

DISASTER RECOVERY

Adjusters International Disaster Recovery Consulting — FEMA recovery issues for decision-makers and leaders **TODAY**

Develop a Funding Approach



EDITOR'S NOTE

In Issue No. 6 of Disaster Recovery Today, we continue the outline of a nine-step process of FEMA grant management developed by our disaster consulting team at Adjusters International.

We take the decision-making process for disaster rebuilding to the next step with a discussion of what to consider when developing a funding approach. Issue No. 5 defined the three categories of a rebuilding plan. Now we explain how to determine the amount of funding available, and the FEMA requirements that will impact the funding for your project.

—Sheila E. Salvatore, Editor

A four-step evaluation process to set the course of project funding

By Jeff Shaw

We have reached the critical middle ground in *Disaster Recovery Today's* presentation of guidelines for effective management of the FEMA grants process. All the care and accuracy necessary to measure, document, and represent the project plan—which were covered in previous issues—will become a quantitative road map for the final stages of the recovery

process. We are now ready to develop the funding approach.

The process requires the same diligence, project management and communication with state and FEMA authorities to properly evaluate every opportunity available for your recovery plan. Outlined in four steps, our funding approach will develop an



Important Documentation for Standard Projects

Facility's original plans and drawings

Cost data from any recent improvements or additions

Copies of all applicable codes and standards

Pre-event photographs

Historical cost data for applicable trades: e.g., electrical, mechanical

Engineering reports detailing the repair scope, code upgrades, and mitigation opportunities

Contractor estimates (if available)

Regardless of what the project may become in the future, the first step is to determine the cost for a Standard Project.



estimate for a Standard Project, double-check FEMA requirements, determine which of three types of projects to pursue, and evaluate the project for mitigation opportunities.

When reviewing these four steps, remember that as defined by FEMA, there are three basic types of project funding: Standard Projects, Improved Projects and Alternate Projects.

In addition, there are three different valuation categories to consider:

- **As it was** – Facility or equipment replaced in kind, with no influencing factors such as updated codes and standards.
- **As it has to be** – Facility or equipment that must be repaired or replaced in a certain manner to comply with existing codes and standards.
- **As we want it to be** – Facility or equipment where there is an opportunity to make improvements (other than mitigation), or if the facility or equipment is no longer of use to the applicant.

These evaluation standards will determine what type of project repair will occur—whether you replace the original facility, improve it, or move it.

Funding Approach Step No. 1: Start with the Standard Project

Regardless of what the project may become in the future, the first step is to determine the cost for a Standard Project that will either restore the damaged facility, or fortify the facility with hazard mitigation measures. A Standard Project is a combination of “as it was” and “as it has to be” within the parameters of FEMA’s eligibility criteria.

The *Federal Emergency Management Agency Applicant Handbook* lists the general eligibility requirements for the permanent restoration of facilities:

- Facilities will be restored on the basis of design, capacity and function of such facilities as they existed immediately prior to the disaster and in conformity with applicable standards.
- Codes and standards must be in writing, apply to the type of work, and be in place and enforced prior to the



disaster declaration. They must apply uniformly to all similar types of facilities.

- Hazard mitigation measures that are cost-effective may be required by FEMA. Any requirement for hazard mitigation placed on applicants by FEMA will be eligible. Applicants may and are encouraged to suggest hazard mitigation measures.
- A facility is considered repairable when disaster damages do not exceed 50% of the cost of replacing a facility. Conduct a repair versus replacement analysis if repairs to a facility would appear to cost 50% or more of the cost of replacing the facility. For more information, see the Public Assistance Guide, FEMA 322.

These are FEMA's guidelines that will determine the cost of rebuilding and whether the project will follow the course of a Standard Project. It is extremely important to work with FEMA to ensure that the scope and cost of

the Standard Project is as accurate as possible.

A thorough evaluation of Codes and Standards and repair vs. replacement costs should be completed at this stage. We have compiled some suggestions for ensuring accurate scopes and costs for Standard Projects.

First, for the structure itself, where applicable and possible, provide the state and FEMA with original plans and drawings for the facility in question, cost data from recent improvements or additions, copies of all applicable codes and standards, and pre-event photographs.

Also, it is advisable to provide historical cost data if available for applicable trades, such as electrical, mechanical, HVAC, roofing and other necessary systems or services.

Where applicable, incorporate engineering reports detailing repair scope, code-necessitated upgrades, and available mitigation



opportunities into the Project Worksheet. If time permits, provide contractor estimates with these engineering reports.

If the work has been bid in advance of FEMA's Project Worksheet development, provide the scope and cost from the selected bidder. Ideally the bidder will have provided all of the information necessary for FEMA to develop the Project Worksheet.

If FEMA uses its Cost Estimating Format (CEF), stay involved with the process not only in "part A," which develops a model for the scope and cost of the project, but also in the development of the percentage-based factors



The FEMA Cost Estimating Format will create forward pricing for cost factors such as:

- Security
- Mobilization
- Escalation
- Engineering
- Project management
- Overhead & profit
- Reserve for change orders



involved in the forward-pricing methodology, including security, mobilization, escalation, engineering, project management, overhead and profit, and a reserve for changes in orders. These are details of a project that require careful planning and foresight to keep the project budget in order.

In this regard, it is important to remember that the grant application process is not a unilateral process wherein the state and FEMA look at a building and develop a Project Worksheet. It is, by contrast, a bilateral proactive process where communication and teamwork lead to a logical repair scope and costs model that is a realistic representation of what the applicant will undergo to achieve an end result, and what costs they will have incurred.

If the project remains a Standard Project, then primary emphasis should be placed on the repair scope. However, if there is even a remote chance the project will become “other than Standard,” the cost model will be equally, if not more, important. FEMA will

require that proposed changes fall into the same cost parameters (for an Improved Project), or will use a pre-set formula to reduce the project grant (for an Alternate Project).

At this point in the process, at the close of Step No. 1, a solid Project Worksheet adhering to the guidelines of a Standard Project will establish the basis for your FEMA reimbursement claim. The criteria used to determine costs for the Standard Project are part of the most crucial stage of project development, and will remain crucial as the funding approach examines the Improved and Alternate Projects.

Funding Approach Step No. 2: Double-check FEMA Requirements

The second step in the funding approach process is a “checks and balances step” in which we recommend that applicants double-check FEMA requirements in order to determine if the facility meets the FEMA definition for relocation, which is generally based on a public safety concern.



The *FEMA Policy Digest* outlines the applicable standards that may restrict the rebuilding of a damaged facility at the original site and require relocation away from the hazardous area. Such requirements are subject to change, as seen in the floodplain guidelines updated for Gulf Coast states released, post-Katrina, in February 2006.

In balancing mandates for cost and safety, FEMA requires that relocation be cost-effective, unless otherwise overruled by a pressing safety issue. As explained in the *Digest*, “The relocation project will only be approved if it is cost effective comparing project costs with future damages avoided, and not barred by any other FEMA regulations or policies.”

If there is a possibility that your project could be determined to be a relocation project, you will still need to follow the funding guidelines for a Standard Project in order to make the comparative calculation.

To conduct the necessary cost comparison, FEMA lists the





following items as eligible costs to be assessed in a relocation project: demolition and removal of the old facility; land acquisition; construction of the new facility; and ancillary facilities, such as roads and utilities.

As indicated by the *Digest*: “When a relocation project is approved, no future federal funding for the repair or replacement of any facility subsequently built at the old site will be approved. An exception is given for facilities or structures that facilitate an open space use....

“If relocation is not desirable, feasible or cost effective and restoration of the facility in its original location is not practicable or allowed because of floodplain, environmental, or other considerations or laws, then the applicant may apply for an Alternate Project.”

With the completion of these two steps, the FEMA project funding and potential restrictions should be clear. Applicants can now determine what type of project to undertake.

Funding Approach Step No. 3: Determine the Type of Project

The three types of projects are Standard Project, Improved Project and Alternate Project.

The **Standard Project** was introduced earlier in this article as the starting point for documentation and cost assessments. Recapped here, it involves the repair or replacement of the facility to pre-disaster intent, design and capacity in compliance with codes and standards.

READERS' COMMENTS

The team of disaster recovery consultants at Adjusters International developed a nine-step process to respond to a declared disaster, and *Disaster Recovery Today* began its publishing run as a discourse on those nine steps. With this publication, the series has completed discussion of six of the nine steps.

We welcome comments and suggestions from our readers for future topics that our disaster recovery consultants will address to the benefit of all of us working the process of post-disaster rebuilding. If you have a question, comment, or would like to submit an article, please write to:

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“Very good information. Will be very helpful if needed.”

Gordon Neal / City of Casper / Casper, WY

“Great publication! Good info and great photography!”

Dorothy Zaharako / City of Stuart / Stuart, FL

“You do a great job of explaining and clarifying a very complex and confusing subject.”

Would like covered: administrative appeals.

Scott Kroeger / City of Daytona Beach / Daytona Beach, FL

“Well written and succinct articles.”

Would like covered: developing a plan based on a template that can be adapted.

William Dowdell / Bethany Beach Police Department / Bethany Beach, DE

“Very informative.”

Gary Urban / City of Waco / Waco, TX

“The attached issue to this card [Issue No. 5, Develop a Rebuilding Plan] was very good in showing some of the ‘tape’ that has to be completed! We had a multi-million dollar flood in western N.H. in the fall of ‘05.”

Lawrence Emerton / New Hampshire Legislature / Goffstown, NH

Would like covered: issues related to housing.

Lydia Jackson / Louisiana State Senate / Shreveport, LA

It is important to note that the total funding for a Standard Project is not capped at the amount shown on the Project Worksheet. The final grant for the Standard Project will amount to the actual cost of the repairs or replacement in relationship to the approved scope of work.

The **Improved Project**, as described by the FEMA handbook is “any project (large or small) where the applicant chooses to make additional improvements to the facility while making disaster repairs. For the most part, these are projects in which the funding for approved work cannot be tracked



within the improved projects because of physical changes or contracting arrangements.”

The handbook gives as examples situations in which the applicant may want to lay asphalt on a gravel road or replace a two-bay firehouse with one that will have three bays. The handbook states that costs for improved projects must fall within the already federally approved estimate for repair, and that FEMA is required to review the changes for other compliance issues.

“Funding for improved projects is limited to the approved federal estimate to complete the eligible scope of work for repair of the existing facility (without the improvements). The state may approve an improved project; however FEMA must review the project for compliance with environmental and historic statutes

and other Special Considerations that apply.”

Failure to make the appropriate requests for a change in project status—a change from Standard to Improved—can put at risk the whole project’s funding. When any applicant is facing a decision about project improvements after the project has started, they must seek guidance from the state before undertaking the change in plans. **FEMA’s handbook spells this out clearly:**

“Improved Projects are very common among facilities requiring significant repairs or replacement; unfortunately applicants often decide to make such improvements after the project has started. It is important to agree on any improvements to be made prior to the start of a project, and to make the appropriate request for Improved Project status to the state. Failure to

do so may jeopardize all funding for the project. If an applicant determines to make any improvements during the course of the repairs or replacement, they should immediately seek guidance from the state before proceeding.”

The **Alternate Project** is the third type of project to consider. The FEMA guidelines for an Alternate Project cover “any permanent restoration project (large or small) where the applicant chooses to abandon the facility and its function rather than make disaster repairs.”

Alternate Projects are eligible for federal funds that do not exceed the original approved estimate, and the project work can occur at another location. An example is that of a school district that chooses to construct office space, rather than rebuild a destroyed gymnasium.



The FEMA handbook again emphasizes the importance of communication in getting permission for an Alternate Project from FEMA via the state: "FEMA must perform an environmental review and approve all Alternate Projects."

Also consider the grant reduction that comes with an Alternate Project. There's a 10% reduction in FEMA funds for Alternate Projects.

It is worth a reminder that the total grant value for an Alternate Project drops significantly when compared to the initial Project Worksheet.

In a typical disaster the federal share is 75% of the eligible amount noted on the [Project Worksheet.] For an Alternate Project, the amount will be capped at 67.5% of the eligible amount (75% of 90%).

Funding Approach Step No. 4: Consider Mitigation Funds

Once the funding approach has been determined, the last step is to determine if Hazard Mitigation funding is available under section 406 of the Stafford Act. FEMA requirements are outlined in its handbook:

"Hazard Mitigation, Section 406, is a funding source for cost-effective measures that would reduce or eliminate the threat of future damage to a facility damaged during the disaster. The measures must apply only to the damaged elements of a facility rather than to other, undamaged parts of the facility or to the entire system. For example, if flooding inundates a sanitary sewer and blocks the manholes with sediment, mitigation to prevent the blockage of the damaged manholes

in a future event may be considered eligible.

"However, work to improve undamaged manholes using the same method would not be eligible, even though the manholes are part of the same system. Hazard mitigation measures restore a facility beyond its pre-disaster condition. Section 406 mitigation measures are considered part of the total eligible cost of repair, restoration, reconstruction, or replacement of a facility. They are limited to measures of permanent work, and the applicant may not apply mitigation funding to improved or alternate projects or improved projects if a new replacement facility is involved. Upgrades required to meet applicable codes and standards are not 'mitigation measures' because measures are part of eligible restoration work."

Hazard Mitigation strategies are a source of regulation and opportunity; the funds are excluded from some projects (Alternate and Improved) while opening up possibilities for improvements on Standard Projects.

Checking into the potential to accomplish project work using this FEMA resource provides one of the best opportunities for use of federal funds, while at the same time ensuring that the project's funding is not jeopardized by failing to meet certain administrative requirements. Hazard Mitigation strategies reinforce the need for open communication.

The most crucial elements of successful funding are open communication with the state and FEMA, and controlling the stages

of Project Worksheet development to reach the necessary consensus on the project. Contrary to what we often hear in the field, applicants do not have to start with a solid funding plan for the final project, but instead a solid plan for a Standard Project—with the lines of communication open for necessary changes or potential improvements.

With these four project steps properly evaluated, applicants have collected all of the necessary information to implement their funding approach decision.



Jeff Shaw
Adjusters International

One of the most crucial elements of funding-approach development remains open communication with the state and FEMA, and controlling the stages of Project Worksheet development.



Staying Current with FEMA Regulations

FEMA released this controversial policy in February 2006 regarding Advisory Base Flood Elevations (ABFE). The information taken from FEMA's web site demonstrates how a catastrophic disaster impacts an ever-changing political and regulatory landscape. Previously, regulations required a formal adoptive process before the ABFE could be enforced.

New Policy Links Reconstruction Dollars to Advisory Flood Elevations

WASHINGTON, D.C. – The Department of Homeland Security's Federal Emergency Management Agency (FEMA) is encouraging building back stronger and safer after major disasters in communities nationwide. FEMA announced on February 6, 2006, that FEMA-funded mitigation and public infrastructure recovery projects – including those in heavily impacted areas of the Gulf Coast region – are to be tied to new, higher floodplain elevations updated by FEMA using the most accurate flood risk data available.

"FEMA has a responsibility to protect lives and property, and to ensure that disaster rebuilding efforts use the best data available. We also have a responsibility to ensure that Federal tax dollars are spent wisely and cost-effectively. It makes no sense to rebuild using



outdated data," said David Maurstad, FEMA's Acting Director for Mitigation and Federal Insurance Administrator.

Communities recovering from disasters in Louisiana, Mississippi and elsewhere will be required to use the new elevations when available. Called Advisory Base Flood Elevations (ABFEs), – the height at which there is a one percent or greater chance of flooding in a given year – the rebuilding standards will be required for all FEMA-funded mitigation and public infrastructure grant-based recovery program projects. This includes the Public Assistance Program, Hazard Mitigation Grant Program, Pre-Disaster Mitigation Grant Program, Flood Mitigation Assistance Program, and through the implementation of Executive Order 11988, Floodplain Management.

The FEMA grants tied to ABFEs are those for the repair and rebuilding of

public infrastructure projects such as schools, public safety stations, libraries and other shared community infrastructure. Individual homeowners, while encouraged to build back to ABFEs, are not impacted by this FEMA policy unless using a FEMA mitigation grant in the rebuilding process. Homeowners should consult their community ordinances for rebuilding guidance....

In cases when FEMA funds are not involved, existing NFIP standards will apply. However, FEMA strongly encourages communities to use the ABFEs, when available, in making decisions about reconstruction and elevation requirements across all rebuilding efforts. By applying stricter requirements, communities can ensure a greater level of protection to homes and businesses from future severe storms.

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