**Instructions - Price Differential Report**

**Purpose and Procedures**

This form is used to compute the price differential as well as the amount that the owner occupant actually qualifies to receive. The form must be completed even if line 3 or 8 is zero. The residential carve-out should be utilized to level the playing field of displacees who are situated on a site either larger than typical for residential purposes, or whose property is actually occupied by or used for other purposes, or has a major exterior attribute not typical of the area.

Step 1 - Complete lines 1 through 3 or 4 through 8 of the form. Upon completion, the Relocation Specialist will sign and date the report. The report plus the housing comparison worksheet (HCW) is then sent to the Agency for review and approval. Then the price differential report, housing comparison worksheet, photos of the subject and comparables, along with any other necessary documentation is forwarded to HQ for review and approval.

Step 2 - When the displacee is ready to claim the price differential payment, the Relocation Specialist completes lines 9 through 13 on a copy of the original. The completed report and supporting documentation is forwarded to the Agency for review, approval, and processing.

**Rules**

Certain situations require the Relocation Specialist to determine what portion of the acquired property is attributable to residential purposes. The Relocation Specialist must “carve out” this amount from the information contained in the appraisal and/or the reviewing appraiser’s determination of value (DV). The area used for residential purposes includes a pro-rata portion of the land and on-site improvements.

Situations that may require a “carve out”:

* Mixed use
	+ Part of a property that contains another dwelling unit
	+ Contains space used for non-residential purposes
* Excess land
	+ Lot on which the dwelling is situated is larger than typical for residential purposes
* Major exterior attribute
	+ Feature is not present in the comparable used to compute the price differential
	+ Shop, swimming pool, waterfront, view

If there is a partial taking, the Relocation Specialist must include any damages to the residential portion of the remainder property. Damages to outbuildings, such as a detached garage must be included in the appraised value (line 2 or 5). If the remainder is considered an uneconomic remnant and the displacee sells the property to the Agency, the value of the remnant must be included in the appraised value (line 10). If the remainder is buildable and the Agency offers to purchase it, the fair market value of the remainder attributable to the residential portion is added to the acquisition price (line 2) of the displacement site.

If the replacement property is on a larger than typical site, or is a mixed use property, only that portion of the property used for residential purposes may be used in calculating the actual price differential payment.

Note: If a carve-out is required and the parcel is encumbered by a lien, the lien must be prorated for the purposes of calculating an increased mortgage interest differential payment.

*Refer to WSDOT R/W Manual Chapter 12-6.3 for additional information.*

**Last Resort Housing**

**New Payment Option**

**90 Day Owner Occupants**

FHWA has approved a new Last Resort Housing Plan (LRH Plan) for Washington State. This optional payment plan goes into effect on January 1, 2022, with the ability to re-evaluate and request an extension from FHWA on an annual basis.

The LRH Plan is intended to address the current competitive housing market in Washington State This optional payment will provide additional relocation assistances in situation where displacees are making offers to purchase replacement properties but aren’t having success due to properties selling for over the list price.

LRH PLAN PROCESS

When a project is located within a competitive market where properties are selling for a premium over asking price, an agency may choose to complete a market analysis to determine the average sale price to list price ratio. If the analysis shows properties in a project area are selling for above list price, then the entire project will be declared eligible for this policy under Last Resort Housing. The agency will update the market analysis no fewer than 4 times per year to ensure a reasonable LRH payment is being offered.

The basic concept of the LRH Plan is to add a payment to the Replacement Housing Payment (RHP) based on a predetermined percentage of the list price of the most comparable home.

APPLYING THE OPTIONAL LRH PLAN

1. Complete a market analysis of your agency’s project area to determine if the LRH Plan will apply.
	1. This analysis can be completed each time a 90 Day Owner Occupant is displaced or periodically on a project wide basis, but no fewer than 4 times per year.
	2. Determine the best, and simplest way to capture the results of the market analysis to include in your Housing Comparison Worksheet writeup (a copy will be required for each RHP approval).
2. Compute a RHP for eligible 90-day Owner Occupants following the standard process.
	1. The Price Differential Report has been updated to assist you (LPA542).
3. Once your RHP and LRH Plan payment are approved, you can complete an updated Notice of Eligibility informing the displacee of the payments available to them.
4. If after 6 months, the displacee has not secured replacement property, and updated LRH payment amount will need to be recomputed.

EXAMPLE CALCULATION

If it is determined by the agency that homes are selling for 105% of the list price, the agency would add a LRH payment that is equal to 5% of the asking price of the most comparable home.

Example:

Most Comparable Dwelling: $450,000

Displacement Dwelling Value: $430,000

Replacement Housing Payment: $20,000 RHP

Last Resort Housing Plan Payment: + $22,500 (5% of $450,000 = $22,500)

**Total Relocation Payment available: $42,500**

These additional funds will assist the displacee by providing additional purchasing power for a replacement property.

Washington State has a very diverse real estate landscape, and more than one Multiple Listing Service is used depending on the location of your agency’s project. Because of this, the LRH Plan policy must be flexible to allow for a market analysis to be completed using a variety of resources. The resource used to complete the market analysis is not as important as the validity of the information and the consistency of the resource used project wide. This means your agency would not want to use a variety of resources on a single project. Determine early in the project planning phase which resource the project will use to complete the market analysis and keep it consistent.

Possible resources to complete a market analysis include, but are not limited to:

* NWMLS, Realtor.com, Redfin, Zillow, various appraisal associations, etc.

Each project will need to identify which methodology will be used to calculate the LRH Plan payment in the project Relocation Plan. Documentation will be required in each file where a payment is made.

THINGS TO REMEMBER

* LRH Plan must be offered on a project wide basis
* This new option may begin being offered starting January 1, 2022
* LRH Plan is only eligible to 90-Day Owner Occupants (not available to tenants wanting to use relocation benefits to become homeowners)
* If relocation has already begun on a project (notices mailed) this option is not available
* If a Relocation Plan has been approved but relocation has not stated (notices NOT mailed), a Supplemental Relocation Plan can be submitted adding this option
* If a project begins relocation during an approved calendar year, then the project would be allowed to continue with this option, should the plan not be extended, until all the relocations for that specific project have been completed.