FEMA RECOVERY DIVISION

FACT SHEET 9580.102

PERMANENT RELOCATION

Overview

Title 44 CFR 206.226(g) authorizes the Regional Director to "approve funding for and require restoration of a destroyed facility at a new location when (i) the facility is and will be subject to repetitive heavy damage; (ii) the approval is not barred by other provisions of Title 44 CFR; and (iii) the overall project, including all costs, is cost effective." When relocation is required by the Regional Director, eligible work includes land acquisition and the construction of ancillary facilities such as roads and utilities, in addition to work normally eligible as part of a facility reconstruction. For relocation to be cost effective the eligible costs associated with relocating the damaged facility must not exceed the cost of the damages (the cost to replace the facility at its original location). Demolition and removal of the old facility may also be an eligible cost if deemed necessary. When relocation is required by the Regional Director, no future funding for repair or replacement of a facility at the original site will be approved, except those facilities which facilitate an open space use in accordance with 44 CFR Part 9.

Questions & Answers (Q&A)

1. **When FEMA approves a permanent relocation project can the applicant sell the land to any party on which the damaged facility was originally located?**

   Yes. However, in accordance with 44 CFR 206.226(g)(3), FEMA will not provide any future funding for repair or replacement of any facility at the original site. An exception is for a facility which facilitates an open space in accordance with 44 CFR Part 9. Applicants should inform the purchaser of the property of the regulatory restrictions associated with future funding at the original site.

2. **Does FEMA provide funding to acquire new land and construct ancillary facilities such as road and utilities necessary to make the relocated facility operational?**

   Yes. FEMA may provide funding to an applicant to acquire land outside of a hazardous area. However, FEMA will limit the land acquisition funding to that which is necessary to make the relocated facility and its associated components operational, and is cost-effective. For example, if the facility being permanently relocated was located on 10 acres of land at the time of the disaster, FEMA

will not necessarily provide 10 acres of land at the new site location if FEMA determines that 10 acres of land is not required to make the facility and its components operational.

Additionally, FEMA may fund the construction of ancillary facilities within the boundaries of the eligible relocation site. Ancillary facilities include, but are not limited to roads, parking lots, sidewalks and utilities necessary to make the relocated facility operational. Similar to limitations placed on land acquisition, FEMA will limit funding for construction to that which is necessary to make the relocated facility operational.

3. **If the applicant owns the structures, but does not own the land on which the facility is situated will FEMA provide funding to acquire new land and ancillary facilities?**

   No. In land lease type situations where the applicant owns the building but not the land or the ancillary facilities, FEMA will only provide funding for the cost of constructing the new facility, not the land or of ancillary facilities.

4. **Will FEMA reduce the amount of funding for the relocated project if the Applicant sells the original property?**

   Yes. While the subgrant is open, FEMA will reduce the grant for the relocated project by the net proceeds from the disposition of property. While the applicant's proceeds derived from the sale of the land, buildings, or ancillary structures on which the damaged facility was originally located will not impact the funding of the reconstruction of the actual damaged facility at the new site, it will offset the permanent relocation costs associated with land acquisition and the construction of ancillary facilities such as roads and utilities. This is in recognition of the fact that the ancillary facilities at the original location have a real dollar value which is included in the sale price of the damaged facility's property.

   For example, if FEMA provides a total of $400,000 in funding to acquire new land and construct the ancillary facilities necessary to make the relocated facility operational (not including construction costs of the actual facility itself), and, the applicant sells the land on which the damaged facility was originally located for $750,000, a total of $400,000 would be deducted from the final project cost. The applicant would be able to keep the incremental difference in cost, in this case, $350,000.

   The sale price of property must be reasonable. Sales procedures shall be followed that provide for competition to the extent practicable and result in the highest possible return. Pricing the property below market value while receiving full value for the new location would result in a net profit for the applicant. If the applicant sells the property at less than a fair and reasonable price, FEMA reserves the right to offset the full market value against the cost of the new property.

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5. **Are potential proceeds from the sale of the land considered in Cost Benefit Analysis to determine if the relocated project is cost effective?**

   No. The value of the land is not a component of the Cost Benefit Analysis.

6. **If the land for the new location of the damaged facility is owned by the applicant, or donated by a third-party, will FEMA reduce its grant if the applicant sells the land on which the damaged facility was originally located?**

   Yes. Costs associated with the construction of ancillary facilities (roads, utilities, etc.) necessary to make the relocated facility operational (not including construction costs of the actual facility itself) would be reduced by the proceeds of the sale up to the full cost of the ancillary facilities.

   For example, if FEMA provides a total of $100,000 in funding to construct ancillary facilities on the donated property to make the relocated facility operational and the applicant sells the land on which the damaged facility was originally located for $750,000, a total of $100,000 would be deducted from the eligible cost of the permanent relocation. The applicant would be able to keep the difference between the proceeds of the sale and the funding expended by FEMA to construct the ancillary facilities, in this case, $650,000. As noted above in Question 4, the sale of the property will not impact the funding of the reconstruction of the actual damaged facility at the new site, it will only impact the costs associated with land acquisition and the construction of ancillary facilities.

7. **If the Regional Director does not require the damaged facility to be relocated, but the applicant chooses to construct a new facility at a different location, is the acquisition of new land and construction of ancillary facilities still eligible for reimbursement?**

   No. Relocation of a facility must be required by the Regional Director. The applicant can request an improved project (44 CFR 206.223(d)(1)) for the facility to be built at a different location but the grant will not cover any cost for land acquisition, ancillary facilities or demolition and removal of the old facility.

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Director of Recovery

Date