

Pits, Pads and Underground Storage Tanks

How to determine applicable relocation benefits

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The term “pits” generally refers to a hollowed out space below existing grade level from which a business performs its work. Oftentimes, pits are found in automotive-related businesses such as mechanics or auto body shops. Mechanics enter the pit area and the car is placed upon rollers at grade level. This allows the mechanic easy access to the under carriage of the vehicle in order to change oil or do other maintenance or body work. The term “pads” refers to foundations or other structures that are necessary for the support of machinery or other personal property required for operating the business. Usually, heavy industrial equipment rests on a foundation to avoid damage or stress to both the machine itself and the flooring below.

Reimbursement Guidelines

The “costs of pits, pads and foundations can be reimbursed as an eligible moving cost if they are necessary for the reinstallation of equipment or machinery or the installation of substitute items that are necessary for the business operation.” (Frequently Asked Questions on 49 CFR Part 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally-Assisted Programs; Published in the Federal Register on January 4, 2005).

The regulatory authority for this interpretation comes from 49 CFR §24.301(g) (3): *Eligible actual moving expenses.*

Disconnecting, dismantling, removing, reassembling and reinstalling relocated household appliances and other personal property. For businesses, farms or nonprofit organizations this includes machinery, equipment, substitute personal property, and connections to utilities available within the building; it also includes modifications to the personal property, including those mandated by Federal, State or local law, code or ordinance, necessary to adapt it to the replacement structure, the replacement site, or the utilities at the replacement site, and modifications necessary to adapt the utilities at the replacement site to the personal property.

The relocation professional should review the appraisal carefully to make sure that the value of the pit or pad was not included in the value of the real estate. Typically, the value of pits and pads are not included because such items normally only add value to the subject property as part of the particular

business that is being displaced. For example, a mechanic's pit may be vital to the car repair business that must move, but generally does not add overall value to the property. However, if the highest and best use of the acquired property is a car repair business and the fair market value of the subject site is determined upon this basis, the value of the pits and pads may be included in the real estate. If such a situation occurs and the pits and pads are sold to the displacing agency, there can be no relocation payments associated with them. However, if they were assigned a contributory value in the real estate appraisal, the displaced business may opt to have that contributory value deducted from the cost of the newly constructed pits, pads and foundations at the replacement site.

“Are there any permitting or regulatory requirements that could impede the replication of the pit or pad at the new site?”

Asking the Right Questions

The relocation professional should work closely with the displaced business to make sure they understand the ramifications and financial impacts of either situation. A variety of key items should be discussed with the displacee prior to the move.

- If the displaced business is a tenant, determine whether or not a pit will be allowed at the replacement site under the new lease.
- Are there any permitting or regulatory requirements that could impede the replication of the pit or pad at the new site? For example, if the old pit was “grandfathered” under applicable codes at the displacement site, what codes are enforced at the new site?
- Establish which new costs may be associated with recreating the pad, and whether the Relocation Assistance Program covers these costs.

- Is the pit or pad necessary for the installation of personal property or equipment? If so, identify which items depend on the installation of the pit or pad.
- Determine whether pits or pads are necessary for the installation of substitute personal property.
- How much time is needed to replicate the pit or pad at the new site and does this fit into the project schedule?

Underground Storage Tanks

Similarly, underground storage tanks are usually valued as part of the real estate. However, some states view the tanks as personal property. If the jurisdiction of the displacing agency determines the tanks are personal property, and they need to be moved and used at the replacement site, such costs are an eligible moving cost under 49 CFR §24.301(g) (3) (Frequently Asked Questions on 49 CFR Part 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally-Assisted Programs; Published in the Federal Register on January 4, 2005).

Again, the relocation professional should work closely with the displacee in this situation and ask a number of key questions. In addition to those general questions included above in connection with the pit or pad, other important questions should touch upon the integrity of the underground tanks and whether they can be moved without damage and still comply with any environmental regulations at the replacement site. Another is determining whether substitute personal property is available to use instead of the underground tanks if they cannot be moved to the replacement site. As always, the relocation professional should resolve any questions with the project's funding source. 🌟



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