

ASK THE RELOCATION EXPERTS!

Determining which costs can be reimbursed

The Uniform Relocation Assistance and Real Property Acquisitions Act of 1970, as amended, (URA) allows payment to businesses for certain fees and professional services incurred as a result of relocation. Displaced business owners often incur numerous expenses for a variety of professional services, and the determination with respect to eligibility for reimbursement of these costs can be confusing.

The Code of Federal Regulations, Title 49 Part 24 is the portion of the URA that applies to professional services and fees. Here, we have presented various scenarios to demonstrate whether or not certain expenses are eligible, ineligible, or, "it depends." We thank the International Relocation Assistance Committee Members for their opinions on eligibility in these complex relocation scenarios.

1 A business owner is undecided whether to move or liquidate his business because he doesn't know the value of the personal property. Is he eligible for reimbursement of the cost for an appraisal of the personal property to help him make his decision? If he is eligible for that reimbursement, but doesn't file a Direct Loss of Personal Property claim after the appraisal, is the appraisal fee still reimbursable?

A: It depends. The agency prepares the calculation for payment of a direct loss of tangible personal property claim under 49 CFR 24.301 (g) (14) and since the appraisal forms a necessary component of the calculation, the cost of the appraisal would be a reimbursable expense. However, if the business owner decides it is better to stay in business, and does not file the claim for direct loss, the agency should advise him that it may not approve payment for the appraisal.

2 The business owner in the above scenario chooses to liquidate his business and hires an auctioneer to conduct the sale of the personal property. The auctioneer charges a fee to advertise and conduct the sale and these costs are generally considered eligible. However, the auctioneer additionally charges a commission taken from proceeds of sales. Is the commission reimbursable to the business?

A: Under 49 CFR 24.301(g)(15), the reasonable cost incurred in attempting to sell an item that is not to be relocated is a reimbursable expense. In this case, the commission could be considered part of the cost of the auctioneer (the sale) and reimbursable. The agency should determine that the costs/commission is reasonable and necessary.

3 Each year a displaced business pays a fee to the municipality for each vehicle registered to the business at the displacement address. The business moves and is charged a new annual fee for each vehicle, which is now registered at the replacement site. The business claims reimbursement for the entire fee for each vehicle.

A: The entire fee for each vehicle may be eligible in accordance with 49 CFR 24.301(g)(11), depending on the agency's policy. The agency may limit the payment to the remaining useful life of the existing license or permit. For example, if the annual fee for each vehicle was \$500 and each one had six months of remaining useful life, the agency could limit the payment to \$250 per vehicle.

4 A business hires an architect to plan the build out of the new location, as well as a layout of the personal property with associated plumbing, mechanical and electrical installations. Since professional services for conceptual building or site layouts intended for construction/reconstruction at the replacement location are not an eligible expense, how should the agency determine the eligible portion of the work? Since architects don't invoice work with a division of personal property versus real estate in mind, would an educated guesstimate by the professional allocating a percentage of the work to personal property be acceptable?

A: The fees for planning the layout of the personal property is an eligible expense under 49 CFR 24.301(g) (12). The professional doing the work should provide an estimate of fees by approximate percentage or dollar amount based on a division of personal property versus real estate related work. An opinion by the professional should suffice as support of payment for eligible fees. It is always a good idea for the agency to coordinate with the business and the moving planner early in the process. In this case, the Agency or relocation specialist could have requested the architect allocate his time between the build out of the real property and work associated with the personal property.

5 A business moves to a replacement site and incurs a one-time fee for a certificate of occupancy.

A: A one-time certificate of occupancy fee for the replacement site would be an eligible expense under 49 CFR 24.301(g)(11).

6 In some cases relocated equipment must be tested and certified to be in compliance by the Environmental Protection Agency or other agencies before it can legally operate at the new location. Is the cost of the test, including any resulting spoilage of product used in the test run reimbursable?

A: This is an eligible expense under 49 CFR 24.301(g)(11). The expense may also be eligible under 49 CFR 24.301(g)(7), other moving-related expenses that are not listed as ineligible under 49 CFR 24.301(h), as the Agency determines to be reasonable and necessary.

7 Is the cost of engineering and permitting for electrical installations to relocated personal property reimbursable?

A: These are eligible expenses, under 49 CFR 24.301(g)(11) for any necessary permitting, and 49 CFR 24.301(g)(12) for professional engineering services related to the electrical installations.

8 A business incurs project management, general contracting, and supervision fees related to the move of the personal property.

A: It depends. These fees may be reimbursable under 49 CFR 24.301(g)(12), however, these items should be pre-approved prior to the move so the Agency can determine whether the fees are reasonable and necessary.

9 A business incurs architect's fees for building design that include architectural, structural and building system engineering, permit/construction drawings to include interior build out, and a cost for blueprints.

A: These fees are ineligible. Although a business may be eligible for reimbursement of professional services to determine the replacement site's suitability for the displaced person's business operation under 49 CFR 24.303(b), these services do not include fees related to the design, build out or construction of the replacement site. These fees are also ineligible under 49 CFR 24.304, reestablishment expenses.

10 An attorney charges a business owner to review the new lease for his replacement site. He also charges a fee to assist the business in obtaining zoning variances.

A: These costs are usually eligible under 49 CFR 24.303(b), although some Agencies have taken a more limited interpretation of whether or not attorneys' fees for review of a lease or sales contract is a reimbursable expense. The preamble to the final rule published on January 4, 2005 provides a specific example of reimbursing attorneys' fees for representation before zoning authorities.

11 A municipality requires a business to include landscaping design as part of the business development plan prior to permitting construction. Are these landscaping fees an eligible reimbursement?

A: These fees are generally not reimbursable since they are associated with the construction of the replacement site.

12 A business incurs the following expenses in the purchase of its replacement site: a real estate commission to the broker who negotiated the purchase, a financing fee, title insurance, a property survey and the cost of a real estate appraisal of the replacement site.

A: Generally, costs that relate to the purchase of a replacement site for a business are not eligible for reimbursement. However, the Agency does have the discretion under 49 CFR 24.301(g)(7) to reimburse a moving-related expense it determines to be reasonable and necessary.

Each relocation situation is unique and the opinions expressed are not meant to apply to every situation. It is recommended that relocation professionals work closely with the sponsoring agency/funding source to resolve any relocation issues and should read the Uniform Act implementing regulations at 49 CFR Part 24, including Appendix A and the comments contained in the preamble to the final rule published on January 4, 2005. The Uniform Act FAQs, are another valuable resource, which can be found at <http://www.fhwa.dot.gov/realestate/ua/uafaqs.htm>.

