Individuals and Households Pilot Program

Fiscal Year 2009 Report to Congress

May 19, 2009

Homeland Security

Federal Emergency Management Agency

Message from the Administrator

May 19, 2009

I am pleased to present the following report, "Individuals and Households Pilot Program," which has been prepared by the Federal Emergency Management Agency.

The report responds to a requirement in the Post Katrina Emergency Management Reform Act (P.L. 109-295) to conduct an Individuals and Households Pilot Program. The purpose of the pilot program was to provide timely and cost-effective temporary housing to individuals and households affected by a disaster by funding repairs to existing multi-family rental housing units under section 689i(a)(4) of the Stafford Act.

Included in this document is an assessment of the effectiveness of the pilot program, including benefits and cost savings, findings and conclusions of the pilot program, and any recommendations with respect to the Individuals and Households Pilot Program.

Pursuant to congressional requirements, this report is being provided to the following Members of Congress:

The Honorable David E. Price
Chairman, House Appropriations Subcommittee on Homeland Security

The Honorable Harold Rogers
Ranking Member, House Appropriations Subcommittee on Homeland Security

The Honorable Robert C. Byrd
Chairman, Senate Appropriations Subcommittee on Homeland Security

The Honorable George Voinovich
Ranking Member, Senate Appropriations Subcommittee on Homeland Security

The Honorable Bennie G. Thompson
Chairman, House Homeland Security Committee

The Honorable Peter T. King
Ranking Member, House Homeland Security Committee

The Honorable Joseph I. Lieberman
Chairman, Senate Homeland Security Committee

The Honorable Susan Collins
Ranking Member, Senate Homeland Security Committee

The Honorable Eleanor Holmes Norton
Chairman, House Economic Development Subcommittee on Transportation and Infrastructure

The Honorable Peter T. King
Ranking Member, House Economic Development Subcommittee on Transportation and Infrastructure

The Honorable Edolphus Towns
Chairman, House Oversight and Government Reform Committee

The Honorable Darrell Issa
Ranking Member, House Oversight and Government Reform Committee

Inquiries relating to this report may be directed to me at (202) 646-3900 or to the Department's Acting Chief Financial Officer, Peggy Sherry at (202) 447-5751.

Sincerely,

W. Craig Fugate
Administrator
Federal Emergency Management Agency

Executive Summary

Section 689i of the Post Katrina Emergency Management Reform Act (PKEMRA, P.L. 109-295) authorizes FEMA to establish and conduct an "Individuals and Households Pilot Program." The purpose of the pilot program was to provide timely and cost-effective temporary housing to individuals and households affected by a disaster by funding repairs to existing multi-family rental housing units.

Section 689i(a)(4) of PKEMRA requires the Administrator of FEMA to submit a report to Congress by March 31, 2009 regarding FEMA's assessment of the effectiveness of the pilot program. Accordingly, this report describes how FEMA met requirements of the law, the methodology that FEMA used to evaluate properties for participation in the pilot program, an assessment of the effectiveness (including cost-savings, benefits to individuals and households, and findings and conclusions) of the pilot program, and recommendations for additional authorities required to make permanent the pilot program.

In January 2007, FEMA convened a workgroup to develop a plan for implementing Section 689i of PKEMRA. The initial plan included a process for identifying and selecting projects, a process for inspecting and repairing buildings with multi-family rental housing units, and a process for analyzing the effectiveness of the authority. In the ensuing months, FEMA provided testimony on the plan. At the beginning of the 2007 hurricane season, FEMA began looking for opportunities to implement this plan. Unfortunately, FEMA was unable to identify any opportunities during the 2007 hurricane season.

In April 2008, FEMA convened a second workgroup to re-evaluate the effectiveness of the original workgroup's plan. In May 2008, FEMA developed a plan to make the approach for identifying and selecting projects more efficient. The new streamlined plan allowed FEMA to implement Section 689i in two disasters during the 2008 hurricane season.

This report is based on the streamlined plan that was developed in May 2008.

Individuals and Households Pilot Program

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I. Legislative Requirement

This document responds to the reporting requirements set forth in section 689i of the Post Katrina Emergency Management Reform Act (PKEMRA, P.L. 109-295). Individuals and Households Pilot Program, 6 U.S.C. 776. Section 689i states:

(a) Pilot Program –

(1) In general – The President, acting through the Administrator, in coordination with State, local, and tribal governments, shall establish and conduct a pilot program. The pilot program shall be designed to make better use of existing rental housing, located in areas covered by a major disaster declaration, in order to provide timely and cost-effective temporary housing assistance to individuals and households eligible for assistance under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5174) where alternative housing options are less available or cost-effective.

(2) Administration –

(A) In General – For the purposes of the pilot program under this section, the Administrator may –

(i) enter into lease agreements with owners of multi-family rental property located in areas covered by a major disaster declaration to house individuals and households eligible for assistance under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5174);

(ii) make improvements to properties under such lease agreements;

(iii) use the pilot program where the program is cost effective in that the cost to the Government for the lease agreements is in proportion to the savings to the Government by not providing alternative housing; and

(iv) limit repairs to those required to ensure that the housing units shall meet Federal housing quality standards.

(B) Improvements to leased properties – Under the terms of any lease agreement for a property described under subparagraph (A)(ii), the value of the contribution of the Agency to such improvements –

(i) shall be deducted from the value of the lease agreement; and

(ii) may not exceed the value of the lease agreement.

(3) Consultation – In administering the pilot program under this section, the Administrator may consult with State, local, and tribal governments.

(4) Report –

(A) In General – Not later than March 31, 2009, the Administrator shall submit to the appropriate committees of Congress a report regarding the effectiveness of the pilot program.

(B) Contents – The Administrator shall include in the report –

(i) an assessment of the effectiveness of the pilot program under this section, including an assessment of cost-savings to the Federal Government and any benefits to individuals and households eligible for assistance under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5174) under the pilot program;

(ii) findings and conclusions of the Administrator with respect to the pilot program;

(iii) an assessment of additional authorities needed to aid the Agency in its mission of providing disaster housing assistance to individuals and households eligible for assistance under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5174), either under the pilot program under this section or other potential housing programs; and

(iv) any recommendations of the Administrator for additional authority to continue or make permanent the pilot program.

(b) Pilot Program Project Approval – The Administrator shall not approve a project under the pilot program after December 31, 2008.

II. Background

The Individuals and Households Pilot Program authorized FEMA to make repairs to existing multi-family housing units in a declared disaster area, in order to evaluate the efficacy and ability to provide timely and cost-effective temporary housing to individuals and households affected by a disaster through the use of repairs to multi-family rental properties. Based on FEMA's interpretation of the requirements of the authority, FEMA developed a methodology to determine whether a potential project was viable and met the requirements of the pilot program.

The authority for the pilot program applies to repairing multi-family housing units. FEMA adopted the U.S. Department of Housing and Urban Development's (HUD) definition of multi-family units as "structures that consist of five or more units in a specific complex."

Once the methodology was developed, FEMA evaluated potential projects identified by the State-led Housing Task Force for the pilot. Ultimately, FEMA approved and implemented the pilot program in two disasters:

- DR-1763 – State of Iowa, declared May 27, 2008 for severe storms, tornadoes, and flooding. The pilot program was used for one property in Cedar Rapids, IA;

- DR-1791 – State of Texas, declared September 13, 2008, for Hurricane Ike. The pilot program was used for one property in Galveston, TX.

The Post Katrina Emergency Management Reform Act (PKEMRA), effective October 2006, was not retroactive. Thus, this pilot program could not be used for those disasters occurring before that date, including Hurricanes Katrina and Rita.

FEMA considered two additional properties in Iowa and one additional property in Texas but the financial analysis demonstrated that none of these additional projects would be cost effective.

III. Results in Brief – Individual Housing Pilot Program

FEMA developed specific conditions for project implementation and detailed criteria for project approval (the methodology utilized for project approval will be explained later in this report). FEMA searched for candidate pilot opportunities across a range of disaster operations, ultimately identifying feasible project opportunities for the pilot program in two different disasters. In September 2008, FEMA selected a property in Cedar Rapids, Iowa, in support of the Presidentially-declared disaster due to severe storms, tornados and flooding in the State of Iowa. This project resulted in the rehabilitation of 7 apartment units, which allowed FEMA to provide housing to 7 households (13 individuals). In December 2008, FEMA selected a 32-unit apartment complex in Galveston, TX, in support of the Presidentially-declared disaster due to Hurricane Ike in the State of Texas. This property provided housing to 32 households (39 individuals) who were displaced by the disaster.

FEMA compared the cost of repairs[1] and the monthly operating cost for each unit against the cost of providing manufactured homes under Section 408 of the Stafford Act. For the purpose of this comparison FEMA used the acquisition costs of manufactured homes (the acquisition cost of the manufactured home was apportioned to the number of months of the potential contract), the installation costs of manufactured homes at a private site distributed over the term of the contract, and the estimated monthly maintenance costs for maintaining the manufactured homes. The total estimated cost for the Iowa pilot project is $76,854. The estimated cost of providing seven manufactured homes for an equal period of time is $439,376. The total estimated savings to the Federal Government is $362,522, or 83% less than the cost of providing manufactured homes. The total estimated cost for the Texas pilot project is $897,358. The estimated cost to provide 32 manufactured homes for an equal period of time is $2,650,624. The total estimated savings to the Federal Government is $1,753,266, or 66% less than the cost of providing manufactured homes.

Project	Cost of Mobile Home	Cost of Pilot Repair	Savings to the Federal Government
Iowa Pilot Project	$ 439,376.00	$ 76,854.00	$ 362,522.00
Texas Pilot Project	$ 2,650,624.00	$ 897,358.00	$ 1,753,266.00
Total Costs/Savings	$ 3,090,000.00	$ 974,212.00	$ 2,115,788.00

- The legislative language has no provision requiring or suggesting that identified properties have been damaged as a result of the current disaster. Thus, it would appear that properties that have deferred maintenance may be considered as well.
- The legislative language requires that projects be cost effective.
- The legislative language provides that the properties must be in the disaster area. FEMA identifies disaster areas by county, so if a building were available in an undeclared county, FEMA would not be able to utilize the property.

[1] Actual cost may be slightly higher based on contract modifications.

- The legislative language identifies “multi family” dwellings. HUD defines “multi family” as five or more units for the purpose of providing a federally supported loan or mortgage. FEMA could define this differently, but would need to justify the use of a different definition since it would deviate from a federally accepted standard.
- The legislative language does not provide FEMA the authority to build new dwellings. The property must be an existing structure.
- FEMA had difficulty in finding proposed projects where the value of FEMA’s contribution to improvements could be deducted from the value of the lease agreement, as required in 689i(a)(2)(B), so as not to exceed the value of the lease agreement without increasing the time period for the lease agreements.

Under Sections VII and VIII – Assessment and Recommendations for Additional Authority, FEMA will further expand on these issues.

IV. Scope and Methodology

FEMA developed the following criteria/factors in assessing whether projects were viable candidates for use under the authorities of the IA pilot Program:

1. **Is there a need for FEMA to authorize the use of direct assistance (housing units), see section 408 (c) (B)(i) Robert T. Stafford Disaster Relief and Emergency Assistance Act, such as manufactured housing, through the Housing provision of the Individuals and Households Program (IHP) based on a shortage of housing resources in a specific disaster?**

   In the aftermath of a disaster that has been declared by the President, and where Individual Assistance Programs have been authorized, FEMA participates in the state-led Housing Task Force (hereinafter "Task Force") to evaluate the housing needs, available resources, and shortfalls within the disaster-affected and surrounding areas. The Task Force, through the joint Mission Planning Teams (MPTs), identifies the estimated number of households that may need temporary housing and the available rental housing units in the area. Where there is a shortage of available rental housing, the Task Force may recommend the use of Direct Assistance to provide temporary housing in the form of manufactured housing units. Because the pilot is designed to make better use of existing rental housing where alternative housing options are unavailable or not cost effective, FEMA relied on the Task Force recommendation to implement Direct Assistance to determine if the disaster could make use of the Rental Repair Pilot Program.

2. **Is it prospectively cost effective to the Federal Government to implement the pilot program for the proposed project?**

   FEMA performed a simplified cost-benefit analysis to determine if the cost of the lease agreements were less than the estimated cost of providing manufactured housing units on private sites. FEMA developed a project viability formula based on the statutory requirement of cost effectiveness and the requirement that the agency's contribution not exceed the value of the lease.

   First, the formula determines whether the federal contribution for restoration of the rental property and the owner's operating costs are less than the cost of FEMA providing manufactured housing units. Secondly, it determines at how many months the federal contribution will be less than or equal to the value of the lease. If the answer to the first question is "yes" and the number of months does not exceed 36 months[2], then the property is a viable candidate for the pilot program.

[2] No project lease agreement was allowed to exceed 36 months; 36 months is twice the normal length of the period of assistance for disaster assistance under Section 408 of the Stafford Act and is the average length for a manufactured home operation in a large scale disaster.

3. **Does the owner have access to other funding to make the repairs?**

   Because FEMA cannot duplicate other forms of assistance, FEMA verified, for each proposed property, whether the needed repairs were related to damages caused by the disaster. Disaster-related damages could give the owner access to insurance benefits and disaster loans from the U.S. Small Business Administration (SBA). Thus, when FEMA did consider rental units that were damaged as a result of a particular disaster, FEMA required the owner to provide documentation on any disaster benefit received or proof that the property was uninsured or under insured. In addition, the owner was asked to disclose whether the property was receiving grants from, or is participating in, a HUD housing program.

4. **Can the proposed property be made ready for occupancy within a short period of time?**

   FEMA and U.S. Army Corps of Engineers (USACE) conducted inspections of potential projects to determine if repairs could be made to the property to meet the Federal Housing Quality Standards (HQS) in a timely manner. (This approach led to higher than average cost for repairs). The authority called for repairs to be made to meet the Federal HQS. Since HUD is the lead agency in the Federal Government that deals with housing issues, FEMA utilized HUD's Housing Quality Standards to determine what repairs where necessary to meet "Federal HQS" outlined by Congress. FEMA, in consultation with subject matter experts from USACE and HUD, identified areas of a multi-family dwelling requiring repair in order for the building to meet the HUD HQS. Those areas of repair generally include, but are not limited to:

   i) Structural components of the building, including the roof, windows and foundation;
   ii) Heating, Ventilation and Air Conditioning System;
   iii) Utilities and connections, including electrical, plumbing, gas, water and sewage system;
   iv) The interior of the unit, including floors, walls, ceiling, doors and cabinetry;
   v) Repairing/Replacing the access and egress to the unit; and
   vi) Modifications to the interior components of the building/unit to accommodate the needs of an individual with a disability.

5. **Is the owner of the proposed project able to enter into $0 lease agreements with FEMA applicants for the specified period of time identified by FEMA?**

   For each potential property, FEMA verified that the owner was willing to enter into $0 lease agreements with FEMA applicants for the specified period of the contract between FEMA and the property owner. The $0 lease between the applicant and the owner would be for the period of time that FEMA determines is appropriate, based on the value of the lease compared to repair and operating costs. This approach was advantageous to the applicant and FEMA because it created a typical landlord-tenant relationship between the owner of the property and the applicant, thus allowing FEMA to quickly disengage with the project once the terms of the contract with the property owner are met.

6. Is the proposed property in a safe and secure location, and close to schools, public transportation, and other services/ amenities?

For each potential property, FEMA determined whether the property was close to and had access to schools, transportation, grocery stores, hospitals, and other amenities. Every community has inherent health and safety challenges. For this reason, FEMA proactively evaluated the property location to see whether or not it was in a Special Flood Hazard Area or Coastal Barrier Zone prior to placing applicants in the rental units.

V. Analysis and Discussion

FEMA's implementation of the two pilot repair projects met the statutory requirements of the Individuals and Households Pilot Program authority. Below is a discussion of how FEMA met each of the statutory requirements in the development and implementation of the pilot program.

1. **Enter into lease agreements with owners of multi-family rental property located in areas covered by a major disaster declaration to house individuals and households eligible for assistance under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5174).**

   FEMA selected two disasters, one resulting from a severe storm with flooding and one resulting from a hurricane that were both declared major disasters by the President and designated for Individual Assistance (Section 408).

   FEMA contracted, via a purchase order, with the owners of two multi-family rental properties to secure lease agreements between the property owners and FEMA applicants, for the use of their multi-family rental properties. As a part of the contract, FEMA required the owner to modify their standard lease to include the provision that the monthly rent for the FEMA applicant would be $0. While FEMA did not enter into lease agreements directly with the owners of the properties, the requirement that the owner modify their standard lease agreements (agreements by proxy) met the statutory requirement of entering into lease agreements. This was done to facilitate the transition of applicants from FEMA funded housing to long-term or permanent housing at the end of the contract period. At the end of the contact period, applicants may choose to stay at the property and enter into a standard lease agreement with the owner (at the owner's discretion), or relocate.

   For the seven-unit project in Cedar Rapids, Iowa, FEMA and the owner of the Cedar Valley apartment complex agreed that the owner would enter into $0 leases with FEMA applicants in exchange for FEMA providing funding to make repairs to the units and paying operating costs. The lease agreements for the project were for 14 months. The total value of the lease agreements was $79,503.

   For the 32-unit project in Galveston, Texas, FEMA and the owner of Carelton Courtyard apartment complex agreed that the owner would enter into $0 leases with FEMA applicants in exchange for FEMA providing funding to make repairs to the units and paying operating costs. The lease agreements for the project were for 30 months. The total value of the lease agreements was $902,400.

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2. **Make improvements to properties under such lease agreements.**

FEMA solicited, from the property owners, contractor estimates for repairing the units. FEMA used its Inspection Services staff to conduct habitability inspections of the units and to determine the independent government cost estimate (IGCE) of the minimum repairs necessary to make the dwelling habitable. With the support of the USACE, FEMA validated and determined the reasonableness of the property owners' contractor cost estimates by comparing them against the IGCE. FEMA included the reasonable costs of the repairs in the purchase order contract with the owner.

The private non-profit owner of the multi-family property in Iowa submitted a contractor estimate of $44,710 to repair the seven units in the Cedar Valley apartment complex. Damages to the units included but were not limited to holes in the walls, peeling paint, minor mold, roof leaks, vinyl and hardwood floors (no carpeting), plumbing issues, exterior doors, window and appliances such as electric stoves and refrigerators. FEMA inspectors and USACE confirmed the reasonableness of the $44,710 repair estimate.

The private-for-profit owner of the multi-family property in Texas submitted a contractor estimate of $553,220 to repair 32 units in the Carelton Courtyard apartment complex. The owner received $58,400 in insurance settlements for flood damages to repair the buildings. The owner was underinsured for flood losses. Therefore, FEMA had the owner apply the insurance benefits to the cost of restoration and then paid $494,820 for the remaining necessary repairs. Eleven inches of water flooded the first floor of the buildings and damaged the carpet and lower level of sheetrock. The flood and high winds damaged the siding, insulation, and roof.

3. **Use the pilot program where the program is cost-effective, in that the cost to the Federal Government for the lease agreements is in proportion to the savings the Federal Government would realize by not providing alternative housing.**

FEMA determined that a repair project was cost effective if the total federal contribution to the project was less than the cost of providing manufactured housing. FEMA used the acquisition costs of manufactured homes (the acquisition cost of the manufactured home was apportioned to the number of months of the potential contract), the installation costs of manufactured homes at a private site distributed over the term of the contract, and the estimated monthly maintenance costs of the manufactured homes in the cost effectiveness analysis. FEMA compared the total projected cost for providing manufactured homes to the total projected cost for repairing the multi-family units and providing the owner with an operating payment.

The approved estimate for repairing the seven units in the Cedar Valley apartment complex in Iowa was $44,709.83. The property owner provided FEMA with a breakdown of the monthly operating cost (i.e., labor, insurance, ongoing maintenance) for each unit. FEMA agreed to provide the property owner $328 per unit, per month, for the length of the lease (14 months). The total operating cost for this project was $32,144, bringing FEMA's total program contribution to $76,854. The cost to install and maintain seven manufactured homes for the same period of time would have cost FEMA $439,376. Thus, the savings compared to manufactured housing was estimated to be $362,522.

The approved estimate for repairing the 32 units in Carelton Courtyard Apartments in Texas was $494,820. The property owner provided FEMA with a breakdown of the monthly operating cost for each unit. FEMA agreed to provide the property owner $419 per unit, per month, for the length of the lease (30 months). The total operating costs for this project is $402,538, bringing FEMA's total program contribution to $897,358. The cost to install and maintain 32 manufactured homes for the same period of time would have cost FEMA $2,650,624. Thus, the estimated savings compared to manufactured housing was $1,753,266.

4. **Limit repairs to those required to ensure that the housing units shall meet federal housing quality standards.**

Once the housing taskforce identified the multi-family housing units, FEMA Inspection Services sent inspectors to each unit and, in conjunction with the property owner, documented the necessary repairs to make the units habitable.

FEMA Inspection Services standards meet the HUD Housing Quality Standard (HQS). The FEMA inspectors only assessed the real property damages that affect the overall habitability of the dwellings. This process is similar to that conducted by HUD. The assessment involved inspecting common areas, such as hallways, stairways and utility rooms. In addition, appliances were tested during the inspection process, to determine if they were operable.

5. **Improvements to leased properties - Under the terms of any lease agreement for a property, the value of the contribution of the Agency to such improvements shall be deducted from the value of the lease agreements, and may not exceed the value of the lease agreement.**

FEMA defined the value of the lease agreement as the maximum amount that FEMA is authorized to pay for Rental Assistance under the Housing Assistance provision of the Individuals and Households Program. Typically, FEMA pays the published HUD Fair Market Rate (FMR) for the location of the rental resource. In instances where FEMA has determined that the housing market is *non-functional*[3], that is, the equilibrium rents are unlikely to be reached for a considerable period of time, FEMA may authorize an emergency exception to the HUD FMR being used and increase the amount provided to applicants by an additional 125%.

The approved estimate for repairing the seven units in the Cedar Valley apartment complex in Iowa was $44,709.83. The property owner provided FEMA with a breakdown of the

3 The method for determining if a housing market is non-functional is found in FEMA Recovery Policy entitled "Rental Assistance Rate Increases" (RP 9443.1) signed August 23, 2006.

monthly operating cost (i.e., labor, insurance, ongoing maintenance) for each unit. FEMA agreed to provide the property owner $328 per unit, per month, for the length of the lease (14 months). The total operating costs for this project were $32,144, bringing FEMA's total program contribution to $76,854. To meet this statutory requirement, FEMA compared this number to the value of the lease which, as explained above, was 125% of the FMR for the period of the lease (14 months). The program contribution was $76,854 ($784 per unit, per month) and the total value of lease agreements was $79,503. Therefore, FEMA paid $2,649 less than the total value of the lease agreements.

The approved estimate for repairing the multi-family property in Texas was $494,820. The property owner provided FEMA with a breakdown of the monthly operating cost for each unit. FEMA agreed to provide the property owner $419 per unit per month for the length of the lease (30 months). The total operating costs for this project were $402,538, bringing FEMA's total program contribution to $897,358. To meet this statutory requirement, FEMA developed a mathematical formula to determine the project lease length at which the monthly cost of the agreement would be less than or equal to 125% of the FMR, which FEMA would have spent to house the same number of households through financial rental assistance. The program contribution was $897,358 and the total value of lease agreements was $902,400. Therefore, FEMA paid $5,042 less than the total value of the lease agreements.

VI. Findings and Conclusions

FEMA implemented the pilot program in two disasters of different incident types, for two properties that provided housing for a total of 39 households. The total estimated cost for the Iowa pilot project was $76,854. The estimated cost of providing seven manufactured homes for an equal period of time was $439,376. The total estimated savings to the Federal Government is $362,522, or 83% less than the cost of providing manufactured housing. The total estimated cost for the Texas pilot project was $897,358. The estimated cost to provide 32 manufactured homes for an equal period of time was $2,650,624. The total estimated savings to the Federal Government is $1,753,266, or 66% less than the cost of providing manufactured housing.

As required under Section 689i(a)(4)(B)(ii), below is a summary of FEMA's findings and conclusions regarding the implementation of the pilot repair.

1. Limits on Extent of Improvements

The statute explicitly states that FEMA is to "limit repairs to those required to ensure that the housing units shall meet Federal housing quality standards." However, the statute is silent on the type or quality of building materials that FEMA is allowed to authorize. HUD's HQS are minimum standards; they do not preclude the use of higher quality building materials. Therefore, FEMA only authorized those line items that would make the housing unit compliant with HUD HQS. With respect to the type or quality of building material, FEMA did not limit the amount to be paid based for each line item based on quality. Instead FEMA had the USACE verify the cost reasonableness of the property owner's submitted contractor estimate for items that needed to be repaired to meet Federal housing quality standards.

2. Operating Costs

The statute does not explicitly address whether FEMA should or should not compensate owners for the costs of operating the multi-family dwelling as a part of the Agency's contribution to the project. FEMA recognized that, during and after restoration was completed, property owners will still incur costs associated with the multi-family dwelling. With a lack of access to ongoing funding and the requirement that they establish $0 leases with the disaster victim tenants, property owners would most likely not be able to maintain financial solvency. FEMA determined that because the operating costs would be included in the value of the contribution of the Agency, the only constraint would be limiting the amount of operating costs so that it would not make the project non-viable, when compared to the value of the lease agreement.

The lack of explicit authority did not impede FEMA's efforts to implement the pilot program.

3. Access to Other Sources of Funding

Section 689i of PKEMRA does not explicitly direct FEMA to address duplication of benefits or access to other sources of funding. However, Section 312 of the Stafford Act states:

> The President, in consultation with the head of each Federal agency administering any program providing financial assistance to persons, business concerns, or other entities suffering losses as a result of a major disaster or emergency, shall assure that no such person, business concern, or other entity will receive such assistance with respect to any part of such loss as to which he has received financial assistance under any other program or from insurance or any other source.

Since these properties were in disaster areas and could have been affected by the incident, FEMA complied with Section 312 by verifying that prospective property owners did not receive full compensation for the losses and that they filed a claim with their respective insurance company for damages. This strategy for complying with Section 312 allowed FEMA to consider property owners whose properties were damaged but were under-insured.

4. Period of Assistance for Pilot Program

Section 689i of the Stafford Act does not prescribe a period of assistance. However, because the pilot program's intent was to house individuals and households, eligible for assistance under Section 408, via an alternative method to traditional forms of assistance, FEMA adopted the period of assistance established under Section 408: 18 months from the date of declaration.

Applying the Section 408-established period of assistance did not present any impediments to the Cedar Rapids project; the project was financially viable within the remaining period of assistance due to the low cost of restoration. However, in the Texas project, because the cost for restoration was more expensive, FEMA had to develop a mathematical formula to determine the project lease length, at which the monthly cost of the agreement would be less than or equal to 125% of the FMR. This time period was developed to facilitate delivery of the pilot program and FEMA recognizes that it would otherwise not be appropriate to base cost effectiveness on a formula that departs from the time period for temporary housing assistance. As a part of this formula, FEMA decided that no project lease agreement would be allowed to exceed 36 months; which is twice the normal length of the period of assistance for a disaster and an average length for a manufactured home operation in a large-scale disaster. Therefore, FEMA could not satisfy the statutory requirement that the value of improvements not exceed the value of the lease agreement if the housing period were limited to 18 months. In the future, and outside of a pilot program it would not be appropriate to base a cost-effectiveness calculation on a formula that departs from the time period authorized for temporary housing assistance.

VII. Assessment and Recommendations for Additional Authorities

Section 689i(a)(4)(B)(iii) of the statute requires FEMA to provide: “an assessment of additional authorities needed to aid the Agency in its mission of providing disaster housing assistance to individuals and households eligible for assistance under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5174), either under the pilot program under this section or other potential housing programs.”

Analysis and recommendations on additional authorities will be provided at a later date.