Viable Options for Business Displacees
Training Objectives

• Describe the difference between “actual direct loss of tangible personal property” and “substitute personal property”
• Demonstrate how to compute a payment for each option—ADLTPP and SPP
• Define the upper threshold for payment under each of these options
Following are some key acronyms in this module:

- **ADLTPP** – Actual Direct Loss of Tangible Personal Property
- **FMV** – Fair Market Value
- **HEPR** – FHWA Office of Real Estate Services
- **PP** – Personal Property
- **SPP** – Substitute Personal Property
- **URA** – Uniform Relocation Act
Title II, Uniform Relocation Assistance and Real Property Acquisition Policies Act, as amended and codified in 42 USC, Chapter 61, §4622(a)(2):

(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.
49CFR24.301(g)(14) Actual direct loss of tangible personal property incurred as a result of moving or discontinuing the business or farm operation.

49CFR24.301(g)(16) Purchase of substitute personal property.
1. These are viable options for businesses or farms who are displaced.

2. These options can often resolve the problem of what to do with machinery, equipment or other personal property that is outdated or will no longer be used.

3. A written description in a brochure is typically not enough explanation.
First Things First!!

• What the business or farm operation needs to decide:
  – Will they move all PP or discontinue some?
  – Will they replace any items of PP at the replacement site?

• What the relocation agent needs to know:
  – Will they move all PP or discontinue some?
  – Will they replace any items of PP at the replacement site?
• **Actual Direct Loss of Tangible Personal Property** is an eligible moving expense incurred when a business or farm operation discontinues its operation or chooses not to move some items of personal property to a replacement site.  [49 CFR 24.301(g)(14)]
How Does ADLTPP Work?

Payment is lesser of:

FMV of item in place*
Less proceeds from its sale**
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*As is, for continued use
**Displacee must make an effort to sell IF there is a market for the item—agency determines

Or:

Estimated cost of moving item, with no allowance for storage; if equipment is no longer in use at displacement site, also must disregard the cost of reconnecting the item at the replacement site
1. Determine the “in place” value of the item; can use an M&E specialist, Internet, etc.
2. Determine the cost to move that item to a replacement site.
3. If the item is marketable, displacee must attempt to sell. That cost is reimbursable.
4. Payment is the lesser of the cost to move or FMV in place less proceeds of the sale, if held.
Whew! Let’s Catch Our Breath.
• **Substitute Personal Property** is an eligible moving expense incurred when a business or farm operation replaces an item of personal property with a substitute item that performs a comparable function at the replacement site.
How Does SPP Work?

Payment is lesser of:

Cost of the substitute item*
Less proceeds from its sale**
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*Invoice, sales receipt, other
**Displacee must make an effort to sell IF there is a market for the item

Or:

Estimated cost of moving and reinstalling item, but with no allowance for storage
Q: Does a business have to discontinue to be eligible for the ADLTPP?
A: No—it can continue, but may choose not to move or replace some items.

Q: Does a business have to attempt to sell the personal property before they can claim the ADLTPP or SPP?
A: Yes, unless the Agency determines such effort is not necessary.

Q: How is the estimated cost of moving determined?
A: By bids or estimates obtained by the Agency.

Q: What if the PP consists of goods held for sale?
A: The FMV is the cost of the goods to the business, not sales price.
Let’s Look at Some Examples

• The following slides contain 4 scenarios—two each for the ADLTPP and SPP.
ADLTPP 1: Buddy Blue’s Bar

The barstools, free-standing tables and chairs, and some wall hangings were considered to be personal property by the appraiser. The owner, George “Buddy” Blaustein, plans to retire and discontinue his business operation.
• The FMV of the items in place is $850.
• The estimated cost of moving these items is $350.
• Buddy advertised a sale of these items in the local paper and received $300
• What amount can Buddy claim under the ADLTPP regulations?
The Lesser Of......

FMV of items: $850
Less sale rec’d: $300
Difference: $550

Estimated cost to move: $350

$350
• What else is this displacee eligible for?

• Reimbursement of the cost to conduct a sale. In this case, reimbursement was made for a newspaper advertisement and for Buddy’s time during the on-site sale.
What if the FMV of the items in place, due to substantial wear, is $250? What is Buddy’s eligibility under ADLTPP?

Remember: The estimated cost of moving the items is still $350.

Also, due to the deterioration of the items, no sale was conducted.
The Lesser Of......

FMV of items: $250
Less sale rec’d: $0
Difference: $250

Estimated cost to move: $350

$250
• Henry Liu is relocating his dry cleaning business to a replacement site. He has an old clothes presser that is in storage on site that he is not taking, because he bought a new press last year.
The FMV of the old iron press is $300.

The agency and displacee determined there is no market for the old press, so no sale was conducted.

The estimated cost to move the press to the replacement site is $100. The cost to reconnect would be $50.

The cost to store the item at the replacement site for 1 year is $200.
The Lesser Of......

FMV of items: $300
Less sale rec’d: $-0-
Difference: $300

Estimated cost to move: $100

$100
• Isn’t the payment supposed to be $350, based on the estimated cost to move, reconnect and store the iron press?

• No. Since the item is stored and is not in use at the displacement site, no payment is allowed for reconnection and storage at the replacement site. See 49CFR24.301(g)(14)(ii).
Henderson is not moving a 25-year old machine lathe, but will replace it at the new site. The old lathe is a 2HP, single-phase 230 volt machine, 13”x40”. The new lathe is a 10HP, 3-phase, 230/460 volt machine, sized at 57”x136”.
• The cost of the new lathe, including installation at the replacement site, is $24,000.
• The trade-in value of the old lathe is $1,500.
• The estimated cost of moving and reinstalling the old lathe (including recalibration) is $1,800.
Cost of new lathe: $24,000
Less trade-in of old: $1,500
Difference: $22,500

Estimated cost to move and re-install old lathe: $1,800
Henderson Machine shop decided NOT to replace the old lathe, but to discontinue that part of their operations? What option is available to Henderson besides moving the old lathe?

ADLTPP. Here’s how a payment would be computed:
The Lesser Of......

FMV of old lathe: $1,500
Less sale rec’d*: $-0-
Difference: $1,500

*Sale was advertised, but there were no buyers.

Estimated cost to move and reinstall: $1,800

$1,500
Gluuster’s provides a variety of hospital supply services, including the cleaning of hospital bedding, medical and surgical clothing, and patient gowns. They are replacing an old smaller capacity washer with a new industrial washer/extractor with a 150lb capacity. Both the old machine and new one are floor mounted to floating pads.
• The cost of the new washer, including installation at the replacement site, is $10,500.
• The trade-in value of the old washer is $2,500.
• The estimated cost of moving and reinstalling the old washer is $1,300.
The Lesser Of

Cost of new washer: $10,500
Less trade-in of old: $  2,500
Difference: $  8,000

Estimated cost to move and re-install old washer: $1,300

$1,300
We’re Almost There!
1. For the ADLTPP option, you may need a specialist to establish FMV/in-place value.

2. If the items not being replaced are goods held for sale, must ensure the value is based on the cost of the goods to the displacee, not their potential sales price.

3. The costs to advertise and conduct a sale under the ADLTPP are reimbursable.
One Last Point

- If the displacee opts for either the ADLTPP or SPP and does not sell or dispose of the item for which they are reimbursed, abandonment of the item by the displacee does not negate their entitlement to the payment. The agency should get a signed disclaimer from the displacee before disposing of an abandoned item of personal property.
Describe the difference between “actual direct loss of tangible personal property” and “substitute personal property”:

- **ADLTPP**—business will discontinue use of item or go out of business
- **SPP**—business will replace old item at the replacement site
Demonstrate how to compute a payment for each option—ADLTPP and SPP:

- **ADLTPP** is the lesser of the cost to move, or FMV for continued use of item, less proceeds of sale.
- **SPP** is the lesser of the cost to move, or the cost of the substitute item less sale or trade-in of old item.
Define the upper threshold for payment under each of these options:

- The cost of moving an item to the replacement site is always the upper threshold for payment.

- The payment can be less than that—for the ADLTPP, if the FMV of the item less proceeds of sale is less than the cost to move; or, for the SPP, if the replacement cost of the item less sale or trade-in is less than the cost to move.
Questions?
Dave Leighow, Realty Specialist
david.leighow@dot.gov
http://www.fhwa.dot.gov/real_estate/