

- The amount attributable to the displacee's period of actual occupancy of the replacement dwelling will be paid. Typically, this would only occur in the case of last resort supplemental rental payments made in installments;
- Full payment will be disbursed if the other members of the displacee's family continue to occupy the DSS replacement dwelling. If the family elects to move to a different replacement dwelling, the Relocation Supervisor will be consulted to determine what payments may be appropriate;
- Any portion of an RHP that is necessary to satisfy a legal obligation of an estate in connection with the selection of a replacement dwelling by, or on behalf of, a deceased displacee will be made to the estate.

OWNER-OCCUPANTS OF 180 DAYS OR MORE

GENERAL

A person is considered to be in this category and may be eligible for an RHP if the person has actually owned and occupied the displacement dwelling for not less than 180 days prior to the initiation of negotiations for its purchase by the Iowa Department of Transportation.

The maximum Replacement Housing Payment (RHP) for this category is \$22,500 unless Last Resort Housing provisions apply. (See Page 24) The payment will be the sum of:

- The purchase supplement; and
- The increased mortgage interest costs and other debt service costs incurred in connection with the mortgage of the replacement dwelling, limited to: the remaining balance of the mortgage(s) on the displacement dwelling; and
- The expenses incidental to the purchase of the replacement dwelling, limited to the lesser of: the costs that would have been incurred had the person purchased a comparable replacement dwelling; or, the actual expenses.

Definitions for Purchase Supplement, Mortgage Interest Differential and Incidental Expenses can be found on Page 22.

PURCHASE SUPPLEMENT

Determining the Cost of a Comparable Replacement Dwelling - The upper limit of a replacement housing payment is based on the cost of a comparable replacement dwelling.

Three comparable replacement dwellings should be located by the relocation advisor so that the addresses and locations can be provided to the displacee. If less than three are available in the local market, the advisor should document the extent of the search that was conducted.

Comparable replacement dwellings will be selected from the neighborhood from which the person was displaced. When that is not possible, comparables will be selected from nearby or similar neighborhoods with housing costs that are generally the same or higher than the displacee's former neighborhood. See definition for Comparable Replacement Dwelling, Page 18.

The payment should be based on the most nearly representative dwelling that is equal to or better than the displacement dwelling. If at all possible, the relocation advisor should include two more listed properties that were considered that are comparable, DSS and not listed at a higher price than the most comparable.

- This assures the validity of the study in that the Offer of Relocation Assistance is a document that provides assurance that the Iowa Department of Transportation will provide monetary assistance (purchase supplement), if necessary, to the displaced person in order to purchase any of the comparable replacement dwellings listed on the offer.
- It is also documentation that more than one comparable replacement property is available in the marketplace for the displacee to purchase for the monies set out in the offer.
- It allows the acquiring agent to issue the 90 day notice (See Page 10), thus assuring the timely completion of relocation activities prior to the letting of the construction project.

The relocation advisor should state the reasons for selecting the most comparable dwelling. An obviously overpriced dwelling should be ignored.

In some cases there may not be suitable properties available for sale. The relocation advisor may then determine that in order to provide for comparable replacement housing, last resort housing is necessary.

It is important that in these cases, the Iowa Department of Transportation cannot assure the availability of comparable replacement housing until the housing is DSS and available for occupancy.

If the relocation advisor determines that new construction or rehabilitation of existing housing is necessary, he or she must be sure to monitor the selection of potential contractors to ensure the displacee's choice of said contractor is not one who is likely to cause project delays because of failure to complete the work necessary to make the dwelling DSS.

- Under one circumstance the relocation advisor should automatically plan to replace the displacement dwelling with new construction on the remaining land: when there is a partial acquisition from a rural property which includes the acquisition of the owner-occupied dwelling.

Adjustments to the Price of the Displacement Dwelling - If the comparable replacement property lacks a major exterior attribute that the displacement property has, the acquisition price of that attribute may be subtracted from the acquisition price of the residential portion of the property for purposes of calculating the maximum payment.

When locating comparable replacement properties, the relocation advisor should make every attempt to locate a comparable that includes all the amenities of the displacement and may consider attributes that the comparable has in offsetting attributes found in the displacement. This tool is needed because no two properties are the same. Examples of such adjustments include lot size, location, street surfacing, swimming pool, decks, patios, etc.

Generally, the contribution value of such attribute is abstracted from the Elements of Comparison portion of the Uniform Residential Appraisal Report (URAR) or other appraisal report format. In instances where this is not available, the Relocation Supervisor will either consult with the reviewer of the appraisal or consult records of similar adjustments on other properties in order to ascertain the acquisition price of said attribute.

Price Differential or Supplemental Housing Payment - The price differential is the amount that must be added to the final acquisition price (whether it is established through negotiated settlement, condemnation or an appeal from condemnation) of the displacement dwelling to provide an amount equal to the LESSER of:

- The reasonable cost of a comparable replacement dwelling as determined by the Iowa Department of Transportation; or
- The actual purchase of the DSS replacement dwelling actually obtained and occupied by the displacee.

If the displacee is disabled or has some special needs or accommodations that are legitimately necessary for their reasonable enjoyment of the replacement dwelling, those needs should be considered. It is many times very difficult to find properties to accommodate these special needs, so the reasonable cost of the modifications may be reimbursed in addition to the calculated RHP.

Owner Retention of Displacement Dwelling - If an owner-occupant retains ownership of the displacement dwelling and moves it from the displacement site, the purchase price of the replacement dwelling will be the sum of:

- The cost of moving and restoring the dwelling to a condition comparable to that prior to the move; and,
- The cost of making the dwelling DSS; and,
- The current fair market value (unless the displacee rents the displacement site and there is a reasonable opportunity to rent a suitable replacement site) for residential use of the replacement site; and,
- The retention value of the dwelling, if such retention value is reflected in the acquisition cost used when the supplemental housing payment was calculated.

See Appendix.

SPECIAL CONSIDERATIONS

1. If the displacement dwelling was a part of a property that was not just a single family residence but contained another dwelling unit, and/or space used for non-residential purposes, and/or is located on a lot that is larger than typical for residential purposes, only the acquisition price that is actually attributable to the displacement dwelling is considered. The acquisition price attributable to the displacement dwelling will be determined by the Relocation Supervisor or designee.
2. If the displacement property is appraised and acquired based on a highest and best use other than residential, such as vacant commercial, the acquisition price of the residential portion is the per unit price applied to the square footage that is considered to be typical for a residential site.

Example: The displacement dwelling is located on a 30,000 square foot lot that is appraised based on a determination that the property has a highest and best use of vacant commercial development and is purchased for \$3.00 per square foot, indicating a value for the property of \$90,000. If the typical residential site size in the area is, say 10,000 square feet, this would indicate a residential portion of \$30,000 (10,000 sf @ \$3/sf).

Or, if the displacement dwelling is part of a commercial building which is appraised and acquired for \$25 per square foot of building area, including land, the value of the residential portion is determined by multiplying the residential square footage by the acquisition price, \$25 per square foot. If, say, the displacement dwelling contains 1,000 square feet and is part of the commercial building containing 5,000 square feet, it is reasonable to use 20%, or \$25,000, as the residential portion of the \$125,000 purchase price.

3. If the acquisition of a portion of a typical residential property causes the displacement of the owner from the dwelling and the remainder is a buildable residential lot, the Iowa Department of Transportation will normally offer to purchase the entire property. If the owner refuses to sell the remainder, the fair market value of the remainder will be added to the acquisition cost of the displacement dwelling for purposes of computing the RHP.

MORTGAGE INCREASE DIFFERENTIAL PAYMENT (MIDP)

This payment is intended to compensate the displaced owner-occupant for increased interest costs which he or she is required to pay for financing the replacement property. In order to qualify for this payment, the mortgage on the displacement property must have been a bona fide and valid lien in existence at least 180 days prior to the initiation of negotiations for the purchase of the property. More than one qualifying mortgage may be considered.

The payment for increased mortgage interest cost shall be the amount which will reduce the mortgage balance on a new mortgage to an amount which could be amortized with the same monthly payment (principal and interest) as that for the mortgage on the displacement dwelling.

This payment computation is based on the unpaid balance of the existing mortgage on the displacement dwelling, its remaining term and the current prevailing interest rate charged by lending institutions in the area of the comparable replacement dwelling used in the housing study. If there is more than one mortgage outstanding on the displacement dwelling, a separate computation will be required for each mortgage.

In the case of a home equity loan, the unpaid balance shall be the balance which existed 180 days prior to the initiation of negotiations or the balance on the date of acquisition, whichever is less.

If the displacee obtains a smaller mortgage or a mortgage for a lesser term than the one on the displacement dwelling, the payment will be reduced accordingly.

This payment should be made available at or near the time of closing on the replacement dwelling in order to reduce the new mortgage. Although it is not a requirement that the payment be applied to reduce the new mortgage, the relocation advisor should stress the purpose of this payment and encourage the displacee to do so.

The advisor should attempt to obtain the necessary information on the displacee's current mortgage, if any, during the first personal contact. In preparation for the first visit, the relocation advisor could review the Record of Ownership and Liens (in Records Center) to ascertain recorded mortgages. The displacee may consider this information to be very personal and may refuse to divulge it until they have an understanding of its purpose and possible benefit to them. Further explanation should alleviate their concerns.

The information that is needed for any computation includes the unpaid balance of the mortgage, the interest rate, the monthly payment (principal and interest only) and the remaining term in months or years.

Many displacees will not have the exact figures, but with the displacee's permission, the advisor should be able to contact the mortgage holder for a copy of the information needed. Generally, it is necessary for the displacee to provide an account number for reference to the lender.

Once the information on the existing mortgage and prevailing mortgage terms are known the relocation advisor can then prepare an estimated MIDP for presentation to the displacee.

When the information on both the displacement and replacement is available, an actual payment can be calculated. It is important to have this information far enough ahead of the closing on the replacement dwelling so that the displacee will be able to know how much financing they will need.

It may be necessary to establish an escrow agreement with the finance or lending institution that will handle the closing on the replacement so that any last minute changes will not cause a delay in payment.

Purchaser's points and loan origination or assumption fees, but not seller's points shall be paid to the extent:

- They are not paid as incidental expenses;
- They do not exceed rates normal to similar real estate transactions in the area;
- The Iowa Department of Transportation determines them to be necessary;
- The computation of these points will be based on the unpaid mortgage balance on the displacement dwelling less the amount determined for reduction of the mortgage balance under this section.

This payment is not available to the displacee if:

- There is no mortgage on the displacement dwelling; or
- The interest rate obtained on the mortgage for the replacement dwelling is less than the interest rate on the displacement dwelling.

Specific instructions, definitions and a calculation form are located in the Appendix.

INCIDENTAL EXPENSES

The Iowa Department of Transportation will reimburse the displacee for the reasonable expenses incurred in the purchase of the replacement dwelling. The reimbursable expenses are those customarily paid by the buyer, with certain limitations. (See Page 23)

DISBURSING PAYMENTS

Prior to the disbursement of supplemental housing payments, the replacement dwelling must be inspected to ensure it is DSS.

If the displacee needs to assign future payments to a financial institution or some other third party, an Assignment of Interest form can be used.

In many cases, the displacee will need money to close on the replacement dwelling or advance payments for new construction prior to being in a position to surrender possession of the displacement dwelling. In these cases, the Relocation Housing and Possession Agreement form should be used. The displacee must sign this document agreeing to a reasonable date of surrender of possession of the displacement dwelling in exchange for early release of the supplemental housing payment and/or the possession warrant for the displacement dwelling (usually held by Property Management).

To receive the possession warrant from Property Management, the relocation advisor should prepare a memorandum, for the Relocation Supervisor's signature, and send it to the appropriate property manager setting out the facts in the situation and requesting the warrant.

In the case of new construction, experience has taught us that displacees should be advised that any builder who is to receive advance or progress payments should be bonded. The bonding will protect the displacee in the event that the builder does not perform in the manner agreed, or in the worst case, abandons the project. Releasing advance or progress payments to builders who are bonded will also protect the Iowa Department of Transportation in the event of a problem.

It is far more desirable if the relocation advisor will contact the displacee's lender and arrange for an escrow account to manage the funds and provide the necessary releases as construction progresses.

SUPPLEMENTAL HOUSING PAYMENTS

Supplemental housing payments are conditional. The initial determination and offer are based on the appraised value of the displacement dwelling and available comparable replacement dwelling. In the event the "acquisition price" changes through either administrative settlement or eminent domain proceedings, the amount of the supplemental payment may change.

In the event that the determination made by a compensation commission is appealed to District Court, a significant delay may ensue. If the displacee opts to move before it is actually required (the 180th day after the compensation award is deposited with the county sheriff), the displacee will be required to sign an agreement similar to the Replacement Housing and Possession Agreement that will require the displacee to refund any part of the supplemental housing payment for which they are not eligible based on the "acquisition price" as determined by the Court.

INSURANCE PROCEEDS

To the extent necessary to avoid duplication of payments, the amount of any insurance proceeds received by a displacee in connection with a loss to the displacement dwelling due to a catastrophic occurrence shall be included in the acquisition price of the displacement dwelling when computing the price differential.

PARTIAL OWNERS

If a partial owner is the occupant of the property, the calculation of the supplemental housing payment is somewhat different.

Example: An occupant has a one quarter interest in a dwelling with an appraised value of \$60,000. The comparable replacement study indicates housing is available for \$70,000.

The occupant is eligible for a maximum supplemental housing payment of \$10,000. In order to qualify for the maximum payment, the occupant must spend his or her share of the acquisition price of the displacement dwelling (\$15,000) plus at least \$10,000, or \$25,000 for DSS housing, and must actually occupy it.

If the supplemental housing payment is not sufficient to allow the displacee to purchase replacement housing, the displacee may need to become a tenant. The Iowa Department of Transportation does not have the obligation to provide higher supplemental housing payments for the sole purpose of making the displacee a sole owner of replacement housing.

RENTAL ASSISTANCE PAYMENT

An owner-occupant of 180 days or more who could be eligible for a supplemental housing payment to purchase replacement housing, but instead elects to rent a replacement dwelling is eligible for a rental supplement. The amount of the rental supplement payment is based on a determination of market rent for the acquired dwelling compared to a comparable rental dwelling available on the market. The difference, if any, is computed and disbursed in accordance with the procedures for tenant occupants of 90 days or more, except the limit of \$5,250 does not apply. Under no circumstances would the rental assistance payment exceed the amount that could have been received had the 180 day homeowner elected to purchase and occupy a comparable replacement dwelling.

The computed supplemental housing payment, increased interest and incidental costs for purchasing replacement housing exceeding \$22,500, demonstrates the need for last resort housing provisions. Thus, the rental supplement may exceed the \$5,250, but in no event can it exceed the amount computed for the purchase of replacement housing.

LAST RESORT HOUSING

Applicability - The threshold for implementing Last Resort Housing 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.

Any decision to provide last resort housing assistance must be adequately justified either:

1. 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 Department of Transportation);
 - The individual circumstances of the displacee; or
2. On an area or project basis because:
 - There is little, if any, comparable replacement housing available to displacees within an entire project area; and
 - The project cannot be completed in a timely manner without last resort housing 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 should be involved in the decision to provide last resort housing on a project-wide basis so that Division management can 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 it is necessary for an entire project.

This 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 who can assist the advisor in determining which ideas to pursue.

Possible methods include, but are not limited to:

- 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. (See Page 35)

TOTAL ACQUISITIONS

The relocation advisor should work closely with the displacee in order to ascertain their needs and preferences 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 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 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 advisor should base their estimate on habitable space (See Page 19) 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.

PARTIAL ACQUISITIONS

The relocation advisor should work closely with the displacee in order to ascertain their needs and preferences 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 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 advisor should base their estimate on habitable space (See Page 19) 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.

REMOVAL OF BARRIERS

The removal of barriers or the addition to or the rehabilitation of an existing dwelling to assist the elderly or those displacees with special needs is sometimes necessary.

The cost of these features can be added to the listing price of the replacement comparable dwelling. It is preferable for the advisor to obtain two estimates, if possible, in order to ascertain the reasonable cost to make the adaptations necessary. Examples of these adaptations include, ramps or lifts, wider doors, first floor laundry, garage openers, special stools 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 displacees can be used. However, the housing must be functionally equivalent to the displacement dwelling.

DOCUMENTATION

To document the need for use of 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, orderly and humane. This plan will be submitted to the Relocation Supervisor for review and approval.