

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Evaluation of the
Federal Emergency Management
Agency's
Alternative Housing Pilot Program**






Homeland
Security

April 20, 2007

MEMORANDUM FOR: R. David Paulison
Administrator
Federal Emergency Management Agency

FROM: 
Richard L. Skinner
Inspector General

SUBJECT: *Evaluation of FEMA's Alternative Housing Pilot Program*

At the request of Congressman Bennie G. Thompson, we reviewed the Federal Emergency Management Agency's (FEMA) grant awards under the Alternative Housing Pilot Program (AHPP). The Congressman requested we address a number of issues concerning the AHPP grant award process.

Our objectives were to determine whether:

- The \$400 million available for the program was appropriately allocated and hurricane-affected communities received proportionate shares of the available funds;
- The decisions of the AHPP awards panel and FEMA officials led to the funding of innovative and creative emergency housing solutions;
- The AHPP awards panel reached fair and balanced decisions;
- The AHPP panel review process was subject to the basic federal advisory committee requirements of openness and transparency; and
- There were any violations of law in the manner in which the AHPP grant project selections and awards were conducted.

We conducted this review under the authority of the Inspector General Act of 1978, as amended, and according to Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. Our review included interviews with FEMA officials, review of contract solicitation and award documentation, and other procedures considered necessary under the circumstances.

Results of Review

Of the \$6 billion appropriated for Disaster Relief by Public Law 109-234,¹ \$400 million was available to carry out Section 2403 of the Act. Section 2403 provided that costs for “alternative housing pilot programs in the areas hardest hit by Hurricane Katrina and other hurricanes of the 2005 season” were eligible for funding under FEMA’s Individual Assistance Program. Furthermore, the occupants of the housing developed with these funds are to be the victims from those areas hardest hit by the 2005 hurricanes. The Senate Committee on Appropriations noted in a June 8, 2006, press release that the \$400 million was to fund a pilot study to determine “alternative sources of emergency housing” that would be evaluated for providing a “better, safer and more cost effective housing solution than the exclusive use of travel trailers.”²

FEMA officials developed and implemented a grant competition to “identify, develop, and evaluate alternatives to and alternative forms of disaster housing.” The competition was limited to the state-designated agencies of the Gulf Coast states, Alabama, Florida, Louisiana, Mississippi, and Texas. By awarding competitive grants, FEMA officials sought to identify the best alternatives for housing disaster victims. By restricting the competition to the five Gulf Coast states, FEMA officials sought to comply with the Congressional intent that those areas hardest hit by Hurricane Katrina and the 2005 hurricanes receive the housing developed under these grants.

When the AHPP *Guidance and Application Kit* was issued by FEMA on September 15, 2006, the designated agencies of the five Gulf Coast states were given 35 days to develop as many project proposals as they wished to submit by an October 20, 2006, deadline. A total of 29 project proposals were received, consisting of several from each of the eligible states. Some of the proposals envisioned developing more than one type of innovative housing, but most were focused on a single proposed type of unit.

After the proposals were received by FEMA and reviewed by a technical review committee, each of the proposed projects were reviewed by an 11 member evaluation panel and were scored by each panel member on 5 factors or criteria:

1. The manner and extent to which the alternative housing solution improves upon the conditions characteristic of existing temporary housing and improves long term recovery;
2. The extent to which the option can provide ready for occupancy (RFO) housing (obtained, transported, installed, repaired, constructed, etc.) within time frames and in quantities sufficient to meet disaster related needs under a range of scenarios, including sudden onset catastrophic disasters;
3. Life cycle cost, including the cost to acquire, transport, install/construct/repair, and maintain during the period it is occupied by disaster victims;
4. The capacity of the proposed alternative approach to be utilized in and adapted to a variety of site conditions and locations; and

¹ Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (the Act).

² U.S. Senate Committee on Appropriations Press Release titled, “Senate, House Conferees Approve Final Supplemental Spending Bill,” dated June 8, 2006.

5. The extent to which local officials, local neighborhood associations, and other community organizations are part of or support the pilot program in the community in which it will occur.

The panel consisted of eight federal employees and three outside experts, including a state government housing official, and architecture and construction experts from private industry. Seven of the federal employees were from the Department of Homeland Security, mostly FEMA, and one was from the Department of Housing and Urban Development.

The results of the panel's review were an evaluation and scoring by each member of each of the proposed projects and a consolidated ranking of all of the 29 project proposals. The total scores of the 29 projects ranged from a low of 50 to a high of 184. There was one natural break in the scoring totals with six of the proposals scoring less than 59 and 23 of the proposals scoring more than 103; none of the proposals' scores were between 59 and 103.

FEMA Gulf Coast Recovery officials reviewed the panel members' evaluations and prepared a decision paper for a DHS senior manager who, as the AHPP "primary selecting official" decided on the projects to be funded and the amount of funding that each project would receive. In this decision paper, the selecting official was provided with summary information on the project proposals and the panel's evaluations. The selecting official was also provided with three suggested options for selecting and funding projects and the rationale supporting each of the options.

Option 1. "Fully fund the highest scoring projects, until money is exhausted." This option would have funded only the two highest-scoring project proposals and all of the available funds would have gone to the State of Mississippi.

Option 2. "Optimize the number of housing alternatives funded within the competitive range." This option would have funded 10 project proposals. The increase in projects funded would have been achieved by reducing the award amounts of those project proposals that had requested the largest budgets, generally for the greatest numbers of units to be constructed. Under this option, the State of Mississippi would have received 39.3% of the available funds, Louisiana 36.7%, Alabama 13.1%, Texas, 10.9%, and Florida 0%.

Option 3. "Maximize the number of competitive states that receive funds." This option funds five of the six highest scoring project proposals so that each state having a proposal that scored in the top six has at least one proposal funded. Under this option, each of the selected projects are funded at 85% of the requested budget amount, except for the Mississippi Park Model and Mississippi Cottage proposal, which requested all \$400 million of the appropriated funds and is instead funded at \$275.4 million, or 68.9% of the budget amount requested. Under this option, Mississippi would receive 72.5% of the available funds, Louisiana 19.2%, Texas 4.3%, Alabama 4.0%, and Florida 0%.

The AHPP primary selecting official chose to implement the third option, as described above, from the decision paper. Under this selected option, five projects will be funded:

1. Mississippi's "Green Mobile" project will be funded for up to \$5,890,882 (85% of a requested \$6,930,450). Under full funding of this proposal, 100 "green mobile" housing units would have been constructed of structural insulated panels.

2. Mississippi's "Park Model and Mississippi Cottage" project will be funded for up to \$275,427,730 (68.9 % of a requested \$400,000,000). Under full funding of this proposal, 7,261 Park Model trailer units, similar to FEMA's park model travel trailers but with more amenities and enhancements and capable of meeting many local building codes, and 1,933 modular cottages would have been constructed.
3. Louisiana's Katrina Cottages and Carpet Cottages (a multi-family unit) project will be funded for up to \$74,542,370 (85% of a requested \$87,696,906). Under full funding of this proposal, a total of 475 housing units consisting of a mix of single-family cottages and multi-family "carpet cottages" would have been constructed.
4. Texas' Heston Group project will be funded for up to \$16,471,725 (85% of a requested \$19,378,500). Under full funding of this proposal, 250 units of pre-fabricated, panelized housing would have been constructed.
5. Alabama's City of Bayou La Batre project will be funded for up to \$15,667,293 (85% of a requested \$18,432,110). Under full funding of this proposal, 194 modular homes would have been constructed of cement fiber materials.

FEMA grants and program officials are now working with the state agencies whose project proposals were selected to finalize the terms of the grants.

In response to the five issues Congressman Thompson raised concerning the AHPP grant award process, our evaluation follows.

Issue #1 - Since the funds under these special AHPP grants will not be allocated on a state-by-state basis or through a needs-based formula, could the communities hardest hit by the 2005 hurricanes fail to receive a proportionate share of the \$400 million appropriated for the program?

Congress authorized the use of the Individual Assistance program to fund alternative housing pilots in areas hardest hit by Hurricane Katrina and the other hurricanes of the 2005 season. While providing AHPP funds on a state-by-state basis or needs-based formula would have complied with Section 2403 of the Act, neither would have been the most effective way of developing new and innovative types of disaster housing. FEMA officials' decision to conduct a grants competition among the hurricane-affected states is a logical approach to implement a pilot program.

As a consequence of the FEMA decisions, the communities hardest hit by the 2005 hurricanes did not receive proportionate shares of the \$400 million appropriated for the program. The State of Mississippi was awarded \$281.3 million or 72.5% of the available funds, a share greater than its proportion of the damages from the 2005 hurricanes. Consequently, the other Gulf States, which have to make do with the remaining 27.5% of funds among them, did not receive funds proportionate to the damages their communities sustained.

However, the cause of this lack of balance between needs and awards was not a result of the competitive grant process or the work of the evaluation panel. Four of the five competing states actually scored well in the panel's evaluations and rankings. Officials in the State of Florida, the only state that did not score well in the panel's evaluations, attributed this ranking to what they considered to be discrepancies between the announced purposes of the grants and the FEMA-designed factors that were used in scoring the proposals - not to the competitive process or the work of the evaluation panel. The award amounts that were decided upon and the decision to award

70.9% of the available funds to one project, the Mississippi Park Model and Mississippi Cottages project, were solely the decision of the AHPP primary selecting official.

Had the FEMA guidance and application information to the applicant states requested that each project proposal include a budget that showed the minimum amounts required to implement each concept with some adequate-for-testing-and-evaluation number of units, such as 25 or 50, rather than just allowing the applicants to submit a “wish-list” budget for each proposal, it would have been easier for FEMA officials to compare the costs of each proposal. FEMA officials could then have distributed the funds more proportionately among the competing states, while also more effectively achieving the innovative disaster housing goals of the program.

Issue #2 - In the absence of pre-determined formulas or concrete and objective criteria to guide the panel review process, will the panel decisions result in the funding of “innovative and creative” housing solutions or of “ad hoc, discretionary, and subjective determinations?”

Any competitive grant process results in somewhat discretionary determinations and this particular process has to be considered somewhat “ad hoc” because the FEMA Competitive Grant Standard Operating Procedures are still in draft and have never been formally implemented. The panel review process appeared thorough and consistent and evaluated and rated the proposed projects in a manner that judged their innovation and creativity as well as the practicality and cost-effectiveness of the submitted proposals. The panels also provided the FEMA officials with the information that would be needed to effectively carry out the goals of the program. At least 11 of the project proposals were given support for funding by the evaluation panel.

However, FEMA officials did not fund an optimum number of “innovative and creative” disaster housing solutions because they awarded the vast majority of the available funds (70.9 %) to one project – the Mississippi Park Model and Mississippi Cottage proposal. This decision did not allow ample funds for the remaining projects that qualified for funding. Had the selecting official chosen the second option presented in the decision paper, which would have funded 10 of the top-scoring 11 project proposals (excluding one that was mostly a duplicate of another project), the AHPP grant funds would be much more effective in exploring and testing “innovative and creative” alternative solutions to disaster housing. Instead, the selecting official chose the option that expended all of the available funds on only five project proposals.

The official who prepared the decision paper for the AHPP senior manager told us that he agreed with the selecting official’s decision to fund only the five projects because he believes that in a competitive grant process most of the funds should go to the top-scoring competitors. However, we are not aware of any standard competitive grant procedure that prevents funding as many qualified competing proposals as possible, and the draft FEMA Competitive Grant Standard Operating Procedures do not contain such a requirement or guidance.

In addition, FEMA officials might have been able to solicit and fund more innovative and creative disaster housing solutions had they allowed applicants more time. FEMA allowed applicants only 35 days to submit completed grant proposals. Given the amount of time necessary to complete the paperwork required for a grant submittal, little time was left for developing innovative and creative ideas. If all of the competing states had been given more than 35 days to develop submittals, the states may well have come up with more and better concepts for disaster housing that could have

been funded. Several of the competing states indicated that more time was needed to prepare adequate proposals. FEMA officials told us that such time for developing new and innovative concepts was not needed because states had already spent a lot of time and effort developing such housing concepts. We do not doubt that such may be true for the states of Louisiana and Mississippi, which have had extensive numbers of panels and discussion groups related to these issues because of the extensive damage they suffered. However, the other three states eligible for the grants competition may not have had as much focus on developing and discussing such alternatives, and were probably placed at a competitive disadvantage by the tight time frames of the proposal submittal requirements.

Issue #3 - Is the review panel as constituted able to reach fair and balanced decisions, unimpeded by real or apparent conflicts of interest?

We reviewed all of the documentation that FEMA provided concerning the operation of the evaluation review panel. The panel conducted extensive reviews and evaluations of each project proposal. We did not note any lack of fairness or balance. Although the majority of panel members were FEMA employees, there was no obvious bias in how they conducted their reviews. The reviews were possibly unbalanced in that every factor was given the same weight as all of the other factors rather than being “weighted” as is often the case. It is unusual when some evaluation factors are not considered to be more important than other factors. FEMA officials made the decision for each factor to have the same weight, not the panel members. The panel members did complete conflict of interest forms, and we did not detect any noticeable conflicts of interest in our reviews of the panel’s evaluations.

Issue #4 - Will the panel review process meet the basic requirements of openness and transparency required of all federal advisory committees? Specifically, will the panel review process comply with the requirements of the Federal Advisory Committee Act (FACA) for openness, public access to records, and fairness?

The FEMA Counsel’s office concluded that the FACA requirements did not apply to this panel review process because FACA only applies when the agency establishes a committee with members who are not federal employees to obtain consensus advice or recommendations. FEMA officials considered the panel members to be providing individual recommendations and advice to the selecting official for the award of potential grant recipients. We reviewed the FEMA position concerning FACA compliance and concluded that it was justified. In addition, the panel process was not the key process that determined how many projects would be funded, what projects would be funded, or how much funding each of the selected projects would receive. Those decisions were the sole purview of the AHPP selecting official. More openness or transparency in the panel process would not necessarily have had any noticeable effect upon the FEMA decision-making process.

Issue #5 - Were any violations of law found in the conduct of the AHPP grant project selections and awards?

We did not find any violations of law in the AHPP grant process, although the grant awards could have been made to fund and assess a greater variety of alternative disaster housing options, and while doing so would have resulted in a more proportionate distribution of AHPP funds to the states. Moreover, the projects that have been funded should expand the alternatives available for disaster

housing in the future and should provide improved interim housing for many residents of the hurricane-stricken areas of the Gulf Coast. FEMA officials said they intend to closely monitor the funded projects to ensure these projects are carried out in compliance with applicable laws and the terms of the AHPP grants.

We discussed the report with FEMA management and provided them with a copy. However, this report contained no recommendations and does not require a formal response.

Should you have any questions, please call me, or a member of your staff may contact Matt Jadacki, Deputy Inspector General for Disaster Assistance Oversight, at (202) 254-4100.

cc: Audit Liaison, DHS
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