ANNEX 5:

Programs to Promote the Repair or Rehabilitation of Existing Rental Housing

Introduction

Disasters pose numerous challenges to communities and families, including locating adequate temporary housing. Following most disasters and emergencies, displaced individuals are able to return to their primary residences within a few days. However, damage to infrastructure, including roads, utilities and other public services, or contamination may delay or compromise the ability to establish temporary housing in the immediate areas affected by the disaster. Relocation to neighboring municipalities and States may need to be arranged for temporary housing if the local housing stock and/or infrastructure provide insufficient resources. In this case, repair or rehabilitation to existing rental units in neighboring areas may also be necessary.

Temporary housing may be necessary for displaced disaster families until permanent housing can be established. Delivering temporary housing is different than providing emergency shelter. It requires increased government involvement; is more costly; and also requires increased involvement from affected families, who must formally register, meet eligibility requirements, and actively participate in the process. If executed appropriately, leveraging property already owned by the government and repairing these properties as needed creates a cost-effective solution. However, challenges exist when cooperating agencies do not have a solid understanding of their agency partners' authorities, particularly with respect to leasing housing units to disaster victims. Each entity has its own rules, regulations, and authorities that affect conditions under which the properties could be made available, requiring interagency coordination to develop agreements and match displaced families with properties.

The unprecedented 2004 and 2005 hurricane seasons highlighted key constraints and challenges in the capabilities for providing housing assistance. Temporary housing options were inadequate and inaccessible after the hurricanes, and in some cases sheltering services were forced to remain active for months. A large population of displaced families required temporary housing units; however, the limitations in the nation's manufacturing capacity, and in identifying feasible sites to place units on, limited how quickly FEMA could utilize these solutions. This reinforced the need for viable alternatives such as repairing or rehabilitating existing rental properties. As a result, section 683(b)(7) of the Post-Katrina Emergency Management Reform Act (PKEMRA) required the National Disaster Housing Strategy to describe plans for promoting the repair or rehabilitation of existing rental housing.

PKEMRA provided the authority for disaster partner agencies to ensure that significant challenges associated with delivering quality temporary and long-term sustainable housing in the wake of a declared disaster are formally addressed. Manufactured housing must be transported into damaged areas and adequate space must be available for the installation of these units, and manufactured housing may not present an ideal solution for the long-term needs of all communities. In contrast, the repair or rehabilitation of existing rental housing can stimulate a local economy by providing an influx of work and money for the communities affected. In addition, individuals, households, and communities can utilize the repaired properties for long-term sustainable housing.

One component of this Annex topic is the Rental Repair Pilot Program (RRPP), which is a pilot authorized through PKEMRA. RRPP is designed to make better use of existing multi-family rental housing in areas covered by a major disaster declaration. Funding is provided to property owners for repairs who in exchange make units available to house FEMA disaster applicants.

The categories of rental property that can be rehabilitated include mobile units, single family units, and multi-family units. Existing rental housing is comprised of property that could be available for rent after a disaster, including government owned property and property that was used for rent prior to the disaster. Government owned properties will be considered when it is economically feasible for the government to repair and rent housing stock. Existing rental housing does not include privately owned foreclosures, such as properties owned by a bank.

Disaster housing assistance must continue to evolve to more effectively meet the diverse and complex needs of our Nation. To effectively meet the temporary housing needs of those affected by disasters, including persons with disabilities, multiple options to provide temporary housing must be considered. Repair and rehabilitation of available housing provides an alternative to other types of temporary housing, such as mobile homes, that must be brought into the disaster area. In developing a housing plan, all alternative temporary housing solutions are evaluated in order to provide timely and cost-effective temporary housing assistance.

Purpose

In response to PKEMRA Section 683 (b), the Strategy − Annex 5: "Programs to Promote the Repair or Rehabilitation of Existing Rental Housing," provides planners with information regarding programs that have been or will be established to promote the repair ***or rehabilitation of existing rental housing in the wake of a disaster.*** It will help planners understanding of the viability of this housing initiative and facilitate related endeavors in the aftermath of future emergencies. The ultimate goal is to help planners across all governmental and nongovernmental levels efficiently deliver services to the populations in need of temporary housing, eventually leading to a sustainable, permanent housing solution for disaster victims.

Direct Assistance Rental Housing Repair Programs

Direct Assistance is provided when displaced families receive assistance in the form of a habitable unit. In the recovery phase of a disaster, renters and homeowners may find themselves in a particularly difficult situation if their residences have been severely damaged and the supply of other local tenant housing is limited. FEMA will attempt to locate housing through traditional methods as well as online database tools such as FEMA's Housing Portal and HUD's National Housing Locator System. However, in major disasters, available tenant housing may be limited, in which case temporary housing options would be limited to manufactured housing, hotels and motels, geographic displacement, or other forms assistance that can be both inconvenient to displaced families and costly to the Government.

Repairing and rehabilitating existing rental housing provides an alternative to other forms of temporary housing. For example, in areas where manufactured homes would otherwise be used, repairing rental housing may be a more effective alternative. Through the hiring of necessary contractors, a multiplier effect will occur by creating more jobs and stimulating the economy. Repairing rental housing can also expedite community recovery by keeping individuals and families in their communities, helping to secure consumer dollars and a tax base for the longer term. Other positive externalities may be realized; for example, as worn down sections of community real estate improves property values in the surrounding neighborhoods improve as well.

Department of Homeland Security, Federal Emergency Management Agency

In order to provide expedited temporary housing to people whose pre-disaster residences were rendered uninhabitable due to a disaster, section 408 of the Stafford Act provides temporary housing assistance to affected individuals and households. Temporary housing assistance includes financial assistance in the form of rent and also direct assistance in the form of a habitable unit. In the case of direct assistance, the Federal Emergency Management Agency (FEMA) has the authority under the Stafford Act to repair rental units. FEMA exercised this authority during the response to Hurricane Katrina in New Orleans, LA, and has undertaken a Rental Repair Pilot Program.

- **Rental Repair Pilot Program.** The Rental Repair Pilot Program (RRPP) funds repairs to multi-family rental housing units due to disaster-related damages or deferred maintenance. In exchange, owners agree to make rental units available to FEMA disaster applicants. The value of FEMA's contribution is deducted from the value of the lease agreement to offset the cost of repairs.

  FEMA can contract with owners of multi-family housing units to fund repairs or contract directly with the entity providing the repairs. For the purpose of this pilot, 'multi-family housing' means a property consisting of more than four units (or dwellings). The term includes apartments, cooperative buildings, and condominiums. In addition, the multi-family housing must be located in an area covered by a major disaster declaration. The Pilot Program may be implemented where alternative housing options are less available and where use of the pilot is cost-effective.

  - **Intended Use.** This pilot program intends to form an assessment regarding the ability to better utilize existing rental resources to provide timely and cost-effective temporary housing assistance, especially where other options are inadequate to meet sheltering and temporary housing needs. The assessment will require a collection of data used to compare the cost-benefit and effectiveness of repairing available rental units to the cost-benefit and effectiveness of manufactured homes and other alternative temporary housing units. The resulting information will be provided in a report to Congress for use in building the Disaster Housing Strategy Implementation plan. Consistent with the *Strategy's* goal, the pilot program aims to engage all levels of government, non-profit and private sectors in order to collectively meet the urgent housing needs of disaster applicants and enable individuals, households, and communities to rebuild and restore their way of life. In sum, the Pilot Program should enhance our understanding and ability to meet the complex needs of affected communities by building a model that exposes a broad range of flexible housing options.

- **Program Authorities.** Section 689i of the Post Katrina Emergency Management Reform Act (PKEMRA) of 2006 authorized the Administrator to approve a pilot project before December 31, 2008. PKEMRA also authorized FEMA to submit a report to Congress on the effectiveness of the pilot program by March 31, 2009.

Department of Defense, United States Army Corps of Engineers

In addition to its specific contributions to the RRPP, the USACE supports the repair and rehabilitation of rental housing under their authority as a support entity for ESF #6. USACE provides technical assistance, temporary roofing services, and other repairs that facilitate reoccupation of minimally damaged structures.

Grant and Loan Programs to Support the Repair or Rehabilitation of Existing Rental Housing

Various grant and loan programs support the repair or rehabilitation of existing rental housing, including single-family and multi-family units. In contrast to programs described in the section above, these Federal programs do not provide direct assistance. Instead, grants or loans are distributed to State and local governments who administer the repair of rental housing; in other cases, property owners are the direct recipients of funding.

These programs may not significantly contribute to the supply of temporary housing options, as authorities and objectives pertain more so to provision of long-term sustainable housing. Nonetheless, funding can be provided to facilitate the repair or rehabilitation of existing rental housing, and thus helping to revitalize communities affected by disasters.

Programs are categorized below according to the agency under which it is administered. More comprehensive descriptions are included in Annex 1.

Small Business Administration

The Small Business Administration (SBA) provides loans for non-farm, private sector, uncompensated disaster-related losses. These loans assist homeowners, renters, non-profits, and businesses of all sizes in the recovery process. In the context of this Annex, owners of rental properties damaged by disasters may qualify for an SBA low-interest disaster business loan to repair or replace the damaged property. The SBA's Office of Disaster Assistance can lend up to $200,000 for primary residences and up to $2 million to business owners for uncompensated disaster losses. SBA offers flexible repayment terms by providing low-interest rates, terms up to 30 years, and first payment deferrals from 5 to 12 months. The loan may be increased by as much as 20 percent of the total loss to protect the property against future disasters of the same type.

In addition, landlords who have lost income because their rental units are unoccupied due to disaster may be eligible for an economic injury disaster loan. The loan provides working capital for disaster-related needs until a business recovers.

Department of Housing and Urban Development

The Department of Housing and Urban Development (HUD) provides various grants and loans to eligible communities and households for the repair and rehabilitation of existing rental property. Depending on the project, funding can be provided through Community Development Block Grants (CDBG), the HOME Investment Partnerships Program, Capital Fund appropriations, or Section 203(k) Rehabilitation Mortgage Insurance.

Community Development Block Grants and the HOME Investment Partnerships Program provide flexible grants to cities, counties, and States that can be approved for reconfiguration to help their citizens recover from Presidentially declared disasters, especially in low- and moderate-income areas. In addition, the CDBG program is a common outlet through which Congress delivers emergency disaster recovery funds through supplemental appropriation after the disaster. The grants can be used to repair existing rental property through the rehabilitation of single-family, multi-family, or manufactured home rental units. State and local governments partner with community housing development organizations, other public or nonprofit sub-recipients, for-profit sub-recipients, private lenders, and third party contractors.

HUD's Section 203(k) Home Rehabilitation Mortgage Loan program enables disaster area homeowners to finance either the purchase (or refinancing) of a house and the cost of its rehabilitation through a single mortgage, or to finance the rehabilitation of their existing home. The requirement for a dwelling to be completed more than one year preceding the date of the application for mortgage insurance under Section 203(k) does not apply to properties in the disaster area. Damaged residences are eligible for Section 203(k) mortgage insurance regardless of the age of the property. The residences need only to have been completed and ready for occupancy for eligibility under Section 203(k). The percentage of financing, however, is determined by the type of mortgage being made. For example, normal loan-to-value ratios apply to Section 203(k) mortgages made in these areas. The mortgage insurance premium is the same for all other Section 203(k) mortgages.

The Section 203(k) program can be used for one-to-four unit dwellings. Loans are made through participating lenders, who along with State and local government agencies, have found ways to assist borrowers by combining Section 203(k) loans with other financial resources, such as the Community Development Block Grant and HOME programs discussed above. Lenders often leverage the expertise of local housing agencies and nonprofit organizations to help manage the rehabilitation processing. Eligible improvements include, but are not limited to, structural alterations and reconstruction, changes for improved functions and modernization, elimination of health and safety hazards, changes for aesthetic appeal and elimination of obsolescence, and improvements for accessibility to a disabled person.

Section 203(k) is a unique financial offering because most mortgage plans provide only permanent financing. That is, the lender will not usually close the loan and release the mortgage unless the condition and value of the property provide adequate loan security. When rehabilitation is involved, this means that a lender typically requires the improvements to be finished before a long-term mortgage is made. When a buyer wants to purchase a house in need of repair or modernization, the buyer usually has to obtain financing first to purchase the dwelling, additional financing to do the rehabilitation construction, and a permanent mortgage when the work is completed to pay off the interim loans with a permanent mortgage. The Section 203(k) program allows the borrower to get just one mortgage loan at a long-term fixed (or adjustable) rate to finance both the acquisition and the rehabilitation of the property.

United States Department of Agriculture

The United States Department of Agriculture (USDA) provides loans and grants to benefit rural Americans who are in need of rental housing after a disaster occurs. USDA programs that specifically benefit the repair or rehabilitation of existing rental housing include Section 502 Direct Loans, Section 515 Rural Rental Housing, and Sections 514 and 516 Farm Labor Housing.

The Section 502 Direct Loan program is intended to provide applicants with the opportunity to acquire, build, rehabilitate, improve or relocate dwellings in rural areas.

The Section 515 Rural Rental Housing Program provides direct loans to eligible borrowers, who include individuals, businesses, nonprofit organizations, Native American tribes, and public agencies. These borrowers are to provide rental housing for very low-, low-, and moderate-income households, elderly households, and persons with disabilities living in rural areas. Section 515 loans are specifically intended for multi-family housing, which must be economical, of average quality, and in a location that qualifies as a rural area. An initiative administered under this program is the Multi-family Housing Preservation and Revitalization Restructuring (MPR) Demonstration Program. It was created to revitalize existing rural rental housing projects financed by Section 515. The program restructures selected existing Section 515 loans to ensure sufficient resources are available to preserve the rental project. Restructuring tools may include grants, additional loans, debt deferrals, or debt forgiveness. Expectations are that properties participating in this program will be able to extend affordable use without displacing tenants due to increased rents.

The USDA Farm Labor Housing Program, Sections 514 and 516, provides loans and grants that help farmers, public or private nonprofit organizations, State, and local governments buy, build, improve, or repair housing for seasonal or year round farm laborers. Section 514 is a multi-family program and must be used for on-farm labor housing projects.

Other Rental Housing Repair Initiatives

Other rental housing *repair* initiatives focus on alternative means of providing rental housing through housing stock owned by government entities. These initiatives primarily use tools such as Interagency Agreements (IAA), Pre-Scripted Mission Assignments (PSMA), Contracts, or Memorandums of Understanding (MOU) to partner with other government entities to provide rental housing from existing housing stock. In doing so, these initiatives take advantage of existing infrastructure that can be repaired or rehabilitated, and provide government owned housing to disaster victims for temporary housing purposes. If implemented effectively, the Federal Government has the potential to expedite temporary housing delivery and reduce its own costs associated with providing housing to disaster victims.

As the lead Federal agency for emergency management, FEMA is a position to coordinate with other agencies for housing response and recovery. Therefore, many examples cited below will be in the context of agreements between FEMA and other agencies.

- **Interagency Agreements.** Interagency agreements (IAA) are contracts between two Federal agencies to facilitate the provision of services by one agency and remuneration for those services by the other agency. In response to a disaster, IAAs are typically used for recovery and other long-term activities. In the case of rental housing, FEMA can enter into an IAA with other Federal agencies that have existing housing stock in order to provide those units for rent. An IAA may specify which units could be used. For example, an IAA may explain that only habitable units, or units that need less than $10,000 of repair, are available to rent to disaster victims. Other terms include in an IAA may include a timeframe, specific locations that will be available for use, financial terms, and other roles and responsibilities for the Federal agencies.

- **Mission Assignments and Pre-Scripted Mission Assignments** Under the descriptions of 44 Code of Federal Regulations (CFR) Part 206.208, FEMA can develop Mission Assignments (MA) with other Federal agencies. These MAs are described as work orders issued by FEMA Operations to a Federal agency directing completion of a specific task, and citing funding, other managerial controls, and guidance in anticipation of, or in response to, a Presidential disaster declaration. Agencies can be directed to complete work with or without reimbursement under the Stafford Act.

  In order to expedite the delivery of Federal assistance, FEMA and other Federal agencies can jointly develop "Pre-Scripted" Mission Assignments (PSMA). These PSMA were developed to facilitate rapid response and standardize work typically done by a Federal agency. These PSMA will provide statements of work and cost estimates prior to an actual disaster or emergency. The use of PSMA language is expected to streamline the MA process and provide a planning base for other Federal agencies. Not all MA can be pre-scripted, and MA may be modified in the field to meet event-specific needs. The PSMA is intended to avoid replication of work for each event and encourages thinking ahead to activities that might take place in an emergency or disaster situation.

- **Memorandums of Understanding.** A Memorandum of Understanding (MOU) establishes a framework of cooperation between two agencies. In this case, the agreement would allow one agency, such as FEMA, to use the government owned property of another agency in order to provide temporary housing for disaster victims. In one example of an MOU, FEMA and the VA agreed to provide 315 VA properties for rent during the response and recovery to Hurricane Katrina. The MOU explained that units provided by VA would be habitable and provided directly to habitants through a lease with VA. The VA maintained the right to sell the property and evict tenants that were not upholding the lease agreement. An MOU differs from an IAA in part because IAAs provide for the exchange of money between two agencies.

By developing these types of agreements prior to a disaster, FEMA can increase the speed with which they provide government owned housing for temporary housing purposes after a disaster. In the case of catastrophic disasters when relocation may be necessary, these types of agreements may be beneficial because government owned housing stock is spread throughout the United States. Although generally, relocation would focus on occupying existing rental resources before considering agreements to repair government owned housing property.

References

Additional documents and sources were used to develop this Annex and can provide further information on the topics discussed herein.

- Stafford Act, 42 USC §5174 (Sec. 408)

- The Code of Federal Regulations, 44 CFR 206.110-117.