

The City Center Experience—A Business Relocation Study

by William A. and Judith A. Von Klug

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In 1981, Von Klug and Associates, a Minneapolis-based relocation consulting firm, working nationwide, conducted a survey under the auspices of the City of Minneapolis.

Thirty-seven businesses, each displaced due to a downtown redevelopment project, participated in the survey which reveals some interesting, if not unexpected, attitudes toward the Uniform Relocation Act.

While not presumed to be 100 percent conclusive, the results, nonetheless, does provide legislators with available documentation of public opinion regarding the Act as it is currently written and administered.

During the past two years, serious consideration has been given by interested Congressional legislators in revising the Uniform Relocation Act, particularly to increase benefits in accordance with inflationary trends in the latter half of the 1970's. While such efforts continue, the momentum toward change has been slowed by the more recent need to economize and streamline governmental operations and expenditures. In fact the idea of eliminating mandatory relocation benefits has even been whispered, although the removal of such an essential service directly related to the government's actions seems improbable.

Assuming that the basic benefits afforded in the original law are not eliminated, residents forced to move for public activities are assured of adequate affordable replacement housing regardless of the general re-

location payment limits. Displaced businesses, however, have never been the recipient of such guarantees. While there is no limit on payment for direct moving costs, they can be displaced even if a replacement site has not been secured, they receive no rental or purchase subsidy, and there are no allowable exceptions to their fixed payment limit.

A study of the adequacy of the existing business relocation assistance program could therefore produce useful input into the debate of whether to alter that package, and if so, to what degree. Such a survey was conducted by Von Klug & Associates, Inc. about two years ago. Its relocation specialists, part of a redevelopment consulting firm, were hired by the City of Minneapolis to relocate the 75 businesses displaced for that city's downtown redevelopment project known as City Center. Implementation occurred from 1978 through 1979; and in 1980 the businesses were surveyed about the effects of their moves, their attitudes toward the concept of eminent domain and the specific City Center Project, and their satisfaction with the consultant's relocation services and the monetary benefits afforded them.

While 75 concerns were located in the acquisition district, five voluntarily chose not to file a relocation payment. The owners of two others were not available for comment and one restaurant had not yet been va-

cated at the time of the study. This left a sampling of 67 businesses. Thirty-seven of the sampling participated in the survey by returning their questionnaires, for a response rate of 55 percent. The respondents were representative of the total group in terms of those businesses which reestablished and those which ceased operations at the time of displacement.

A limited profile of the 37 survey respondents shows 13 sole proprietorships, two partnerships, 19 corporations, and three chain outlets, with an average business age of 29 years. Half had operated only from their project sites before displacement. The others generally had had one or two previous locations but one had moved twenty times. The respondents which discontinued operations had been on-site an average of 18 years. However five of the eight were on-site eight years or less. Those reestablishing averaged 24 years of occupancy at the acquired quarters, which is reflective of the spread of responses.

Before examining the feelings expressed about the adequacy of the relocation compensation received, it may be useful background data to summarize the other findings.

Attitude Toward Eminent Domain

Forty-three percent of the businesses surveyed support the present concept of eminent domain, which is the forced endurance of limited indi-

vidual hardship for the benefit of the public as a whole. Most of these did add that they did not always approve of when the government uses their power. Another five percent reported a change in attitude, not approving of eminent domain before the project but deciding afterwards that the process was reasonably fair and could be the only way to facilitate change. A strong 68 percent thought public redevelopment projects were necessary despite their shortcomings.

Direct Effects of Displacement

Just over a third (26) of the businesses displaced terminated operations. However, 15 were chain outlets, most of which are candidates for inclusion in the new retail center. Five retired, one independently filed bankruptcy, and one moved on site after the project was approved. This leaves four concerns that folded, leaving their owners to pursue other sources of personal income. If one is willing to tolerate some degree of business fatality as an unpleasant byproduct of redevelopment, which the law itself does since the provision of commercial replacement sites is not mandated, the City Center experience would probably be termed "acceptable" and its rate typical of that associated with clearance endeavors.

Half of the survey respondents which had reestablished said permanent changes had to be made at the time of that displacement and such revisions hurt established operating methods. This included the projection of a different store atmosphere, an increase in staff salaries and advertising budgets, and a change in the number of employees. (As many had to add staff as had to cut personnel.) In addition, receipts did not usually increase to fund changes which increased costs.

Practically all of the respondents which had reestablished said their operating costs were higher, which would include those not only associated with business changes, as just discussed, but also higher rent. While the average cost increase was 131 percent, half fell between 10 and 50 percent.

This would seem to be a reasonable result for three reasons. The project area was characterized by lower-than-normal occupancy rates; the survey was conducted soon enough after displacement that some "down time" would still be expected, and in retrospect it is recognized that the state and national economy were at that time experiencing the start of a general recession. (Perhaps surprisingly, then, half of the businesses were able to maintain their annual profit.)

Informational Program


A two-fold program was formulated to aid in the dissemination of information to the 75 affected businesses in the City Center area. A guidebook was written by the consultant to inform the occupants of their rights and obligations during the relocation process and to summarize the assistance and benefits offered through the relocation program. Rather than a skeletal discus-

sion, the booklet expanded on the various facets of the program. Well over half of the comments received through the survey on the guidebook were positive ones.

Four editions of a project newsletter were printed to reiterate some general information from the guidebooks in a more timely manner, e.g. the need of the business to give a 30-day notice of its scheduled moving date; to introduce the various staff involved in project implementation; to note the project's status; and to list downtown commercial vacancies. The flyers were hand-delivered by the relocation staff; and although there is no substitution for personal communications, over half of the remarks were positive. The limited use of a newsletter format, then, appears to be a viable means of transmitting information to a substantial number of participants.

Project Personnel

A minimum number of questions



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