaller, better quality replacement housing that is DSS and is adequate in size to accommodate the displacee's can be used. However, the housing must be functionally equivalent to the displacement dwelling.

Chapter Five Overview

- In some instances the statutory limits do not provide adequate funds to provide available replacement housing. In these cases the acquiring agency must provide the funds necessary to make replacement housing available. This measure is known as Housing of Last Resort.
- This chapter details the approved methods of providing replacement housing in compliance with Housing of Last Resort.
- Implementation of Housing of Last Resort requires appropriate levels of documentation to demonstrate the reasonableness of the recommended approach.
- New construction is a viable option in certain specific situations.
- Removing barriers for the elderly or disabled may be a necessary expense.