

## Standard Operating Procedures for Owner Retention of Single-Family Structures

Situations may arise through the implementation of the City of Minot's Acquisition/Buyout program where it may be in the best interest of the City and propertyowner/displaced person (Displaced Person) to consider owner retention of single-family structures for relocating to another lot. The City of Minot's adopted Policies and Procedures (Section 5.6.4), as well as the Code of Federal Regulations (49 CFR 24.401 (c)(2)) allow for this type of activity to occur. This SOP is intended to provide additional guidance for implementation in cases where the Displaced Person wants to consider moving their single-family structure.

There are two potential situations that might arise that are addressed here: 1) Situations where a Displaced Person moves the single-family structure prior to initiation of negotiations (Outlined in Case 1); and, 2) Situations where a negotiated settlement occurs after initiation of negotiations (Outlined in Case 2). It should be noted that, in all situations where a house is to be relocated within the city limits of Minot, to be eligible for a Replacement Housing Claim, the moving of a single-family structure must be completed in accordance with the zoning codes and ordinances and building codes and ordinances of the City of Minot. These include, but are not limited to:

- a. Building permit
- b. Posting of the city required surety bond.

At the time of closing on the sale the property the displaced person will be required to sign an agreement with the City of Minot holding the City harmless from any damages that may occur as a result of the move. The agreement shall also specify the Displaced Person will have not more than 120 days to remove the structure(s) from the City acquired property unless written permission is obtained from the City of Minot Finance Director. The City of Minot estimates that it can take a minimum of 60 days to obtain all approvals. Displaced persons are, therefore, encouraged to start the process of obtaining permits in advance of closing on the sale of their property to the City of Minot.

Decisions on whether or not a Displaced Person will be allowed to retain ownership of their single-family home for moving to another lot will rest with City of Minot Finance Director.

For those Displaced Persons that moved their house prior to initiation of negotiations, the offer for the purchase of their property will be for the land, only. For those Displaced Persons that wish to move their house after initiation of negotiations with the City of Minot, the amount offered shall be the fair market value of the land and improvements minus the salvage value of the retained home. The salvage value shall be determined based upon 10% of the value of the improvements of the acquired property established by the appraisal process/or appeal process, as appropriate.

Displaced Persons that move their house from the purchased property shall not be required to remove the home's foundation and footings. They shall, however, be required to secure the site in accordance with City requirements once the house has been removed from the property. The property owner shall notify the city when the structure(s) have been removed from the site and the site has been properly secured so the city can schedule the remaining demolition.

All other relocation requirements, including the handling of Duplication of Benefits, shall remain in effect.

**Case 1.** Policy and procedure for the owner of a single family dwelling (structure) who is eligible to receive replacement housing payments in accordance with 49 CFR §24.401 and has moved the home prior to initiation of negotiations:

The owner is offered only the market value of the lot the structure was located on. The amount of the maximum price differential eligibility for the displaced individual will be determined by selecting a comparable replacement dwelling in accordance with current City Policy and subtracting the price paid to the owner for the residential lot as determined by the City.

To determine the actual amount of the price differential claim for the owner occupant the claim amount will be the lesser of:

- (1) The reasonable cost of a comparable replacement dwelling as established in accordance with current City and URA policy (§24.401) less the amount paid to the owner for the acquired residential lot; or
- (2) The sum of :
  - (a) The cost of moving and restoring the dwelling to a condition comparable to that prior of the move;
  - (b) The cost of making the unit a decent, safe and sanitary dwelling as defined in 49 CFR §24.2(a)(8); and
  - (c) The current market value for the residential use of the replacement dwelling site.

**Example 1.** Displaced person owned and occupied dwelling at the time of the event. The displaced person moved the structure after the flood but prior to the beginning of the program. It has been determined the displaced person is a displaced for purposes of the program. The valuation of the property is established at \$150,000 and is based on a date prior to the event. The breakdown is as follows:

Total Appraised Value (FMV)	\$150,000
Lot	\$ 25,000
Structure	\$125,000

The selected Comparable Replacement Dwelling is listed at \$170,000. The offer to the displaced property owner is \$25,000 for the lot only because the structure has been moved. The maximum price differential eligibility is determined to be \$145,000 (\$170,000 - \$25,000). The owner will become eligible to begin claiming the price differential eligibility after spending \$25,000 of their own funds on the replacement lot, moving the structure and bringing it up to decent, safe and sanitary (DSS) condition.

Replacement lot purchased for	\$ 30,000
Move structure (move, permitting etc.)	\$ 50,000
<u>Improvements to meet DSS conditions</u>	<u>\$ 60,000</u>
Total	\$140,000

In this situation the owner would receive \$115,000 of the price differential as they would have had to spend \$170,000 to receive the full \$145,000 eligibility. Remember, they received \$25,000 for the purchase of the lot at closing.

**Case 2.** Procedure for the owner retention of single family dwelling (structure) by owner occupant who is eligible to receive replacement housing payments in accordance with 49 CFR §24.401 and decides to move the structure(s) after initiation of negotiations:

Should the City Finance Director determine that it is in the best interest of the program to allow the displaced person of a single family dwelling to retain the dwelling (structure) being purchased by the City, the salvage value of the structure as determined by the City will be subtracted from the acquisition proceeds at the time of the closing of the subject property. Salvage/retention value of the dwelling will be 10% of the value offered for the dwelling based on an appraisal. For purposes of determining the amount of the maximum price differential eligibility for the displaced individual, the maximum eligibility amount will be determined in accordance with policies already established by the City (49 CFR §24.401).

To determine the actual amount of the price differential claim for the owner occupant the claim amount will be the lessor of:

- (1) The reasonable cost of a comparable replacement dwelling as established in accordance with current City and URA policy (§24.401) less the acquisition cost (full offered amount); or
- (2) The sum of:
  - (d) The cost of moving and restoring the dwelling to a condition comparable to that prior to the move;
  - (e) The cost of making the unit a decent, safe and sanitary dwelling as defined in 49 CFR §24.2(a)(8); and
  - (f) The current market value for the residential use of the replacement dwelling site; and
  - (g) The salvage/retention value of the dwelling, if such retention value is reflected in the “acquisition cost” when computing the replacement housing payment.

**Example 2.** Displaced person owned and occupied dwelling at the time of the event. The displaced person requests retention of the structure. The City Finance Director will determine if it is in the best interest of the program to allow the displaced person to retain the structure at salvage/retention value. It has been determined the owner is a displaced for purposes of the program. The valuation of the property is established at \$150,000. The breakdown is as follows:

Total Appraised Value (FMV)	\$150,000
Lot	\$ 25,000
Structure	\$125,000
Salvage/retention Value established by City	\$ 12,500
Number One Comparable (Relocation)	\$170,000

The selected Comparable Replacement Dwelling is listed at \$170,000. The offer to the property owner is \$150,000 and the displaced person accepts offer. At closing the salvage/retention value is subtracted from the agreed upon offer price. (\$12,500 salvage/retention value), so they net \$137,500. The maximum price differential eligibility is determined to be \$20,000 (\$170,000 - \$150,000). The owner will become eligible to begin claiming the price differential eligibility after spending \$150,000 of their own funds on the replacement lot, moving the structure(s), bringing it up to decent, safe and sanitary (DSS) condition, along with the salvage/retention cost.

Replacement lot purchased for	\$ 30,000
Move structure (move, permitting etc.)	\$ 50,000
Improvements to meet DSS conditions	\$ 70,000
<u>Salvage/retention cost</u>	<u>\$ 12,500</u>
Total	\$162,500

In this situation the owner would receive \$12,500 of the price differential as they would have had to spend \$170,000 to receive all of the \$20,000 eligibility. The cost over \$150,000 is what they become eligible for with the maximum replacement housing payment of \$20,000 if the move ends up costing \$170,000 or more.