

The City Center Experience—A Business Relocation Study

by William A. and Judith A. Von Klug

William and Judith Von Klug, President and Vice-President respectively of Von Klug and Associates, Inc. have worked as a "team" for the past five years, with each involved with relocation and negotiation/acquisition agencies before formation of the corporation. Currently William Von Klug is a certified relocation instructor for IRWA and serves as President-elect of Minnesota Chapter 20.

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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asked for perceptions of the relocation consultants, the City staff, and the project developer. Over three-fourths of the respondents said they received most of the attention desired and that they felt favorably toward Von Klug & Associates, Inc. Additionally, there was a more positive impression of the City staff than that of the developer.

Referrals

The job of referring vacancies as possible replacement sites can be one of the most frustrating to the relocation counselor. Project activities create an unnatural demand for space and occupants seem reluctant to explore referrals simply because they are "recommended" by the displacing agency. Also, while counselors try to look for space meeting the occupant's parameters, it is not unusual for chosen replacements to deviate from those stated criteria.

Commercial referrals for City Center were transmitted via the project newsletter and individually by telephone and mail. Layout assistance was also available to aid the concerns in adapting to new sizes and configurations of quarters. The searching efforts were generally limited to looking for similar units in the downtown trade area.

Factually, all 75 businesses were given reestablishment options, although not necessarily as desired, including the 26 which terminated operations when displaced. Five others had unusual reestablishment circumstances, such as an agreement to lease space in the City Center retail mall or a move to a different city. Eight reopened outside the downtown trade area. Therefore, 36 concerns moved to other commercial sites in Minneapolis's Central Business District; and 22 of these were to referred spaces. Of the other 14, six located in the same office building and the remaining eight were disbursed through the downtown.

It is interesting, given the above statistics, to note that 22 percent of the respondents said they explored no referrals and another 22 percent checked a third or less. Only five surveyed businesses credited Von

Klug with locating their replacement sites; 17 said they found their own; and two were solicited as tenants. While 22 of 49 reestablished businesses located in referred quarters, only 5 of 24 surveyed said they were in that category.

While the majority of respondents said the referrals were timely and accurate, location was generally the problem. The block acquired and cleared abutted the 100 percent corner downtown, so maintaining this immediate proximity to the major retailers, as desired, was simply not possible for most. It was still somewhat surprising that more surveyed businesses did not state price as the primary deterrent to pursuing any given referral, as quarters available in comparable locations were significantly more expensive than project rents.

Relocation Assistance

Half of the businesses, when queried about the type of additional relocation assistance which was most needed, preferred increased relocation payments. Companies which had reestablished picked low-interest loans and guaranteed space at a discounted rate in the new development for their second most popular responses, while those out-of-business settled for a preference in City Center at market rates.

The survey anticipated the desirability of a larger relocation payment given the comments of the business representatives during project implementation. A second choice was therefore requested when this was the chosen response but only half of those picking increased monetary benefits selected another area of assistance. This further illustrates the popularity of the direct payment preference.

Monetary Relocation Benefits

Given the desire for additional money, it is interesting to note that a slim majority of the survey respondents were neutral or reported some degree of satisfaction regarding the amount of actual compensation received for the relocation. While wanting more, that received was not

displeasing. There were, of course, some concerns expressing great dissatisfaction with the sum received, although they constituted only 16 percent of the total. The level of discontent is greater among those no longer in operation, which is predictable since money for moving personal property is insignificant when a business with all its income is lost.

The most helpful type of grant for the business who did not reestablish, according to the survey, would have been a rental/purchase subsidy. As was noted earlier in this report, such a monetary benefit is already afforded to displaced residents, and at least Wisconsin has included a similar provision for businesses vacated for local and state-funded public projects. Some rewrites of the Uniform Act have to date also included assistance to companies in paying for replacement quarters; and a Minnesota statute has been considered which would join in adding this type of monetary benefit.

There is little doubt, then, that proprietors welcome an occupancy subsidy when one is suggested and that equalizing the monetary assistance proffered to all displaced persons was at least for a time gaining acceptance in the political arena. However, this popularity must be kept in perspective. First, this type of grant is only the favorite of those who terminated. The ones remaining in business chose reimbursement of remodeling expenses at their replacement sites as the top priority.

Secondly, the 42 percent who had discontinued operations and mainly desired the subsidy said that location was the primary problem with the available commercial vacancies, not price. Perhaps picking rent assistance is like being asked if you want \$1.00, \$10.00, or \$50.00. Most would desire the \$50.00, even if \$10.00 was the sum really required. Of the types of monetary assistance listed, this choice (replacement cost subsidy) was among the costlier alternatives. Money to repair code violations when the City cannot enforce compliance was not important to any of those surveyed. All five of

the "write-in" responses chose payment for business goodwill lost at the time of the move, but this type of compensation is specifically prohibited through the relocation program.

Direct moving and related expenses were repaid through the City Center relocation assistance program. Categories of eligible costs were cartage (from disconnecting and packing through unpacking and reconnecting), reinstallation of leased equipment such as telephone service and ADT fire/burglar alarms, time spent searching for a replacement site to a maximum allotment of \$500.00, and storage when necessary in connection with the relocation. Businesses meeting special eligibility criteria could receive an alternate payment in lieu of actual expenses, the amount of which was based on the net earnings of the concern. However, the in-lieu payment was a minimum of \$2,500 if annual net earnings were less and a maximum of \$10,000 if income was more.

As noted in the explanation of the survey techniques earlier in this report, six businesses did not file a claim for payment. Four others negotiated settlements with the City of Minneapolis. The remaining 65 entities received relocation compensation totaling \$516,837.10, for an average allotment of \$8,203.76. Table 1 lists the sum expended by category plus the average payment.

Half of the businesses claimed payment based on actual expenses and the other half successfully filed for a fixed payment (in lieu of reimbursement for moving costs) based on net earnings. While the average allotment may seem slim to those acquainted with relocation regulations, it is important to note that those negotiating settlements constituted the more costly concerns to relocate. For example, a hotel's stipulated payment was \$195,550. All settlements were based on estimates of actual expenses and did not include compensation for "damages" unrelated to the move.

Minnesota adopted the HUD regulations in effect in March of 1973 for use in locally-funded projects, so no

Category

Cartage
Telephone
ADT
Audio Lab
Storage
Searching
In-Lieu

Table 1

	Total	Average
Cartage	\$274,308.55	\$7,728.39
Telephone	10,737.40	631.61
ADT	2,135.00	711.67
Audio Lab	5,000.00	5,000.00
Storage	17,831.30	5,943.77
Searching	11,011.75	440.47
In-Lieu	22,813.10	6,751.91

payments were made for sundry items such as professional services or licenses, fees, and permits. In addition, HUD's policy on reprinting obsolete stationery was not yet formalized in regulatory form so that type of reimbursement was also not made.

It is significant, then, to note that when given a somewhat restrictive package of relocation compensation, most businesses at least reported neutral feelings about the adequacy of their payments.

The concerns were permitted, though, to conduct non-documented self-moves; and from comments received during implementation, the administrative stream-lining of this grant was greatly appreciated.

Conclusion

Without applying any type of objective criteria, six of the surveys struck an overall positive tone, balanced by five negative ones. Eighteen expressed both types of answers depending on the specific subject matter, which represented the average type of response. Seven others seemed generally non-committal or neutral and one form was submitted with most questions unanswered.

The general tones, then, seem to correspond with the varying attitudes of people in general. Some look for the positive side, some like to complain, some are neutral, and some just won't reveal their thoughts. Given what appears to be a fairly representative cross-section of people, it should be encouraging to the budget-makers that no pressing demand arose for increased monetary compensation, although certainly desirable. This lack of strong

emotion tends to be verified by the fact that there was only one grievance and no court actions filed relative to the relocation assistance and monetary recommendations rendered by Von Klug & Associates, Inc.

There was no consensus among the responding businesses on whether the relocation program did in fact alleviate the hardship associated with displacement. This adds to the credibility of the existing package as a fair and reasonable one. If the underlying premise of eminent domain is to continue to expect the endurance of some personal hardship when the government's actions are beneficial to the public as a whole, the Uniform Relocation Act, according to displaced City Center businesses, is a reasonable piece of legislation.

Key Results of the Von Klug Survey Of the 37 businesses participating:

48 percent supported the present concept of Eminent Domain, while 68 percent were in favor of public redevelopment projects despite their shortcomings;

26 percent chose "Remodeling of Replacement Site" from five categories offered as the area in which they needed additional monetary support over and above what the guidelines allow; second choice category was "Rent" (at 23 percent) with over 70 percent of the respondents experiencing increased operating costs as the result of the relocation.