

CDBG Acquisition and Relocation

Case Study #1

“The Case of the Unwanted Land”

The small city of Larsen has applied for and received a small cities Community Development Block Grant (CDBG) from the state. The grant is part of a larger redevelopment effort in which tax credits are being used to develop low-income multifamily units for elderly and disabled families, a community center, and office space that will serve the tax credit development as well as the nearby public housing authority units. The CDBG funds will be used for acquisition of property needed for infrastructure improvements to support the development, as well as clearance and demolition activities.

One privately held property must be acquired to complete the project and the City is prepared to acquire it using eminent domain. The property owner has been kept informed throughout the planning process.

During the final design phases, it was determined that not all of the property would be needed for the project. The project planners looked for other options, but determined that there was no other option available to make the infrastructure improvements. The land on which the owner's house was located clearly was needed along with some of the land on the west side. The remaining portion on the east side of the house would not be needed. However, the land on the east side of the property was not suitable for rebuilding or for relocating the owner's home. The owner would be left with an “uneconomic remnant”.

Recognizing this, what actions will the grantee take to acquire the required property?

Answer Key - Acquisition and Relocation

Case Study #1: The Case of the Unwanted Land

Solving the Case of the Unwanted Land

The first step the grantee took in this case was to ensure that they were educated on both acquisition and relocation requirements. It had been several years since Larsen's last CDBG grant and the URA requirements that govern acquisition and relocation had changed.

The first stop for updating their knowledge of URA was the HUD website: <http://www.hud.gov/relocation/>. This website provided all of the regulations, notices, forms, sample letters, brochures, and even some training materials that could be used by both the staff and the public. At the same time, the Larsen staff reviewed materials on Section 104(d) which applies to the CDBG program. Although they knew the proposed demolition of the dwelling and related displacement of the occupant could trigger 104(d), they determined it did not apply since eligibility for 104(d) relocation assistance is limited to lower-income tenants and owner occupants are not eligible. Furthermore, 104(d) one-for-one replacement housing requirements did not apply since the dwelling to be demolished did not meet the regulatory definition of a lower-income dwelling unit (24 CFR Part 42).

Second, in drafting up their plan for acquisition, the grantee contacted the State Office of Community Development (which awarded the grant to Larsen) to ensure that there were no special or additional state requirements. The State staff indicated that there were no additional requirements, but suggested that the grantee contact the HUD Regional Relocation Specialist for the area. The name and contact information for the HUD Regional Relocation Specialist was listed on the HUD website at <http://www.hud.gov/offices/cpd/library/relocation/contacts/>.

The HUD Relocation Specialist met with the Larsen staff to discuss the changes in acquisition and relocation, emphasizing the need to keep the community—as well as those directly impacted—well informed about the project.

Key to the plan was developing a schedule for all of the activities associated with acquisition and relocation:

1. Hold public meetings to inform the public.
2. Issue the General Information Notice to the property owner to inform her that she may be displaced by the project.
3. Notify owner of Agency's interest in acquiring her property.

4. Develop a detailed appraisal scope of work and select a qualified appraiser to estimate the fair market value of the property.
5. Coordinate the appraisal and invite the owner to accompany the appraiser during the property inspection. The grantee knows that the property will be appraised in excess of \$10,000 and that the owner wants an appraisal, so a “waiver valuation” is not appropriate. Even though there is a part of the property that is not required for the project, the grantee must offer to acquire it along with the required property because it is considered an “uneconomic remnant.” For purposes of this requirement, the term “uneconomic remnant” as defined in 49 CFR 24.2 means a parcel of real property in which the owner is left with an interest after the partial acquisition of the owner’s property, which has little or no value or utility to the owner, as determined by the Agency. *Note: There is no obligation to purchase the uneconomic remnant, but there is a requirement to offer to purchase it.*
6. The appraiser will prepare an appraisal in accordance with the scope of work and requirements of 49 CFR 24.103.
7. A qualified review appraiser will review the appraisal in accordance with the scope of work and requirements of 49 CFR 24.104.
8. An authorized agency official will establish the estimate of just compensation based on the appraisal and recommendations of the review appraiser.
9. Provide the written offer of just compensation and summary statement to the owner. Since she will be displaced, also provide her with a Notice of Eligibility for Relocation Assistance which identifies the comparable replacement dwelling upon which her replacement housing payment will be based and describes other relocation assistance and payments for which she is eligible.
10. Meet with the owner to discuss the acquisition offer and her eligibility for URA relocation assistance and payments.
11. Provide required relocation advisory services.
12. If negotiations to reach agreement for purchase at the estimated amount of just compensation have failed, the grantee may determine that an administrative settlement should be made. The justification for the settlement will be documented as part of the file. The offer is finalized and the owner accepts the offer.
13. Complete the acquisition process by closing on the property and compensate the owner for the acquisition of her property and incidental expenses related to the transfer of title to city.
14. Reimburse the property owner for all eligible relocation payments in connection with her displacement.