

How the Carve-Out of a Major Exterior Attribute Impacts a Replacement Housing Payment

The rule addressing the carve-out of a major exterior attribute is found at 49 CFR 24.403(a)(2).

§24.403 Additional rules governing replacement payments

(a) Determining cost of comparable replacement dwelling

(2) If the site of the comparable replacement dwelling lacks a major exterior attribute of the displacement dwelling site, (e.g., the site is significantly smaller or does not contain a swimming pool), the value of such attribute shall be subtracted from the acquisition cost of the displacement dwelling for purposes of computing the payment.

What does that mean?

When the agency cannot locate a comparable replacement dwelling that contains a major exterior attribute that is present in the displacement dwelling, like the swimming pool mentioned in the rule, an adjustment must be made in the computation of the price differential payment. The idea is that since the replacement dwelling will be lacking this attribute, the owner must be compensated in some manner for the loss.

Additional Information

The value of the attribute is its contributory value to the displacement dwelling. The contributory value is subtracted from the fair market value of the displacement dwelling and an adjusted value is used to calculate the price differential payment. This results in a larger replacement housing payment for the displaced person.

Example

Gary and Paula Harrison live in Minneapolis and had a pool installed 5 years ago. When the Harrisons are displaced by the need to build a new federal courthouse, the relocation agent cannot find a comparable replacement dwelling with a pool. The Harrison's property, including the pool, is valued at \$200,000, and the agency's selected comparable is priced at \$212,000.

Example Cont.

The review appraiser indicates that the contributory value of the pool is \$8,000. After the contributory value is subtracted from the acquisition cost of the displacement dwelling, the adjusted value is \$192,000.

Outcome

When the adjusted value is subtracted from the price of the comparable, the price differential payment is \$20,000 ($\$212,000 - \$192,000 = \$20,000$). Remember that the Harrisons were still paid \$200,000 for their property, so they have a total of \$220,000 to spend. However, they are only required to spend \$212,000 on a DSS replacement to claim their \$20,000 price differential payment.