

REPORT OF THE
VIRGINIA DEPARTMENT OF TRANSPORTATION ON ITS

BUSINESS RELOCATION PROCESS

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA



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COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION

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November 21, 2000

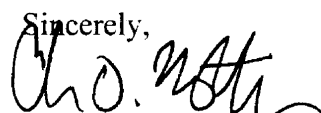
The Honorable James S. Gilmore, III
Members, Virginia General Assembly

Dear Governor Gilmore and General Assembly Members:

The 1999 General Assembly, through House Joint Resolution 490, requested that the Virginia Department of Transportation conduct a review of its business relocation process. The request specifically mentioned the difficulties faced by gasoline service stations operating on leased property after they are displaced and the compensation they could receive. At the request of VDOT's Right of Way & Utilities Division, the Virginia Transportation Research Council conducted the review and expanded the study to include all business displacement transactions.

At the time of the study, displaced Virginia businesses had several options: the actual moving and reestablishment option and the in lieu of moving option. The reestablishment payment was limited to \$10,000 and the in lieu of moving payment was limited to \$20,000, which were the same as the federal ceilings for these options. Effective July 1, 2000, SB 63 raised the reestablishment and in lieu of moving ceilings to \$25,000 and \$50,000 respectively for displaced Virginia businesses. However, federal ceilings remain the same.

The conclusions of the study indicate that the federal limits on reestablishment and in lieu of moving payments have become inadequate. It is therefore recommended that the Federal Highway Administration consider increasing these limits. Evidence also indicates that, prior to SB 63, Virginia's ceilings were also too low. Data analysis shows that the new ceilings under SB 63 come close to adequate amounts but it is recommended that any displacement payment system be indexed to the Consumer Price Index to account for inflation. Similar data analysis should be undertaken every few years to assess the adequacy of payments. Service stations do seem to face a special set of difficulties when it comes to relocations, especially with regard to extending a franchise agreement in the face of displacement. The new limits may alleviate some of these problems but further study would be needed to corroborate this assertion.

Sincerely,

Charles D. Nottingham

cc - Roberto Fonseca Martinez
FA Division Administrator-FHWA

Enclosure

PREFACE

House Joint Resolution 490 (Appendix A), passed by the 1999 session of Virginia's General Assembly, requested that the Virginia Department of Transportation (VDOT) conduct a review of its business relocation process. At the request of VDOT's Right of Way & Utilities Division, the Virginia Transportation Research Council conducted the review. The study group included:

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The authors of this report sincerely thank VDOT district right-of-way staff for their substantial assistance during the course of the research.

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EXECUTIVE SUMMARY

House Joint Resolution 490 (Appendix A), passed by the 1999 session of Virginia's General Assembly, requested that the Virginia Department of Transportation (VDOT) conduct a review of its business relocation process. The resolution specifically mentioned the difficulties faced by gasoline service stations operating on leased land after they are displaced and the compensation they could receive. At the request of VDOT's Right of Way & Utilities Division, the Virginia Transportation Research Council conducted the review and expanded the study to include all business displacement transactions.

When this study began, VDOT's payments to relocated businesses were limited to the federal maximums for the reestablishment payment and the in lieu of (ILO) payment offered to displaced businesses specified in the Uniform Relocation Assistance and Real Property Acquisition Policies Act (Uniform Act). These limits were \$10,000 and \$20,000, respectively.

A displaced business has two options: (1) the actual moving costs and reestablishment option or (2) the ILO option. A displaced business owner can receive payment for "actual, reasonable, moving costs and related expenses," under Section 24.303 of the Uniform Act, and, as such, these payments do not have a specific monetary limit. However, business owners provide VDOT with evidence of actual moving costs. A business may receive reimbursements for items such as expenses incurred when moving the business or other personal property, direct losses of tangible personal property, replacement site search costs (limited to \$1,000), and disconnection of equipment or machinery and subsequent reconnection at the new site.

Different procedures are in place for reestablishment and ILO payments. The first concerns monetary limits. In addition to actual, reasonable moving expenses, a business may be eligible to receive a reestablishment payment, not to exceed \$10,000 under Section 24.304, for expenses actually incurred in relocating and reestablishing a small business, farm, or non-profit organization at a replacement site (*Federal Register*, Vol. 54, No. 40). Reestablishment payment eligibility is broad and includes a wide range of items. A relocated business may have expenditures on such items as repairs or improvements to the new property as required by local codes and ordinances and modifications to make the replacement property suitable for the operation of the business. These expenditures can be reimbursed under reestablishment. A relocated business may face expenses to build exterior signing and can have that expense reimbursed. Typically, a business faces increased operating costs at the replacement site, such as higher rent or higher utility costs, and this can be reimbursed under reestablishment. A business may choose the ILO or fixed payment option rather than actual moving costs and reestablishment. Under this choice in the Uniform Act, an eligible business can receive a payment up to \$20,000 maximum based on its net business income.

Effective July 1, 2000, Senate Bill 63 raised the reestablishment and ILO payment limits to \$25,000 and \$50,000, respectively (Appendix B). Even though these limits applied only to businesses displaced in Virginia and the federal maximums were not increased, the study was continued in an effort to evaluate these differences.

During the course of the study, the researchers conducted lengthy interviews with VDOT right-of-way professionals to gain insight into their experiences with relocating businesses. The researchers also surveyed other states to discuss their business relocation programs and to determine any shortcomings they may have experienced with the federal program. The researchers also conducted a mail survey of displaced owner occupied and tenant business owners about their relocation experience and solicited suggestions for improving any and all aspects of the business relocation process and procedures. The researchers also conducted extensive data analysis to determine trends in reestablishment and ILO payments and what the average payouts for each would have been in the absence of limits for displaced businesses in Virginia.

As required by the study legislation, the researchers contacted the Virginia Gasoline Marketers Council and the Small Business Association to obtain their input.

The researchers drew a number of conclusions and developed resultant recommendations with respect to VDOT's procedures for the compensation of displaced businesses. Most important, the business survey responses, interviews with right-of-way agents, and data revealed that the increase in the reestablishment and ILO payments promulgated in Virginia as of July 1, 2000, was warranted. Three recommendations are made: (1) current federal ceilings for reestablishment and ILO payments be raised; (2) because of the eroding power of inflation, these new limits should be indexed to a measure of inflation, such as the Consumer Price Index; and (3) VDOT should also index the payments.

INTRODUCTION

The Virginia Department of Transportation (VDOT) relocates businesses to make way for new roads or other road-related improvements. Virginia's current relocation program is governed by procedures established initially by the federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), which specifies the maximum payments relocated businesses may receive under the program. Virginia complied with the act in 1972, with the passage of the Uniform Relocation Assistance and Real Property Acquisition Policies Act (§ 25-235). Over the years, particular provisions of the Uniform Act were changed, but the maximum payments have remained essentially the same since the last significant changes in 1987. At that time, the amendments created the reestablishment payment and increased the in lieu of (moving) (ILO) payment to its current level. VDOT's business relocation procedures are described in Section 25-239 of the *Code of Virginia* and are guided by *VDOT's Relocation Manual* (VDOT, 1992).

Under the Uniform Act, businesses compelled to relocate because of highway construction or improvements may choose one of two payment options:

1. *The actual moving expenses and reestablishment option.* Under this option, the actual moving expenses are paid after the move, and there is no limit on actual, reasonable moving costs. Items eligible for reimbursement under moving costs include costs associated with actually moving the business and personal property; suffering direct losses of tangible personal property; utility expenses within the building; searching for a replacement site (\$1,000 ceiling); disconnecting and reconnecting machinery; obtaining licenses and certifications; obtaining professional moving assistance; and relettering signs and stationery.

The limit for the reestablishment component is \$10,000. Typical items eligible for reimbursement under reestablishment include modifying the replacement real property to comply with codes and to make the structures suitable for the conduct of the business; providing exterior signing; utility impact fees; and replacing worn surfaces at the replacement site. Other licenses and fees, advertisement of the replacement location, and increased costs of operation (such as rent and utility differential expenses) during the first 2 years at the new site are also considered elements of reestablishment. A number of expenses are not considered eligible for reimbursement under the reestablishment option, e.g., the purchase of capital assets, such as furniture, machinery, and trade fixtures; changes to the replacement site for aesthetic purposes (removed from VDOT policy); and interest on money borrowed to make the move or to purchase the replacement property.

2. *The ILO payment option,* which is restricted to the \$1,000 to \$20,000 range. Specific criteria must be met to be eligible for this payment, e.g., the business cannot be relocated without a substantial loss in its existing patronage. A business is assumed to meet this test unless the department of transportation (DOT) can show otherwise. In addition, a business must not be part of an enterprise with more than three other entities that are not being displaced by the DOT. A business must contribute

materially to the income of the displaced person, although this test can be waived in some cases. The ILO payment itself is based on the average net business income over the most recent 2-year period. If this time period is determined to be non-representative, the DOT may use another time period that reflects business activity.

In its 2000 session, the Virginia General Assembly passed Senate Bill 63 (Appendix B), which raised the maximum amounts VDOT can pay for business relocation. The limit on reestablishment payments was raised to \$25,000, and the limit on ILO payments was raised to \$50,000. These new limits became effective July 1, 2000. Since these limits exceed those established by the federal Uniform Act, the Commonwealth is financially responsible for any payments above and beyond the federal maximums.

Previously, in its 1999 session, the General Assembly had passed House Joint Resolution 490 (Appendix A), which stated that Virginia's relocation process failed to provide sufficient compensation to permit particular businesses to relocate. It also stated that when property leased by a service station operator is taken by VDOT and the operator is unable to relocate his or her business, this inability may result in a loss of tax revenue to the Commonwealth. HJR 490, therefore, required that VDOT study particular right-of-way compensation issues and the overall business relocation process. The resolution specifically asked that VDOT consider the effects of the process on gasoline retail outlet owners and operators and mandated that VDOT contact representatives from organizations such as the Small Business Administration and/or the gasoline industry. Conversations with staff of VDOT's Right of Way & Utilities Division resulted in a decision to expand the study to include an assessment of all types of relocated businesses, as leased service stations were only one type of tenant business that might be adversely affected by relocation.

PURPOSE AND SCOPE

The purpose of this project was to investigate particular right-of-way compensation issues and the process by which VDOT provides benefits and relocation assistance to displaced businesses, as specified in HJR 490. The resolution stated that the study consider and balance the interests of the Commonwealth and the land owners with the need to provide compensation to gasoline retail outlet owners and operators who are unable to relocate their businesses. HJR 490 also specified that the research include obtaining the input of representatives of such organizations as the Small Business Association and an organization representing gasoline retailers, refiners, or petroleum distributors.

At the request of VDOT's Right of Way & Utilities Division, the Virginia Transportation Research Council included all types of relocated businesses in the study. The research investigated whether businesses in the Commonwealth are sufficiently and reasonably compensated during the relocation process. In other words, the objectives of the study were to investigate whether VDOT compensates displaced businesses adequately, with particular attention to gasoline service stations. To help determine if this was the case, the research involved obtaining input from displaced businesses and from VDOT relocation agents and

conducting analyses of relocation data. The research led to the formation of recommendations regarding the compensation of displaced businesses.

METHODOLOGY

The research comprised the following tasks:

1. *Literature Review.* The researchers reviewed the literature on relocation, including *VDOT's Relocation Manual* (VDOT, 1992), to gain an understanding of the relocation process. Although there was considerable literature on the residential relocation program, literature on the business program was scarce. O. R. Colan and Associates, a national consulting firm that specializes in right-of-way acquisition issues and relocation for public projects, conducted a relocation retrospective study in 1996. Although the study's focus was residential relocations, the report includes a section on business relocation. O. R. Colan and Associates is currently conducting another study on the business relocation issue. Although the study was not finished at the time of this report, the researchers sought information from the study's research staff.

2. *Interviews with VDOT Staff and Others.* The researchers conducted lengthy (1½ hours or more) face-to-face interviews with right-of-way professionals in all nine VDOT districts to gain an understanding of VDOT's business relocation program, discover how the professionals view the program, and solicit suggestions for the program's improvement. Interviews were also conducted with a representative of the Virginia Gasoline Marketers Council to understand the impetus behind the legislation. The Small Business Association was also contacted.

Interviews were done in all nine VDOT districts to capture rural and urban differences and differences in local economies, real estate markets, county zoning requirements, etc.—all of the variables that might affect the ability of a business to relocate. These interviews were done for several reasons:

- to investigate the agents' experiences with businesses that chose to move and reestablish
- to assess their experiences with businesses that chose ILO payments
- to find out about their experiences with relocating service stations and oil businesses, in particular
- to solicit their views on the provisions of the Uniform Act, including eligible expenses and payment maximums, given their years of experience in relocating businesses
- to obtain suggestions, if any, on how the program could be improved.

The majority of the agents interviewed had conducted business relocations for VDOT for 5 or more years and knew about many specific cases in detail. Most of those interviewed were

the senior relocation agent(s) in the district, and, in most cases, the researchers had the opportunity to interview more than one agent in a district office.

Interviews in three VDOT districts were conducted in July 2000—after the new reestablishment and ILO payment maximums enacted by the 2000 General Assembly became effective. Agents mentioned only one case that was being handled with the newly increased payment maximum. Thus, the views expressed by the agents reflected their longstanding experience with reestablishment payments of no more than \$10,000 and ILO payments of no more than \$20,000 (still the provisions of the Uniform Act).

3. *Survey of Other States.* Through the national right-of-way electronic list server, the researchers contacted state DOTs via email for a preliminary survey. This preliminary effort enabled the researchers to identify what the respondent states were experiencing with their respective business relocation programs and to locate contact persons for a follow-up effort. A follow-up telephone survey was made of initial respondents and additional contacts that were suggested by the initial respondents. Some of the issues explored in the conversations were details on the state's program, a discussion of any specific problems the state was experiencing with its current program, the types of businesses that did not fare so well as others during the relocation process, and specific components they would like to change about their program.

4. *Survey of Displaced Businesses in Virginia.* The researchers conducted a mail survey of businesses displaced between the summer of 1993 and the spring of 1999 in Virginia. VDOT's Right of Way & Utilities Division provided hard copy data on these businesses. This time period was used as the sample base because the last modification to the federal policy regarding business relocations was made in 1993. Specific data about each displacement transaction were entered into spreadsheets for easier analysis. Addresses for the sample of businesses were obtained from the Internet because of time constraints. This exercise resulted in addresses for 172 displaced businesses. Three versions of a business relocation survey were developed (Appendix D): one version for businesses that chose ILO payments, one version for those that chose moving cost payments, and one for those that qualified for moving cost and reestablishment payments. The surveys consisted of 11 to 15 questions aimed at obtaining first-hand information from displaced business owners about the relocation experience. The surveys were mailed, and each included a self-addressed stamped envelope to facilitate return.

5. *Economic Analysis of VDOT Relocation Payments.* VDOT's Right of Way & Utilities Division provided the researchers with data on 262 displaced businesses. These data were analyzed to identify broad trends, such as average payout. Standard statistical techniques were employed to identify what reestablishment and ILO payments would have been without a specified limit. For the purpose of analysis over time, the payment limits were also adjusted for inflation.

6. *Development of Conclusions and Recommendations.*

RESULTS AND DISCUSSION

Literature Review

The relocation study by O. R. Colan and Associates (1996) consisted of data derived from interviews with state agency officials from nine states and the Dallas Area Rapid Transit. The study team conducted in-person and telephone interviews of business relocatees selected from lists provided by state agencies. The focus of the interviews was ascertaining whether expenses incurred by businesses were adequately reimbursed. Specific questions included whether the moving expenses payment was sufficient, whether the reestablishment payment or ILO payment was sufficient, and, if not, what other expenses were incurred. Displacees were also questioned about the search cost limit and asked to make any suggestions regarding the various aspects of the relocation process. Some of the states surveyed provide reestablishment payments that exceed the federal maximum (Delaware and Wisconsin), a nuance that quite likely affected the opinions of respondents from those states regarding the adequacy of payments. Of the 88 businesses surveyed, most (72%) believed that the moving costs provided were sufficient. However, 51% of businesses that responded to the reestablishment questions reported that reestablishment expenses were not sufficient to cover the expenses incurred. Other uncompensated expenses reported included rent differences (21%), remodeling (14%), business downtime, signage, and handicap facilities; 76% reported that search costs were sufficient. Suggestions for the displacement agency included compensating for lost business (12 respondents) and business downtime (7 respondents).

The report recommended that the Federal Highway Administration (FHWA) “may wish to seek legislative changes that would permit adjustment to the ceiling of reestablishment payment to at least match inflation.” At the time, the FHWA’s position was to maintain the \$10,000 reestablishment payment and to leave the search cost ceiling at \$1,000 until more convincing evidence showed that increases were warranted (FHWA, 2000).

O. R. Colan and Associates is currently conducting a study that focuses on displaced businesses specifically. As part of the study, the researchers are conducting field interviews with displaced business owners in seven states.

Interviews with VDOT Staff and Others

VDOT Relocation Agents

The VDOT agents interviewed made a number of similar observations, which are summarized here. The most frequent comment by far from all 15 agents interviewed was that the maximum reestablishment payment needed to be increased to more than \$10,000.

Business versus Residential Relocations

Many of the VDOT relocation agents contrasted the benefits for residential and business relocations provided by the Uniform Act:

- Under the Uniform Act, a relocated homeowner is eligible to receive a replacement housing payment of \$22,500, compared to the *maximum* payment of \$10,000 for a business wishing to reestablish.
- State DOTs are required to find a replacement location for a homeowner but not for a displaced business.
- There is no maximum payment for housing of last resort; no comparable benefit is extended to businesses that have great difficulty finding another site.
- Relocated homeowners are frequently satisfied when the process is complete; relocated businesses are often dissatisfied and say that they have been harmed.

Special Problems Businesses Experience in Relocating

The agents identified a number of problems that business owners and tenants experience in the relocation process, many of which greatly increase the costs to reestablish the business:

- Tenants' modifications and improvements to the building (e.g., ventilation hoods for restaurants) become the property of the owners when the business must be relocated. Tenants frequently lose all "trade fixtures" from the wallpaper out. Thus, there can be a loss to the tenant and a gain to the owner of the business property.
- Even if a business's equipment could be used at a new location, changes in health department regulations or local code requirements often make this impossible.
- Many tenant businesses go out of business because rent at other locations is so much higher.
- Counties or cities frequently require business owners to comply with many requirements (e.g., landscaping) at the new location not required at their former location.
- In some parts of Virginia, replacement sites for particular types of businesses simply do not exist, according to the relocation agents. As a result, business owners and tenants incur substantial debt financing new buildings.

- Businesses that handle materials that pose contamination risk (e.g., oil, used asphalt) have a very difficult time relocating. Localities typically want these types of businesses as far away from populated areas as possible.

Special Relocation Problems of Oil and Gasoline Businesses

HJR 490 specifically mentions the difficulties that gasoline stations, oil distributors, and similar businesses experience when they must relocate. The reader should keep in mind that gasoline businesses vary in important respects: whether they have repair facilities at the same site and whether they have “mini-marts” on site, to name two. Several of the agents interviewed had relocated a number of petroleum businesses and identified specific difficulties these businesses face in the relocation process.

- Relocating tanks is often very costly because of site contamination and associated cleanup. This cost poses a big obstacle to the relocation of small (“mom and pop”) stations.
- Even if a station operator manages to find an existing site (with tanks) suitable for relocating the station, contamination and cleanup at the new location may render the relocation infeasible.
- Relocated gas stations frequently need new tanks, with the result that the \$10,000 reestablishment maximum specified in the Uniform Act does not go far.
- As mentioned earlier, county zoning practices tend to be very restrictive for gasoline and oil businesses. Yet, location on high-volume corners is extremely important for businesses that concentrate on gasoline sales.
- If a gas station is a franchise (e.g., Exxon, Texaco), the corporation often owns the land, buildings, and tanks. Hence, a station operator may not be eligible for a number of kinds of relocation payments that would help defray the costs of relocating and cleanup (if necessary). If a station operator has a lease arrangement, the corporation can terminate it if too few gallons are pumped after the station relocates.

Although a number of the VDOT agents identified specific problems that oil and gasoline businesses experience when relocating, one of the most senior relocation agents interviewed commented that many tenant businesses would be hurt as much as a gasoline station by relocation.

Agents’ Suggestions for Improving the Reestablishment Program

The relocation agents interviewed made a number of observations about how the reestablishment program could be made better and fairer for displaced businesses. Many of their comments focused on the need to increase the \$10,000 maximum for reestablishment in the

Uniform Act. Thus, the comments of the VDOT agents echoed views expressed by other states contacted for the study. Other comments by VDOT agents concerned expenses for which relocated businesses are not currently reimbursed.

The reasons agents gave for increasing the \$10,000 maximum reestablishment payment included:

- Considerable inflation has occurred since the \$10,000 cap was established; \$10,000 was worth much more then.
- A payment of \$10,000 may cover few of the actual reestablishment expenses of larger businesses. In particular, agents said that site plans alone may consume the entire \$10,000 reestablishment payment authorized under the Uniform Act and that the entire \$10,000 available to reestablish the business under the Uniform Act may be exhausted by just bringing utilities to the new location.
- For tenant businesses, the entire \$10,000 reestablishment payment may be consumed by higher rent at the new site.
- Agents' belief that the reestablishment cap established was targeted at small ("mom and pop") businesses.

Relocation professionals had a number of other thoughts about how the reestablishment program could be improved and made fairer. Some of these are clearly related to the issue of increasing the \$10,000 reestablishment cap in the Uniform Act (e.g., do more to help businesses with increased rent payments), whereas others pertain to varying aspects of the business relocation process. The agents suggested:

- Implement a graduated scale of benefits; it is difficult to compare businesses that are very different in size.
- Change the definition of "small business" to mean something other than having 1 to 500 employees.
- Qualify more new construction items as eligible expenses (currently only site preparation is eligible).
- Increase the number of eligible categories of expenses.
- Make new signs a moving expense, rather than a reestablishment expense.
- Allow appraisers to identify the value of tenants' improvements to the property and separate these items from payments that are paid to the owner.

- Compensate businesses for the value in place of any trade fixtures that cannot be used in the “after” situation (without pursuing the loss of the tangible personal property process).
- Provide more advance notice to businesses that they will be relocated.
- Do more to cover increased rent expenses for businesses.
- Make something similar to “housing of last resort” available to businesses.

When VDOT’s right-of-way agents were asked about how the policy could be improved, there were recurring themes.

- *Business downtime.* Virtually all of the agents interviewed mentioned that businesses believe they should be compensated for the business they lose while they are in the process of relocating.
- *Interest differentials.* A mortgage interest differential is available to residential displacees but not for businesses that must take out loans to cover short-term moving costs and/or to build a replacement property.
- *Loss of tenant income.* Owners suffer loss of rent when their tenants are forced to relocate.
- *Capital assets,* when relocation forces a business to acquire them. Agents mentioned cases in which business owners had to buy storage sheds and had to have truck service bays reconstructed to continue their business as before.

Views of Relocation Agents About the In Lieu of Process

The researchers also asked the relocation agents several questions about the ILO process, having discovered that numerous businesses shown as recipients of ILO benefits in VDOT’s database were still in business (there is no prohibition against doing so). Under the Uniform Act, ILO payments must be no more than \$20,000. About such payments, the agents said:

- Business owners do not have to make the case that they are eligible for ILO payments, as they did in the past.
- It is often the most attractive option for tenants.
- It is often most attractive to “mom and pop” businesses.
- Nonprofits often lack the kind of financial information they could use to qualify for ILO payments.

As discussed previously, the Virginia General Assembly has increased the allowable maximum for ILO payments to \$50,000. This alone did not cause any change in the provisions of the Uniform Act. What remains to be seen is whether, in Virginia, the ILO option, with a cap of \$50,000, will appeal to significantly more business owners than moving costs and reestablishment (with the reestablishment cap increased to \$20,000 by the Virginia legislature, but not by the FHWA).

Agents' Views on How ILO Policy Can be Improved

Agents had several ideas for improving the ILO payment policy, though not so many as for improving business reestablishment benefits. The suggestions for improvement included:

- *Increase the ILO maximum payment.* Agents the researchers interviewed before the 2000 General Assembly session suggested that the ILO cap needed to be more than the \$20,000 specified in the Uniform Act and earlier specified in Virginia law. Agents noted that the \$20,000 maximum had been around for a long time and said that some businesses that had been forced to close had net earnings in excess of \$20,000. Although many agents said the recently established \$50,000 maximum in Virginia would help considerably, they added that \$50,000 was not all that much if a business owner could not avoid going out of business, had dependents to support, etc.
- *Increase the minimum payment to more than \$1,000.*
- *Simplify the process.* Agents said that some relocation staff lack the accounting background to be comfortable with the current process.
- *Factor in gross business income, not just net income, in the ILO payment calculation.* Some equipment businesses take heavy depreciation that lowers their net income. At least one agent interviewed after the 2000 General Assembly's actions, however, cautioned that the new \$50,000 maximum might open the possibility of VDOT paying some businesses more than they were losing, since it is based on net profit.
- *Provide more specifics about the kinds of losses businesses must have to qualify to receive ILO payments, including a more specific definition of "substantial loss of patronage."*

Additional Input from Other Parties

Virginia Gasoline Marketers Council

As mandated in HJR 490, and as a means of gaining more information about the service station operators' issue, the researchers talked with a representative of the Virginia Gasoline Marketers Council. The representative explained that the main difficulty for service stations is that the majority are franchise dealers that have a lease with an oil company. Under such

agreements, the oil company owns the gas pumps, the underground tanks, and the building and may own or at least lease the land from the property owner. As such, during a displacement, the property owner (if not the oil company) typically receives compensation for the property, and the oil company receives relocation payments. The franchisee may not be eligible for reestablishment payments under such an arrangement. The fact that the oil company may use displacement to reevaluate and possibly terminate the franchise lease with the franchisee exacerbates the problem.

Additionally, service stations face difficulties with strict local zoning, environmental costs, and costs of underground tanks. Depending on the region in the state, finding a replacement site can be particularly difficult. Service stations along the interstates, such as the I-95, I-64 crescent can be vulnerable. The unique set of difficulties that are associated with a franchised service station, including the difficulty of finding a replacement site, puts them in a difficult position in the case of displacement. The cost of reestablishing and purchasing another franchise is often prohibitive. VDOT, like other states, does not compensate for the loss of a franchise under the Uniform Act.

The displacement of a service station could potentially mean a loss of tax revenue for the Commonwealth, primarily in terms of corporate tax if the station does not relocate within the state. Given the relative rarity of this occurrence, any potential tax loss is not a significant amount. Motor fuel tax revenues would not be affected by an inability to relocate since consumers would still require the product and would purchase it at another location (Jessie, personal communication, 2000).

The Marketers Council representative stated that given the unique set of difficulties a service station owner faces during displacement, especially when the property is leased and the station is a franchise, the Council thinks that the station owner should be eligible for reestablishment funds.

Small Business Association

The researchers contacted the Richmond District Office of the Small Business Association to obtain their input into the business relocation program. The office knew very little about relocations, the payment maximums, or any of the issues underlying the legislation. The researchers provided the office with the research proposal for this study and a copy of HJR 490 with the request that someone in the office contact the researchers. There was no response to the communication.

Survey of Other States

The 21 state DOTs responding to the survey were Alaska, Arkansas, California, Delaware, Georgia, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, and Wyoming.

The follow-up telephone survey of respondents and additional contacts suggested by the initial respondents consisted of in-depth conversations with right-of-way professionals from 14 state DOTs (Arkansas, California, Delaware, Idaho, Iowa, Louisiana, Maryland, Minnesota, Nebraska, New York, Ohio, Oregon, Texas, and Wisconsin). Several themes emerged from the initial emails and follow-up telephone conversations.

Themes from States

Specific comments made by state right-of-way professionals are listed in bulleted form in the Appendix C. These are included to give the reader a flavor of the anecdotal information supplied by the respondents. The researchers did uncover recurring themes in their discussions with right-of-way agents in other states.

First, it appears that the federal maximum of \$10,000 for reestablishment expenses may be insufficient. The research revealed that the cost and expense a business must incur often exceed \$10,000, especially if the business is relatively large. Modifications and repairs to the replacement site can often be significant. Many businesses tend to use all or most of their reestablishment payment to offset increased operating expenses such as rent differentials and advertising, particularly in high-growth areas. Businesses frequently submitted legitimate claims for reestablishment expenses that far exceeded the \$10,000 limit.

Second, in many cases, the federal maximum of \$20,000 for ILO payments is insufficient. Many relocated businesses qualify for more than the maximum. Some businesses opt for the ILO payment rather than the moving costs plus reestablishment option, even if they qualify for more with the latter, just because they view the ILO option as a simpler process to go through. Many small businesses choose the ILO payment because they lack the time and resources to find a suitable location and similar market niche. A few respondents from the more rural states said that the federal ILO payment limit was sufficient for small businesses in their state. Other difficulties noted with the reestablishment and ILO payments included the fact that displaced businesses cannot apply reestablishment monies toward building a new facility. In addition, since many displaced businesses are small or show a lower average net income, they cannot qualify for any significant ILO payment. Because income tax documents are required to determine the amount of ILO payments, those businesses that experience a heavy reliance on cash sales can have difficulty qualifying for a substantial payment.

Third, there appears to be a dichotomy between the residential and the business relocation programs. The residential program frequently leaves people in a better position after the displacement whereas the business program, more often than not, tends to leave them in a worse one. Respondents cite the fact that there is no requirement that the DOT help find a replacement site for the displaced business, as there is with the residential program. One respondent from a southern state mentioned that even to replace what a business owner had at a previous location can cost quite a bit more than what is computed as a reestablishment payment. This is hardly ever the case in a residential relocation, owing to the amount of replacement housing payments for which residential relocatees can qualify.

Fourth, some types of businesses seem to have particular difficulty reestablishing. Some have trouble finding a suitable replacement site. A business that has visible inventory and equipment, such as a junkyard or an auto repair shop, or a business that deals with hazardous materials, such as a dry cleaning business, can have a very difficult time finding a replacement site. Restrictive county and city zoning codes also limit the ability of such businesses to find replacement sites. Larger businesses tend to have difficulty reestablishing too, but for a very different reason. They tend to use up all reestablishment payment potential or qualify for much more of an ILO payment than is permitted under the federal limit.

Fifth, everything is based on reimbursement. In other words, business owners have to *spend* money to receive reimbursement. They are not paid anything above what they spend themselves. A respondent from one state recalled that the state used to have a “displacement allowance” of \$1,000 given to a business in an attempt to compensate somewhat for the inconvenience of moving.

Sixth, although not a specific focus of this study, respondents had strong feelings that the \$1,000 replacement site search cost ceiling is too low for many businesses. They noted that some businesses face much difficulty in finding suitable replacement sites; thus, search costs have a tendency to exceed the limit considerably.

Seventh, respondents related that tenant businesses and owner-occupied businesses fare differently under the current federal program. They said that, more often than not, smaller sized tenant businesses tend to fare worse than owner-occupied businesses. This is mostly because improvements and modifications made by the tenant usually become the owner’s property unless they are carefully separated out during the appraisal process. If not, the value of these improvements accrues to the owner of the facility. Tenants also face the problem of having to find another facility to rent. If they have been at their current location a long time and have reasonable rent, they have difficulty finding similar rent elsewhere. Respondents contended that owners tend to fare better than tenants and have the added advantage of the acquisition monies to help finance a building at another site.

These trends represent the opinions and assertions of experienced right-of-way agents in 23 states. Several offered specific recommendations for change in the business relocation procedures in the Uniform Act. Respondents recommended increasing or eliminating the reestablishment and ILO payment caps and loosening some of the regulations regarding eligible items for reestablishment. Particular suggestions included:

- Adjust reestablishment maximums annually for inflation.
- Establish dollar limits for reestablishment ranging from \$20,000 to \$50,000.
- Establish ILO payments ranging from \$20,000 to \$50,000.
- Provide a rental supplement to cover potentially large differentials in rent at the new location.

Some respondents felt that their legislatures would not act to increase payments unless the federal limits were changed first. In addition, some respondents elaborated on the special problems service stations tend to face during relocation. Most seem to stem from the nature of the gasoline station business itself. Respondents said that displaced service stations have difficulty finding new sites and that the costs to purchase new tanks can be very high. The fact that many service station operators have franchise agreements with oil companies can lead to difficulties in some cases. Sometimes, the franchise agreement is discontinued once a displacement is announced. They asserted that reestablishment payments are not sufficient to purchase another franchise.

States Whose Policies Vary From Federal Policies or That Are Considering Changing Their Program

States whose policies vary from federal relocation policies or who are considering changing their business relocation program included Delaware, Wisconsin, Nebraska, Iowa, and Rhode Island.

Delaware

Delaware's maximum reestablishment payment is \$22,500, compared to the \$10,000 federal maximum. This new limit became effective in 1989 but was made retroactive to 1987. Despite the higher ceiling, owner occupants can exceed the \$22,500 limit quickly and often incur legitimate reestablishment expenses beyond the limit. The majority of the relocated owner occupants receive the maximum payment. This may indicate that the ceiling is not high enough.

Wisconsin

Wisconsin offers relocation payments to business owners and tenants in addition to the traditional payments of moving costs, reestablishment, and ILO. Owners can receive up to \$50,000, and tenants can receive up to \$30,000. This relocation supplement policy has been in place for more than 20 years. The amounts of the supplement are based on differentials. In the owner-occupant case, the difference between how much a comparable business would be worth and how much it costs to pay for the relocated business (up to the limit) comprises the payment. For tenants, the program covers rent increases up to the limit for up to 4 years versus the 2-year limits under federal policy. A tenant choosing to buy a property can do so by using the supplement. The business must move and spend the money in order to claim the payment, but the payment does not cover all the costs in some cases. The respondent asserted that the program is working fairly well; the payments are helping businesses to relocate and can help tenants become owners.

The law does say that there must be a replacement site available if a business is forced to move. Sometimes the business will claim that the available site is not satisfactory and refuse to move. If other states consider such an approach, the relocation agent interviewed suggested

ensuring that the determination of whether a site is suitable be left to the judgment of the DOT rather than to that of the business owner.

Nebraska

A bill was introduced in Nebraska's state legislature in January 1999 that proposed raising the reestablishment payment to a maximum of \$13,000 and the ILO payment to a minimum of \$1,300 and a maximum of \$26,000. However, the legislation was not enacted but may be reintroduced in the 2001 session if its sponsors so desire.

Iowa

Business relocation payments in Iowa remain within the federal limits at this point. However, officials there report that they have done research on what they have paid for reestablishment and what businesses have qualified for historically. A presentation by Iowa's Chief Relocation Agent at the 2000 Annual FHWA Region 7 Meeting summarized their findings (Banker, 2000). Data on 165 files from 1994 through 1998 were examined. It was determined that a large percentage of businesses had spent above the maximum reestablishment payment. In fact, 50 of the 75 businesses (67%) in the sample that had opted for reestablishment spent \$10,000 or more. A large number (29) of payments were clustered between \$9,000 and \$12,000. These findings indicate that the limit is not high enough; once business owners were aware they were reaching the limit, they stopped spending to reestablish. Iowa also conducted inflation analysis and pointed out that the purchasing power of the statutory maximum of \$10,000 has diminished since they adopted the maximum in 1989. Their inflation adjustment brought the maximum up to \$13,667 for 1999 for that 10-year period. Iowa officials are proposing to increase reestablishment to \$15,000 in 2001. The DOT also wants to survey displaced businesses to get their input. Among other things, the agency wants to know if the businesses incurred expenses that did not qualify for reimbursement.

The respondent is of the opinion that the \$10,000 limit is often unworkable for many businesses. The DOT frequently receives \$30,000 and \$50,000 claims for legitimate reestablishment expenses. Officials there are concerned that they may be shortchanging businesses and profess: "It is not in our best interest to be the catalyst in putting a small business, farm, or non-profit organization out of business."

Rhode Island: The FHWA Pilot Project

The FHWA is conducting a pilot relocation experiment on I-95 in Providence, Rhode Island (Coil, personal communication, 2000). The expanded portion on the roadway will go through a business/industrial area containing 75 or more businesses, both tenants and owners. The businesses vary in type, from 60 tenants in one office building to several nightclubs to a large manufacturing company that produces saw-blades. As of mid-July 2000, only about 8% to 10% of the relocations were underway.

The crux of the program involves new payment limits. The program managers had to obtain permission to undertake the pilot from FHWA financial managers on the basis that changing the limits in this case is for research purposes. The experimental limits were developed by looking at some states' programs where the benefits paid are beyond those specified in the Uniform Act. In establishing what these limits would be, officials were trying to find a reasonable amount that would meet the needs of both small and large businesses.

Specifically, a number of items were moved out of reestablishment and into moving costs and placed under a new limit of \$75,000. Items remaining in reestablishment still fall under a \$10,000 cap. The pilot program expands the amount that can be reimbursed to displaced business for "impact fees." In this context, impact fees are one-time, up-front utility assessments by utility companies having to install new equipment or provide new services. Such fees are already eligible for reimbursement under the current reestablishment program, but the pilot permits businesses to spend more on them if it is deemed necessary for the reestablishment of the business. The limit on such fees is \$25,000. As mentioned, the pilot program moved other reestablishment items over into moving costs. There are no specific limits on each item, but the overall ceiling is \$75,000, so businesses gain flexibility under the cap. Such items include estimated increases in the cost of operations; modifications to the replacement site; and any repairs and improvements required by codes, laws, or ordinances. Remaining actual moving costs are still without a monetary limit.

The experiment also allows for business replacement payments to owners. This payment is limited to \$75,000 and is based on an analysis of comparable properties, i.e., what the DOT paid for the current facility versus other similar properties. The payment is based on expenditures; it is the lesser of \$75,000 or the amount the business actually had to pay to purchase another facility. Also included under the business payment umbrella is refinancing costs or interest rate differentials. In the case of tenants, they can use the increased cost of operations toward the purchase or construction of a new facility, which enables them to become owners rather than tenants. In addition, the \$1,000 limit on replacement site search costs was eliminated but search costs must still meet reasonable agency criteria.

The effectiveness of the pilot project will be evaluated by Projects Management Institute, Inc., with O. R. Colan as the subcontractor. Specifically, the evaluation will determine how these expanded benefits compare with the needs that have been documented in the rest of the nation. To date, anecdotal evidence is promising. One displaced tenant was able to use the experimental payment limits to purchase a building and tailor it to his business needs. Another business owner was able to move from an older building to a newer industrial area. Both had spent more than they were paid, but the modified payments allowed them to come much closer to being reimbursed for actual costs.

Survey of Displaced Businesses in Virginia

Of the 172 mailed, the researchers received 34 completed surveys. An additional 34 surveys were returned by the U.S. Postal Service as undeliverable, and 5 surveys were returned

by individuals who had never owned a business or been relocated. Subtraction of the returned envelopes and non-relocatees from the total yielded a response rate for the survey of 26%.

As several survey respondents asserted, businesses can face many potential obstacles when they are displaced. Some respondents pointed out that even when a business reestablishes, it may not be as profitable as before. Some of the obstacles mentioned by the respondents included finding a replacement site, loss of clientele, downtime, and loss of employee base.

In response to a question concerning how satisfied the respondents were with the process once the relocation details and payments were made, of the 34 respondents, 29% were either very satisfied or satisfied, 53% were dissatisfied or very dissatisfied, and the remaining 18% were neither satisfied nor dissatisfied. Because the response rate was relatively small, it is difficult to do in-depth, meaningful statistical analysis. What is more illuminating are the comments the respondents were allowed to enter as to why they responded to a question as they did.

- A business owner who chose the moving cost option said “Not enough time or capital to relocate my business to a feasible location.”
- A business owner who chose the in lieu payment commented, “Relocating my business really had devastating results on my business income, not only for the 1½ year I relocated but for 2 or 3 years after. Getting customers back is hard to do. I am just now rebounding.”
- A business that qualified for the maximum ILO payment said, “I owned my building . . . after building at new location I owe \$300,000 and it is not as good a location as I had.”
- One business owner who moved commented that, “You told me what I had to do. There was no give or take. It was your way or no way.”
- A business that took moving expenses and reestablishment said, “It will take us years to reestablish the business we once had.”
- “Not only do you take property unfairly, the delay in the little compensation that is received is so long you are out of business by the time VDOT pays you,” said another displacee.
- A company that chose moving costs remarked, “I found the experience to be the best it could. Everyone was very cooperative to work with.”
- A business that received moving costs and reestablishment said, “My business failed as a result of the forced move.”

Other comments included:

- “I would rather have kept my business.”
- “It [the process] was too long and expensive to reach a conclusion.”

In response to the open-ended question, “How was the volume of your business affected in the first 2 years after you moved?” some respondents wrote in additional comments in the space provided. Of those who replied, several said the volume had fallen after the move.

- A business that moved commented, “New location too far from clientele, employees went to work elsewhere and new business location was too small.”
- A company that chose moving expenses said, “Company was and is continuing to grow. Growth is not related to move but it helped to move to a larger building.”
- A business owner who chose the moving cost and reestablishment option: “Over the first 2 years business remained the same. Our business was greatly affected during the time we were trying to negotiate with VDOT on the property. We lost some customers due to them not knowing if we were staying in business or not.”
- A company that took moving costs responded that their volume had decreased somewhat after the move and that “we were in a high traffic area and the new location wasn’t.”
- A business that took moving cost and reestablishment said, “Business was located facing state road. New building located on hill facing side road. More people stop when it is easily accessible.”

Another question in the survey asked respondents to suggest ways that VDOT could make its business relocation program better. Several respondents suggested VDOT help them to actually find a replacement business site. A number of respondents suggested the agency offer larger amounts for ILO payments.

- A business that chose moving costs and relocated suggested, “Help businesses find a suitable new location. The money I received was only enough to compensate me for about 1 month’s income.”
- A business that took the maximum ILO payment said, “Pay more for relocating and help the business move in finding a location similar to what they have.”
- A business that chose moving costs responded, “Provide the business with assistance toward finding a new location and paying more for moving cost expenditure.”
- A business owner who chose the ILO option: “More assistance in finding a relocation site of equal potential. Losing the building and location set me back years in my financial plans.”

- A business owner who qualified for the maximum ILO amount suggested that, “VDOT’s appraisal and their private appraisals should be available to the land owner before the first offer is made. There should be a business replacement fund to reestablish a business. There should be better laws to protect the land owner.” The owner also said that the \$20,000 limit “was an insult.”
- One respondent who had taken the maximum ILO payment specifically mentioned business downtime. “Help them to relocate or find another place. Help pay for expenses and lost time in business.”
- Another business that took the maximum ILO payment: “It was 12 years from the time we learned of potential site acquisition to final settlement. This left the business in limbo with no possible changes, improvements or additions able to occur. Timing and scheduling is evidently VDOT’s major problem.”
- A business that qualified for moving costs and reestablishment said, “That the relocated be treated as human beings instead of numbers.”
- Another relocated business owner suggested, “To pay people what their property is worth, and not having to go to court, where the lawyers make the money, the business loses all way around.”
- Another business owner who chose ILO said, “Most important is helping the business to find another place that the owner can pay for with the money they received for their place. “
- An individual who chose ILO payments recommended: “Do things in a timely fashion. Settle with landowners before you start construction. People I met from VDOT I think acted in a professional manner and did their jobs very well and I feel they did try to help me.”
- A business owner who moved inventory himself commented that, “You should go out and acquire a suitable location and pay all expenses in that process. If and when we end up in court, if you lose, VDOT should be required to pay all expenses related to that court action!”

Although the survey response rate did not enable the researchers to glean significant statistics, the comments and suggestions provided by the respondents indicate, for the most part, criticism of the business relocation program. The reader should keep in mind that, at the time of the survey, Virginia’s reestablishment and ILO payment ceilings equaled those in the Uniform Act. Some respondents said that relocation had a dampening effect on their business volume and income. The suggestion mentioned most frequently for improvement was that VDOT provide more assistance to the displaced business looking for a suitable replacement site. As mentioned above, a number of respondents suggested increasing the ILO payment in particular.

Economic Analysis of VDOT Relocation Payments

Analysis of the data provided by VDOT's Right-of-Way & Utilities Division provided insight into recent payment trends to displaced businesses. The business relocation data span the summer of 1993 through the spring of 1999. Several businesses had incomplete payment information, and those were removed from the sample (6 transactions). These years provided the researchers with complete payment data on 262 displaced businesses. During this time period, 160 businesses received moving cost reimbursements, 59 received reestablishment payments, and 105 received ILO payments. The reader should remember that moving costs were often reimbursed in conjunction with reestablishment payments. The researchers made an effort to delve into these 262 cases and analyze them in terms of those that received moving costs, those that received reestablishment payments, and those that chose ILO payments.

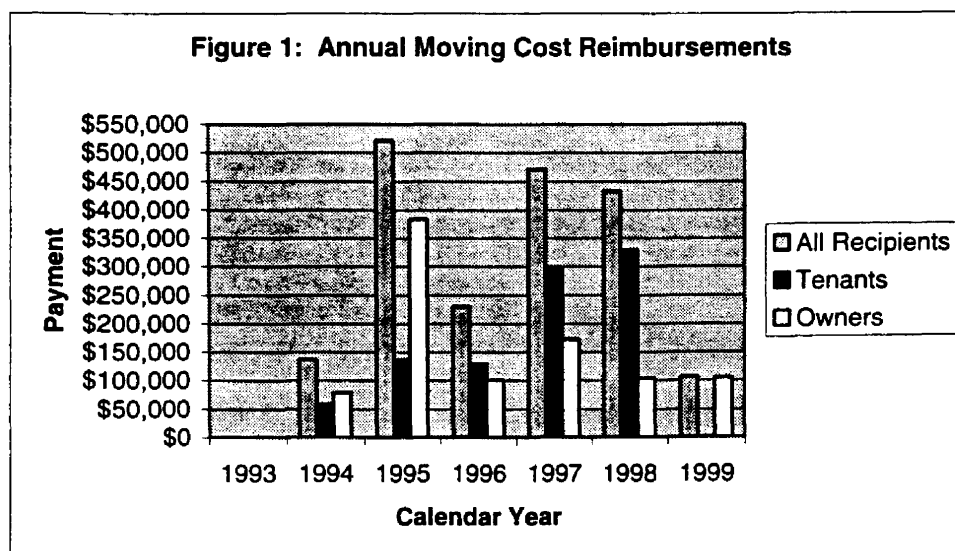
Moving Costs

Reimbursements for reasonable moving costs are not subject to a monetary limit. Business owners and tenants do provide VDOT with evidence of actual moving expenses, however. Table 1 displays average and total moving costs for the sample years.

Table 1: Moving Costs Paid to Businesses by VDOT, 1993-1999

	Average	Total	No. in Sample
All	\$11,863	\$1,898,002	160
Tenants	\$9,360	\$954,711	102
Owner Occupied	\$16,264	\$943,291	58

Average moving cost reimbursements were \$11,863. Total moving cost reimbursements were \$1,898,002. Figure 1 illustrates payments for moving costs for all businesses in the sample for the years 1993 to 1999. Note that 1993 and 1999 were not complete years. The years 1995, 1997, and 1998 had some larger individual payments than the other years in the sample.



Reestablishment Payments

At the time of this study, the maximum payment a business could receive for reestablishment was \$10,000. Therefore, the statistics show an “artificial” upper bound, or ceiling, on payments. In other words, any measure of deviation or average will underestimate the true dispersion or value of the reestablishment payments. A simple calculation of the average does not tell the whole story: it tells only the average payment, constrained by the limits. With that in mind, Table 2 shows that average reestablishment payments were \$7,851 and total payments were \$463,237 for the 59 businesses in the sample.

Table 2: Reestablishment Payments by VDOT, 1993-1999

	Average	Total	No. in Sample
All	\$7,851	\$463,237	59
Tenants	\$7,610	\$334,839	44
Owners	\$8,560	\$128,398	15

Table 3 displays the frequency of reestablishment payments hitting the maximum of \$10,000 for the sample, i.e., how often the maximum amount was paid out to businesses during these years. In the sample, VDOT paid the maximum amount 63% of the time.

Table 3: Maximum Reestablishment Payment Rates

	No. of Maximum Payments	No. in Sample	%
All	37	59	63
Tenants	27	44	61
Owners	10	15	67

Since the payments do have an upper limit, the reestablishment data set is “censored,” i.e., has a ceiling. What this means is that all the values in a particular range, i.e., above \$10,000, are all reported as a single value (\$10,000). In cases like this, statisticians typically adjust artificially restricted values based on the known statistical properties of the data. To determine how much would have been paid out in the absence of a limit, the researchers employed two techniques. These techniques attempt to capture the fact that, all things being equal, there would be payment amounts exceeding \$10,000. In other words, if there was no ceiling, some payments would be higher. It is known that 63% of the businesses in the sample were reimbursed \$10,000, which indicates some would have spent more than the limit.

To get a clearer picture of the range of values, the researchers employed more robust techniques than a simple average. This enabled the calculation of the mean and standard deviation of the censored distribution based on standard statistical techniques for dealing with censoring.

The researchers’ work suggests that the true mean payment is \$12,071 and the standard deviation is \$6,207. Since this shows just the average value, if one decided that \$12,071 would be the new payment limit, that would mean only 50% of the businesses would be reimbursed fairly, by definition of an average. To determine what the maximum payment should be so that the great majority of businesses (not just 50%) would be reimbursed appropriately, one must calculate a confidence interval. Using the standard deviation, one can find the upper bound of the payments using a one-sided confidence interval at 99%. Specifically, one can calculate a

maximum payment so that one can be 99% certain that all payments would fall below this number:

$$\$12,071 + 2.33(\$6,207.4) = \$26,534$$

Thus, one would need to offer a maximum payment of \$26,534 to be even 99% sure (let alone 100% sure) that all businesses would be compensated fairly, i.e., that they would receive their true relocation expenses.

To make sure that the calculation of the true average was not specific to the method used, the researchers calculated the average by another method, called bootstrapping. This calculation was based on replacing any payment hitting the \$10,000 maximum with an approximation to what that the true payment would have been, in absence of the arbitrary and artificial \$10,000 limit. The experiment was repeated 100 times to eliminate approximation error, as is standard in the bootstrapping technique. The results suggested a true average payment of \$11,472. In other words, in the absence of an upper limit on payments, the average payment would have been \$11,472. Again, this would use just the mean value; there would be payments above and below this mean.

ILO Payments

At the time of this study, ILO payments were limited to a maximum of \$20,000. As shown in Table 4, a large percentage of businesses received the maximum payment.

Table 4: Maximum ILO Payment Rates

	No. of Maximum Payments	No. in Sample	%
All	51	105	49
Tenants	28	59	47
Owners	23	46	50

Since the data set was censored, the researchers used the same methods to find the true mean and standard deviation to determine what payments would have been made if there had been no limits. Employing the same standard statistical techniques for dealing with censoring as in the reestablishment case resulted in a mean of \$19,803.5 and a standard deviation of \$4,842. Again, using the one-sided 99% confidence interval yielded:

$$\$19,830.5 + 2.33(\$4,842) = \$31,112.$$

Thus, one would need to offer a maximum payment of \$31,112 to be even 99% sure (let alone 100% sure) that all businesses would be compensated fairly. To verify the mean, the researchers repeated the bootstrapping calculation, which resulted in a mean of \$19,789.

Given the extent of the censoring, the theoretical limits represent only a first pass and require more analysis in the future.

Consumer Price Index Adjustment

The current federal payment ceilings for reestablishment and ILO payments were established in 1987 and have not been adjusted upwards significantly since that time. Because of this, the time value of money (inflation) has not been taken into consideration. In 1987, the Consumer Price Index (CPI) was 340.4. The CPI for 1999 was 499. The prices of goods and services were almost 1.5 times what they were in the mid 1980s. Converting the maximum payments from 1987 to 1999 dollars is accomplished by multiplying the payment amounts by 1.466 (499/340.4). Adjusting for inflation, therefore, gives a maximum payment limit of \$14,659 for reestablishment and of \$29,318 for ILO payments. This exercise illustrates the need to index the payment limits to inflation. If one looks beyond the \$10,000 and \$20,000 limits and adjusts the new limits calculated in the previous section for inflation, one gets \$38,899 for reestablishment and \$45,610 for ILO payments, again demonstrating the need to account for inflation. Any new limits set should be indexed to the CPI to ensure inflation does not erode the purchasing power of the payment over time.

CONCLUSIONS

- *The information obtained through the interviews with VDOT relocation agents and right-of-way officials in other state DOTs and the survey of displaced businesses in Virginia provides substantial evidence that the federal limits on reestablishment and ILO payments are inadequate.* Displaced businesses in Virginia and in other states have been incurring legitimate reestablishment expenses well above the maximum. The maximum ILO payment has also become insufficient. The evidence from Virginia and the experience of other states clearly points to the need for increased reestablishment and ILO payments under the Uniform Act.
- *According to VDOT district right-of-way staff, VDOT's previous limits on reestablishment and ILO payments were too low.* The staff stated that businesses exceed the \$10,000 reestablishment limits with eligible expenses frequently and that a number of business owners who chose ILO qualify for more than the \$20,000 maximum. The survey of displaced businesses also shed light on how owners of displaced businesses were dissatisfied with VDOT's previous limits. Some business owners suggested increasing limits and requested VDOT's assistance in finding replacement sites.
- *As the data analysis shows, in the case of Virginia data, a maximum reestablishment payment of \$26,534 and a maximum ILO payment of \$31,112 would mean that almost all businesses would be compensated for their probable true costs.* These figures indicate "true" payment amounts above the current federal ceiling, but they do not account for the eroding effect of inflation since 1987. Since then, prices have increased about 1.5 times. The new limits that became effective in Virginia in July 2000 (\$25,000 for reestablishment and \$50,000 for ILO) are similar to these pre-inflation figures. However, they do not account for the general rising price level in the intervening years; rather, they were implemented as a means of making fairer compensation settlements to displaced businesses.

- *Service stations do seem to face a special set of difficulties when it comes to relocations, especially with regard to extending a franchise arrangement in the face of displacement.* From conversations with the Virginia Gasoline Marketers Council, it appears that these occurrences have a great deal to do with the fact that the oil company holds the franchise agreement. Other difficulties seem to center on requirements by the Department of Environmental Quality and the scarcity of replacement sites. The new limits for reestablishment and ILO payments may alleviate some of these problems. However, further study would be needed to corroborate this assertion. Further, other nuances that stem from the nature of the business itself would need to be included in the study.

RECOMMENDATIONS

1. *Given the evidence from the experience of VDOT and other states, the FHWA should strongly consider increasing the federal limits for reestablishment and ILO payments.* A consideration may be to ask states what they would have paid in the absence of limits: legitimate expenses that may exceed the current maximums provide information as to what new limits should be. Since changes in the Uniform Act require an act of Congress, the FHWA may wish to consider, as a temporary measure, shifting some of the particularly expensive items currently under reestablishment expenses over to moving costs, such as code compliance modifications and utility costs. However, in the opinion of the authors, this solution should only be considered a stop-gap action and is not one that would suffice for the long term.
2. *These reestablishment and ILO payments should be indexed to the Consumer Price Index to account for inflation.* Virginia and other states should also index their relocation payments to inflation.
3. *Given the extent of censoring in the Virginia relocation data and the continued censoring under the new limits, the actual payments to businesses should be monitored and an analysis similar to the one done in this study should be conducted every few years.* Since VDOT still has ceilings on both types of payments the same difficulty with data censoring applies. In order to be sure VDOT is compensating businesses fairly under the new limits, statistical testing should be done periodically.

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APPENDIX B

SENATE BILL 63

An Act to amend and reenact §§ 15.2-729, 25-46.36, 25-236, 25-238, 25-239 and 25-248 of the Code of Virginia, relating to the Uniform Relocation Assistance Act.

[S 63]

Approved April 9, 2000

Be it enacted by the General Assembly of Virginia:

1. That §§ 15.2-729, 25-46.36, 25-236, 25-238, 25-239 and 25-248 of the Code of Virginia are amended and reenacted as follows:

§ 15.2-729. Relocation assistance programs.

The board may *shall* provide by local ordinance for the application of Chapter 6 (§ 25-235 et seq.) of Title 25 to displaced persons as defined in § 25-238 or as more narrowly defined by the board, in cases of acquisition of real property for use in projects or programs in which only local funds are used.

§ 25-46.36. Cities to pay relocation costs.

Notwithstanding the provisions of Chapter 6 (§ 25-235 et seq.) of this title, The governing body of any city may *shall* authorize the payment of relocation costs in connection with federally assisted programs *the exercise of the power of eminent domain as provided in Chapter 6 (§ 25-235 et seq.) of this title* under such rules and regulations as the program *such chapter* may require.

§ 25-236. Application of chapter.

A. The provisions of any municipal charter notwithstanding, the provisions of this chapter shall be applicable to the acquisition of real property by any state agency as hereinafter defined for use in projects or programs in which federal or state funds are used; provided, however, that for the purposes of this chapter, federal guarantees or insurance shall not be deemed to be federal funds.

B. This chapter shall not apply to acquisitions by a state agency, as hereinafter defined, (i) which are voluntarily initiated or negotiated by the seller under no threat of condemnation, (ii) where property is dedicated pursuant to the provisions of Chapter 22 (§ 15.2-2200 et seq.) of Title 15.2, or (iii) where property is voluntarily dedicated or donated for no consideration unless compliance with the provisions of this chapter in such instances is a prerequisite to the receipt, and expenditure of federal funds on the projects for which such property is acquired; provided, however, that.

C. The provisions of this chapter relating to relocation assistance shall apply for the benefit of persons, other than the owner, who are actually and lawfully occupying the real property to be acquired and who have been occupants thereof for at least ninety days prior to the initiation of negotiations for acquisition.

§ 25-238. Definitions.

As used in this chapter the term:

"Business" means any lawful activity, excepting a farm operation, conducted primarily:

1. For the purchase, sale, lease and rental of personal and real property, and for the manufacture, processing, or marketing of products, commodities, or any other personal property;

2. For the sale of services to the public;

3. By a nonprofit organization; or

4. Solely for the purposes of § 25-239 A for assisting in the purchase, sale, resale, manufacture, processing, or marketing of products, commodities, personal property, or services by the erection and maintenance of an outdoor advertising display or displays, whether or not such display or displays are located on the premises on which any of the above activities are conducted.

"Comparable replacement dwelling" means any dwelling that is decent, safe and sanitary; adequate in size to accommodate the occupants; within the financial means of the displaced person; functionally equivalent; in an area not subject to unreasonable adverse environmental conditions; and in a location

generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, facilities, services and the displaced person's place of employment.

"Displaced person" means any person who moves (i) from real property, or moves his personal property from real property, (a) as a direct result of a written notice of intent to acquire or the acquisition of such real property, in whole or in part, for any program or project undertaken by a state agency or (b) on which such person is a residential tenant, or conducts a small business, or a farm operation or a business defined in this article as a direct result of rehabilitation, demolition, or such other displacing activity as the state agency may prescribe, under a program or project undertaken by the state agency in any case in which the state agency determines that such displacement is permanent; and (ii) solely for the purposes of §§ 25-239 A and B and 25-242, as a direct result of a written notice of intent to acquire or the acquisition of real property on which such person conducts a business or farm operation, for such program or project; or as a direct result of rehabilitation, demolition, or such other displacing activity as the state agency may prescribe, under a program or project undertaken by the state agency in any case in which the state agency determines that such displacement is permanent.

The term "displaced person" does not include (i) a person who has been determined, according to criteria established by the state agency to be either in unlawful occupancy of the displacement dwelling or to have occupied such dwelling for the purpose of obtaining assistance under this chapter; or (ii) in any case which the state agency acquires property for a program or project, any person, other than a person who was an occupant of the property at the time it was acquired, who occupies such property on a rental basis for a short term or a period subject to termination when the property is needed for the program or project.

"Farm operation" means any activity conducted solely or primarily for the production of one or more agricultural products or commodities, including timber, for sale or home use, and customarily producing such products or commodities in sufficient quantity to be capable of contributing materially to the operator's support.

"Mortgage" means such classes of liens as are commonly given to secure advances on, or the unpaid purchase price of, real property, together with the credit instruments, if any, secured thereby.

"Nonprofit organization" means an organization that is exempt from paying federal income taxes under § 501 of the Internal Revenue Code (26 U.S.C. § 501).

"Person" means any individual, partnership, corporation or association.

"State agency" means any (i) department, agency or instrumentality of the Commonwealth; or any (ii) public authority, municipal corporation, local governmental unit or political subdivision of the Commonwealth; or any department, agency or instrumentality of any public authority, municipal corporation, local government unit, political subdivision of the Commonwealth, or two or more of any of the aforementioned and *thereof*; (iii) any person who has the authority to acquire property by eminent domain under state law and who; or (iv) *two or more of the aforementioned, which carries out projects with federal or state financial assistance that cause people to be displaced.*

§ 25-239. Payments for moving and relocation expenses.

A. Whenever the acquisition of real property for a program or project undertaken by a state agency will result in the displacement of any person, such agency shall make fair and reasonable relocation payments to displaced persons as required by this chapter for:

1. Actual reasonable expenses in moving himself, his family, business, farm operation, or other personal property;
2. Actual direct losses of tangible personal property as a result of moving or discontinuing a business or farm operation, but not to exceed an amount equal to the reasonable expenses that would have been required to relocate such property, as determined by the state agency;
3. Actual reasonable expenses in searching for a replacement business or farm; and
4. Actual reasonable expenses necessary to reestablish *necessarily incurred in reestablishing* a displaced farm, nonprofit organization or small business at its new site, but not to exceed \$10,000 25,000 in accordance with criteria established by the state agency.

B. Any displaced person eligible for payments under subsection A of this section who is displaced from a dwelling and who elects to accept the payments authorized by this subsection in lieu of the payments authorized by subsection A of this section may receive a moving expense allowance, determined according to a schedule established by the state agency.

C. Any displaced person eligible for payments under subsection A of this section who is displaced from his place of business or farm operation and who is eligible under criteria established by the state agency may elect to accept the payment authorized by this subsection in lieu of the payment 3 authorized by subsection A of this section. Such payment shall consist of a fixed payment in an amount to be determined according to criteria established by the state agency, except that such payment shall not be less than \$1,000 nor more than \$20,000 \$50,000. A person whose sole business at the displacement dwelling is the rental of such property to others shall not qualify for a payment under this subsection.

§ 25-248. General rules for conduct of acquisition.

Whenever real property is acquired by a state agency, on or after April 10, 1972, in connection with any programs or projects, such acquisition shall be conducted, to the greatest extent practicable, in accordance with the following provisions:

(a) An agency shall make every reasonable effort to acquire expeditiously real property by negotiation.

(b) Real property shall be appraised before the initiation of negotiations, and the owner or his designated representative shall be given an opportunity to accompany the appraiser during his inspection of the property.

(c) Before the initiation of negotiations for real property, the state agency concerned shall establish an amount which it believes to be just compensation therefor and shall make a prompt offer to acquire the property for the full amount so established. In no event shall such amount be less than the agency's approved appraisal of the fair market value of such property. Any decrease or increase in the fair market value of real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, will be disregarded in determining the compensation for the property. The agency concerned shall provide the owner of real property to be acquired with a written statement of, and summary of the basis for the amount it established as just compensation. Where appropriate the just compensation for the real property acquired and for damages to remaining real property shall be separately stated.

(d) No owner shall be required to surrender possession of real property before the agency concerned pays the agreed purchase price, or deposits with the state court in accordance with applicable law, for the benefit of the owner, an amount not less than the agency's approved appraisal of the fair market value of such property, or the amount of the award of compensation in the condemnation proceeding for such property.

(e) The construction or development of a public improvement shall be so scheduled that, to the greatest extent practicable, no person lawfully occupying real property shall be required to move from a dwelling (assuming a replacement dwelling will be available), or to move his business or farm operation, without at least ninety days' written notice from the agency concerned, of the date by which such move is required.

(f) If the agency permits an owner or tenant to occupy the real property acquired on a rental basis for a short term for a period subject to termination by the state agency on a short notice, the amount of rent required shall not exceed the fair rental value of the property to a short-term occupier.

(g) In no event shall the agency either advance the time of condemnation, or defer negotiations or condemnation and the deposit of funds in court for the use of the owner, or take any other action coercive in nature, in order to compel an agreement on the price to be paid for the property.

(h) If any interest in real property is to be acquired by exercise of the power of eminent domain, the agency concerned shall institute formal condemnation proceedings. No agency shall intentionally

make it necessary for an owner to institute legal proceedings to prove the fact of the taking of his real property.

(i) If the acquisition of only part of a property would leave its owner with an uneconomic remnant, the agency concerned shall offer to acquire the entire property.

The provisions of this section requiring the agency to obtain or rely upon an appraisal shall not apply to the acquisition of real property by a public service corporation, municipal corporation, local governmental unit or political subdivision of the Commonwealth or any department, agency or instrumentality thereof, or two or more of the aforementioned if the official responsible for the acquisition determines that the value of the property being acquired is less than \$10,000, based on assessment records or other objective evidence.

2. That the provisions of this act shall not apply to the acquisition of real property by a public service corporation, municipal corporation, local governmental unit or political subdivision of the Commonwealth or any department, agency or instrumentality thereof, or two or more of the aforementioned, (i) that is the subject of a certificate recorded prior to January 1, 2001, in the clerk's office where deeds are recorded; (ii) that is the subject of a petition for condemnation filed prior to January 1, 2001; or (iii) that is required to construct a project funded by bonds approved prior to July 1, 2000.

APPENDIX C

CONVERSATIONS WITH OTHER STATES

Current Federal Limits

- Adequate for very small businesses.
- Doesn't take much for a business to reach the limit when businesses have to make modifications or repairs to the replacement site, which often occurs.
- Lack of a limit on moving costs means sometimes an item can be classified as moving costs rather than reestablishment.
- Take a fair and uniform interpretation of the statement "other moving-related expenses that are not listed as ineligible under 23.305 as the Agency determines to be reasonable and necessary."
- About half the displaced businesses used all of the reestablishment payments to offset operating expenses such as rent increases.
- The \$10,000 limit should be reviewed by the FHWA. At times, the maximum does not begin to address the hardship and out of pocket expenses that a displaced business incurs in reestablishing at a new location.
- In favor of raising the limits for reestablishment. In lieu of may not necessarily be a problem at \$20,000 for some states but if one is raised the other probably should be raised too since the Code would require changing anyway.
- The in lieu of payment alone is not sufficient and should be increased.
- Larger businesses sometimes incur more expense than the program allows for reimbursement.
- We are seriously considering allowing the in lieu of payment to be in addition to the other payments instead of either or. Thus allowing a displaced business to be paid a reestablishment, moving cost, and an in lieu.
- The maximum federal law should be increased. My experience with business tells me that the cost of reestablishing a business for many exceeds the federal maximum. Government regulation at state and local levels and professional services used in conjunction with the purchase or leasing of a replacement site are the major expenses that drive beyond the maximum.
- Reestablishment is too low. People want to rebuild and want to use the reestablishment money for new construction but they cannot.
- In lieu of is too low too. They run into many incomes above the limit.
- The reestablishment limit is too low. Not even sure they should have a limit.
- In lieu of seems sufficient. They have not had a lot of problems with businesses demanding more than \$20,000.
- We tell people to call their congressman if they are eligible for more than we can give them.
- We take a liberal interpretation of the reestablishment guidelines since so many expenses are on the borderline.
- 21 CFR 304 may not be adequate for large businesses due to amount of expense they might incur while reestablishing the business in a new location. Businesses are constantly submitting claims for expenses in excess of the \$10,000 reestablishment limit.

- Some businesses opt for the in lieu of payment to avoid the bureaucracy involved with getting paid for eligible moving expenses.
- Small businesses that have been at the displaced site for a long period of time have trouble matching their existing rent and the reestablishment limit does not provide enough of a boost to recover the replacement rents in an active market.
- The reestablishment payment is not good for businesses.
- The \$20,000 limit for in lieu of is outdated. Any successful business would hopefully be making more than \$20,000.
- Since the in lieu of assessment is based on tax returns and some businesses “hide” income from the IRS.
- Reestablishment limits are too low. This is the biggest complaint businesses have. Advertising expenses and rent differentials can exceed the limits quickly. They try to fit items under moving costs if they can justify doing so.
- \$20,000 for in lieu of payment is not much. It doesn’t go far. They have always been flexible on whether or not they use the immediate prior 2 years of tax records - this is at the agency’s discretion.
- They hit very few large businesses and the majority of those they hit qualify for the maximum in lieu of payment. For them the in lieu of is sufficient.
- Biggest complaint is that the reestablishment is not enough. \$10,000 is not enough to reestablish a business. Even a small business can eat up \$10,000 fast. The rent differential can use up all of the reestablishment payment.
- The current federal regulations are restrictive and are made even more so by the reestablishment and in lieu of limits.
- Many of the smaller businesses depend on location and a move is a major upheaval. It may have taken all they had to get into business and they now face displacement. When you displace a smaller business, a lot will just take the in lieu of. There is not enough time or money to enable them to find the same niche.
- A lot of the businesses they displace are marginal so they have trouble qualifying for any significant in lieu of payment.

Recommendations

- Reestablishment should be adjusted annually for inflation, at least to \$15,000.
- Reestablishment limits should be \$20,000 to \$50,000.
- In lieu of payments should be \$20,000 to \$40,000.
- Increase the limits on reestablishment. In favor of increasing in lieu of payments too, say to \$50,000.
- Recommends increasing reestablishment to \$50,000 and in lieu of to \$30,000 - \$50,000.
- A respondent said that a lot of states recommend a \$100,000 cap on reestablishment. Also, they recommend removing the limit on search expenses. He is not in favor of that – search costs could get out of hand.
- The respondent is not in agreement with the business supplement concept – it would require a lot more training and legwork for staff.
- Ideally, there would be either a rental supplement or a purchase supplement like we have in the residential program.
- Increase reestablishment. Be more lenient with what qualifies for reestablishment – loosen up the regulations.

Service Stations

- One state did have a similar circumstance with service station franchises. If a service station franchisee was not reaching some limit set by the oil company the company would take the displacement as an opportunity to reevaluate the lease. Some of the oil companies seem to routinely use DOT involvement as a justification for canceling all of their leases and re-negotiating the operators' terms in the new location. Others relocate their profitable operators, but cancel the poor performers.
- If displaced service stations can find a new site and they need new tanks, their expenses can increase significantly.
- Run into difficulty with the removal of underground storage tanks.
- A \$10,000 reestablishment payment is not enough to purchase another franchise. If the individual cannot afford another franchise, how is he to remain in business?

Tenants

- Smaller sized tenant businesses tend to do worse under the program than owner occupied businesses. Some tenants have a condemnation clause in their leases, under which all fixtures go to the owner. In some cases, tenants have figured they would be there for years and have even taken out second home mortgages to buy business fixtures. In these cases, the tenants lost everything they had. Owners tend to do better and can usually buy a new property with the payment they receive for their property and fixtures.
- One respondent state has a unique situation – often they pay the owner and the tenant for the same business fixtures.
- In some cases tenants have put considerable money into their leased space – much more than \$10,000 worth. They tend to relax reestablishment rules somewhat and are more sympathetic to the modifications made to personal property. Some modifications to the replacement site may be moved over to moving costs if they can be tied in with the continued use of personal property.
- If the tenants have a strong lease that accounts for improvements they make to a building they can come out all right. But most leases are not written that way. They are hit hardest in the acquisition of these improvements.
- Owner gets compensated for tenant improvements unless the appraiser separates them. They try to get agreement between the tenant and owner on what each owns.

How do different business types fare?

- Bigger businesses tend to do badly. A large factory, for example, would use up all its reestablishment money fast. Moving costs help but if the owner chooses not to move they can only qualify for \$20,000 under in lieu of. They get the short end of the stick.
- Businesses that need to store equipment or inventory outside can run into problems with the county. Finding a new site with the necessary zoning is difficult.
- Restaurants seem to suffer the most but it is not really a major issue. Owners seem to do okay on the fair market value of their property.
- Some businesses have difficulties relocating due to the nature of the business. We have displaced businesses that could not get local approval to relocate to any adjoining area, e.g., a junk-yard, a sand blasting operation.
- Businesses with potentially hazardous inputs or products have a hard time finding replacement sites. Had a couple of businesses (auto-body business) that went out of

business because they could not find a place with suitable zoning. It is difficult for any business to find a suitable replacement site.

- Any type of larger business does not do well because of the \$10,000 limit.

Other Comments Regarding the Federal Program

- Under the federal limits, we are not really giving businesses anything. We are merely reimbursing them for money they spend out of their own pocket. We don't give them anything for their trouble.
- Dichotomy between the residential program and the business program. Under the residential program, people generally end up better off than they were before. This is not the case with the current business relocation program. This is true for tenants, large businesses, and mom n' pop establishments. Even owners – even though they are compensated through acquisition there is still depreciation, etc. To replace what they had may cost several times more than they receive from acquisition.
- Relocation is good for residences but not for businesses.
- Should ask for better statistical data in the annual report. Ask “How many businesses did you displace that chose in lieu of because the reestablishment payment limitations?” The FHWA only collects displacement data on projects with some federal money in them. This means a lot of important information is lost.

Miscellaneous Comments

- Some states are bound by state law so that even if the federal limits were raised they would still need a change in state law to implement any change. It is difficult to get the legislature's attention.
- The state won't change but will wait for the feds to do it first.
- The issue is not important to the legislature at this point.
- Home based businesses are difficult to separate from the residence portion of the move and it is also difficult to determine if it is a bona-fide business. Home-based businesses should not be eligible for the in lieu of payment.
- Doesn't think the legislature would increase state limits beyond the federal maximum. This would increase the costs of projects.
- State law says there will be no payments made in excess of the federal maximums.

APPENDIX D

DISPLACED BUSINESS SURVEYS

**BUSINESS RELOCATION SURVEY FOR MOVING AND REESTABLISHMENT
PAYMENT RECIPIENTS**

Virginia Transportation Research Council

Purpose: The Research Council is conducting a survey of all businesses that have been relocated due to road improvements since 1993. VDOT and the Virginia General Assembly are very interested in business owners' opinions about how well the relocation program served them and how adequate the payments to them were. All answers are confidential and will not be summarized with any identifying information about individual businesses. A postage-paid return envelope is enclosed for your convenience. Please return your completed survey by **May 15**.

Instructions: Please check (✓) your answers or write in an answer as indicated. For some questions, you may check more than one answer.

~~~~~  
Business name:

Relocated in year:

VDOT computer records show the following business relocation payments to you:

- For commercial moving services
- To move business items yourself
- To re-establish the business

~~~~~  
1. Type of business you had at former location (convenience store, for example)
(please write in)

2. How long were you in business at that location? _____ years

3. Number of employees at that location: _____

4. Was the business a franchise? Yes No

5. If owner occupied: Did you move your business to an existing site, or a newly built site?

If tenant business: Had you made any improvements at your own expense to the business location you vacated? Yes No



(IF YES) About how much did those improvements cost? \$_____

6. Did you have business moving expenses that were not covered by the payment(s) you received from the state? Please list what those types of expenses were (write in).

7. How much "down time" did your business experience during its move?
_____ days

8. How was the *volume* of your business affected in the first 2 years after you moved? Did it

- Increase a lot Increase some Stay about the same
 Decrease some Decrease a lot Don't know

Any additional comments you have about why the *volume* of your business was affected this way (optional):

9. How were your *costs of doing business* affected in the first 2 years after you relocated? Did your costs

- Increase a lot Increase some Stay about the same
 Decrease some Decrease a lot Don't know

Any additional comments you wish to write in about why *your costs of doing business* were affected this way (optional):

Did your *actual* business re-establishment expenses exceed the state's re-establishment payment to you? Yes No



Compared to the re-establishment payment you received from the state, were your *actual* re-establishment expenses

A little higher, Somewhat higher, or Much higher?

11. What types of business re-establishment expenses did the state reimburse you for *at least partially*? (please check all that apply)

- Improvements to the replacement site required by law /ordinance **(1)**
- Improvements to the replacement site to make it suitable for your business **(2)**
- Exterior signing **(3)**
- Replacement of worn surfaces, paint, or carpet at the new site **(4)**
- Advertising the new location **(5)**
- Required licenses or permits **(6)**
- Connecting utilities to improvements at the replacement site **(7)**
- Estimated higher costs (such as higher taxes, utilities or rent) to operate the business for the first 2 years at the new location **(8)**
- Soil testing, marketing surveys, or feasibility surveys **(9)**
- Other re-establishment expenses (write in) _____

12. Did you have any types of business re-establishment expenses that *exceeded* the state's re-establishment payment to you? What were they?

(Please use the numbers beside the items in Question 11 to indicate the type of expense, or list the type of expense)

13. Currently, Federal regulations specify that re-establishment payments to businesses cannot exceed \$10,000. For a business such as yours, do you think that \$10,000 maximum payment for re-establishment is:

- More than enough About right Too low Much too low



What do you think would be a more adequate maximum re-establishment payment for a business like yours?

_____ (amount in dollars)

14. After you had finalized the relocation details and payments with VDOT agents, were you

- Very satisfied
 Satisfied
 Neither satisfied nor dissatisfied
 Dissatisfied, or
 Very dissatisfied with the business relocation process?

Additional comments (optional): _____

15. What suggestions, if any, do you have for making the business relocation program better? (please write in)

THANK YOU VERY MUCH FOR YOUR HELP!

Survey can be mailed in the enclosed postage-paid envelope

~~~~~

❖ If you would be willing to talk further with us by phone about your business relocation experience, please fill in the information below:

- Name: \_\_\_\_\_
- Phone number to call: \_\_\_\_\_  
Best time(s) for us to call: \_\_\_\_\_



**BUSINESS RELOCATION SURVEY FOR MOVING PAYMENT ONLY  
RECIPIENTS**

**Virginia Transportation Research Council**

**Purpose:** The Research Council is conducting a survey of all businesses that have been relocated due to road improvements since 1993. VDOT and the Virginia General Assembly are very interested in business owners' opinions about how well the relocation program served them and how adequate the payments to them were. All answers are confidential and will not be summarized with any identifying information about individual businesses. A postage-paid return envelope is enclosed for your convenience. Please return your completed survey by **May 15**.

**Instructions:** Please check (✓) your answers or write in an answer as indicated. For some questions, you may check more than one answer.

~~~~~  
Business name:

Relocated in year:

VDOT computer records show the following business relocation payments to you:

For commercial moving services

- To move business items yourself
- ~~~~~

1. Type of business you had at former location (convenience store, for example) (please write in)

2. How long were you in business at that location? _____ years

3. Number of employees at that location: _____

4. Was the business a franchise? Yes No

5. If owner occupied: Did you move your business to an existing site or, a newly built site?

If tenant business: Had you made any improvements at your own expense to the business location you vacated? Yes No



(IF YES) About how much did those improvements cost? \$ _____

6. Did you have business moving expenses that were *not* covered by the payment(s) you received from the state? Please list what those types of expenses were (write in).

7. How much "down time" did your business experience during its move?
_____ days

8. Did you move your business to
 An existing business site, or A newly built site?

9. How was the *volume* of your business affected in the first 2 years after you moved? Did your business volume
 Increase a lot Increase some Stay about the same
 Decrease some Decrease a lot Don't know

Any additional comments you have about why the *volume* of your business was affected this way (optional):

10. How were your *costs of doing business* affected in your first 2 years after you relocated? Did your costs
 Increase a lot Increase some Stay about the same
 Decrease some Decrease a lot Don't know

Any additional comments you wish to write in about why your costs of doing business were affected this way (optional):

11. After you had finalized the relocation details and payments with VDOT agents, were you

- Very satisfied
- Satisfied
- Neither satisfied nor dissatisfied
- Dissatisfied, or
- Very dissatisfied with the business relocation process?

Additional comments (optional): _____

12. What suggestions, if any, do you have for making VDOT's business relocation program better? (please write in)

THANK YOU VERY MUCH FOR YOUR HELP!

Survey can be mailed in the enclosed postage-paid envelope

~~~~~

❖ If you would be willing to talk further with us by phone about your business relocation experience, please fill in the information below:

- Name: \_\_\_\_\_
- Phone number to call: \_\_\_\_\_
- Best time(s) for us to call: \_\_\_\_\_

**BUSINESS RELOCATION SURVEY FOR IN LIEU OF PAYMENT  
RECIPIENTS**

**Virginia Transportation Research Council**

**Purpose:** The Research Council is conducting a survey of all businesses that have been relocated due to road improvements since 1993. VDOT and the Virginia General Assembly are very interested in business owners' opinions about how well the relocation program served them and how adequate the payments to them were. All answers are confidential and will not be summarized with any identifying information about individual businesses. A postage-paid return envelope is enclosed for your convenience. Please return your completed survey by **May 15**.

**Instructions:** Please check (✓) your answers or write in an answer as indicated. For some questions, you may check more than one answer.

-----  
Business name:

Relocated in year:

VDOT computer records show the following business relocation payments to you:

- as payment *in lieu of* moving the business
- 

1. Type of business you had at former location (convenience store, for example) *(please write in)*

\_\_\_\_\_

2. How long were you in business at that location? \_\_\_\_\_ years

3. Number of employees at that location: \_\_\_\_\_

4. Was the business a franchise?  Yes  No

5. If tenant business: Had you made any improvements at your own expense to the business location you vacated?  Yes  
 No



(IF YES) About how much did those improvements cost? \$ \_\_\_\_\_

6. In the 2 years *after* you received the in lieu of payment from the state, did you (check all that apply)

- Continue the same business at another location?
- Retire?
- Work for someone else's business?
- Establish a different kind of business at another location? or
- Do something else? \_\_\_\_\_  
(write in)

7. Which (if any) of the following factors influenced you to take an *in lieu of* payment rather than move your business? (check all that apply)

- I was ready to retire
  - I would have lost too many customers by moving the business
  - It would have cost me too much to move the business
  - It would have been too hard to move the business equipment or inventory
  - I could not find another suitable location for the business
  - In lieu of process was an easier way to get payment
  - In lieu of process was the way to get the most money for my business
  - I had other reason(s) for taking in lieu of payment (*please write in*)
- 

8. In lieu of payments are based on a business's average net earnings *before* taxes. Compared to what you thought your business was worth, did the state's in lieu of payment seem:

- More than enough     Enough     Too little     Far too little

Additional comments (optional): \_\_\_\_\_

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9. Currently, Federal regulations specify that *in lieu of* payments to businesses cannot exceed \$20,000. Do you think a \$20,000 limit for *in lieu of* payments is:

- More than enough     Enough     Too little     Far too little

What do you think the maximum *in lieu of* payment should be?

\$ \_\_\_\_\_ (amount)

Additional comments about what you think the maximum *in lieu of* payment should be and why (optional):

---

---

10. After you had finalized the relocation details and payment amount with VDOT representatives, were you

- Very satisfied
- Satisfied
- Neither satisfied nor dissatisfied
- Dissatisfied
- Very dissatisfied

Additional comments (optional): \_\_\_\_\_

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11. What suggestions, if any, do you have for making VDOT's business relocation program better? (write in)

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**THANK YOU VERY MUCH FOR YOUR HELP!**

Survey can be mailed in the enclosed postage-paid envelope

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❖ If you would be willing to talk further with us by phone about your business relocation experience, please fill in the information below:

- Name: \_\_\_\_\_
- Phone number to call: \_\_\_\_\_
- Best time(s) for us to call: \_\_\_\_\_



