

Financing Efforts to Make Homes More Resistant to Natural Disasters

State and local governments and related entities need access to sufficient financial resources in order to incorporate smarter and safer residential building and renovation methods, develop and enforce new building and zoning codes, implement enhanced land use planning strategies, and develop more cost-effective support programs for low- and moderate-income households. Maintaining and expanding financial resources for pre-disaster mitigation measures will not only save more lives, but also reduce the costs of disaster recovery.

Upfront investments in hazard mitigation save money and resources. An analysis conducted by the Multihazard Mitigation Council of the National Institute of Building Sciences found that every dollar spent on hazard mitigation saves an average of four dollars in avoided losses in terms of human losses (deaths, injuries, homelessness), direct property damage, reduced cost of emergency response, damage to public and natural resources, and direct/indirect business losses.

Although local governments and organizations run most programs providing financial support for making homes more resistant to disasters, much of the funding for these local programs comes from the federal and state level. Below are examples of funding sources.

Federal Resources

The main source for disaster-mitigation funding is the Federal Emergency Management Agency (FEMA). FEMA offers three mitigation grant programs to assist states and local communities in implementing hazard mitigation measures: the Pre-Disaster Mitigation Program, the Hazard Mitigation Grant Program and the Flood Mitigation Assistance Program.

The Pre-Disaster Mitigation Program

The Pre-Disaster Mitigation (PDM) Program was authorized under the Disaster Mitigation Act of 2000 to provide investments before disasters occur to reduce the vulnerability of communities in the future. The program provides funds for hazard mitigation planning and projects that reduce the overall risks to people and buildings. PDM grants are awarded on a competitive basis. There are no state allocations, quotas or other formula-based allocation of funds.

PDM funds can be used to fund a variety of hazard mitigation activities, including. These include hazard mitigation plans, retrofitting structures to protect them from natural hazards, and voluntarily acquiring real property in hazard-prone areas for conversion to open space. FEMA provides 75 percent of the eligible costs, with PDM grantees covering the remaining 25 percent.



In 2003, the city of Birmingham AL received a Pre-Disaster Mitigation grant through the state to purchase and relocate flood vulnerable properties. The effort resulted in the relocation of 55 families to safer locations.

Hazard Mitigation Grant Program

The Hazard Mitigation Grant Program (HMGP) provides funding to affected jurisdictions after a disaster for implementing mitigation measures that help reduce damages to public or private property from future disasters. Only jurisdictions who have received recovery funds for officially declared disasters are eligible for HMGP funds for mitigation activities. FEMA can award jurisdictions HMGP funds for up to 15 percent of the amount they received in total disaster recovery funds. FEMA can fund up to 75 percent of the eligible costs of each mitigation project with states or local grantees providing a 25 percent match. The eligible uses are similar to those under the PDM program.

Flood Mitigation Assistance Program

Flood Mitigation Assistance (FMA) Program provides funds for projects that reduce or eliminate the long-term risk of flood damage to buildings, homes and other structures that are insured under the National Flood Insurance Program (NFIP). Similar to the PDM and HMGP, FEMA provides 75 percent of the funding for eligible costs, and the grantee is responsible for the other 25 percent.

HUD Disaster Recovery Enhancement Fund

HUD has established a \$312 million Disaster Recovery Enhancement Fund (DREF) to encourage states to undertake long-term disaster strategies that focus on reducing the risk of damage from future natural disasters. This fund is reserved for states that spend their Community Development Block Grant (CDBG) funds on specific disaster recovery activities likely to reduce the extent of damage in the future. These projects may include:

- ▶ Buyout payments for homeowners living in high-risk areas
- ▶ Optional relocation payments to encourage residents to move to safer locations
- ▶ Home improvement grants to reduce damage risks (property elevation, reinforced garage doors and windows, etc.)
- ▶ Improving and enforcing building codes
- ▶ Developing forward-thinking land use plans that reduce development in high-risk areas

Unlike regular CDBG allocations, DREF funds cannot be used as a substitute or match for FEMA HMGP funds. Also, unlike funds provided through HMGP, which can generally be used statewide, DREF funds can only be used in counties officially covered by a disaster declaration in 2008. Despite this potential geographic limitation, these funds provide a valuable source that can, in part, support disaster-resistant home upgrades and improvements for low- and moderate-income households.

Potential Future Sources of Federal Funding Targeted at Low- and Moderate-Income Households

Although the various disaster mitigation programs offered through FEMA can and have benefited lower income households and vulnerable populations, they are not specifically targeted to these populations. Providing hazard mitigation support for low- and moderate-income households is particularly important. These households have fewer resources and are less likely to upgrade homes to make them more resistant to natural disasters.

In 2009, Congressman Bennie Thompson of Mississippi introduced two bills that target disaster mitigation funds to low- and moderate-income households. These are (1) The Pre-Disaster Hazard Mitigation Enhancement Program Act of 2009 and (2) The Hazard Mitigation for All Act of 2009.

The Pre-Disaster Hazard Mitigation Enhancement Program Act

This act would create a competitive grant program to complement the PDM program. It would fund states with projects directly supporting low- and moderate-income residents. The majority of these funds would be dedicated to measures protecting against hurricane damages and would serve lower income households living in both single-family and multifamily homes. The program would provide funding preference for those states with a disaster mitigation plan already in place.

The Hazard Mitigation for All Act of 2009

This act would create a grant program through the Department of Housing and Urban Development (HUD) to provide mitigation support for public housing and HUD-assisted private properties, such as those supported through Section 8 programs. The program would provide grants to local public housing authorities that would be used to finance disaster-resistant retrofits for public and private Section 8 properties, with a proposed 25-percent match required from the respective state. Private properties that receive grant funds would be required to give preference to public housing and Section 8 residents for a period of five years following receipt of the funds.

State Resources

A number of states have implemented disaster mitigation and support programs. These programs provide state funds to support mitigation projects or combine state funds with federal funds.

My Safe Florida Home Program

The My Safe Florida Home Program was created in 2006 through a \$250 million appropriation by the state. The state established the program within the Department of Financial Services, which was to oversee activities and allocated the funds of the program. The program provided free hurricane mitigation inspections for single-family homes and grants to households to fund mitigation retrofits. The program generally targets low- and moderate-income households, providing grants only to homes with insured values under \$300,000.

During the past three years, the program has provided free inspections to more than 400,000 homeowners and has funded retrofits for nearly 33,000 homes. Due to budget constraints, the program expired on June 30, 2009. However, there have been strong lobbying efforts to continue funding the program.

SC Safe Home Program

The South Carolina Hurricane Damage Mitigation Program, also known as the SC Safe Home program, offers grants to residents who make their homes more resistant to the damaging effects of high winds from hurricanes and severe storms. The grant program was established by the Omnibus Insurance Reform Act of 2007.

The SC Safe Home Program is operated within the South Carolina Department of Insurance. Similar to the My Safe Florida Home Program, the SC Safe Home program provides grants only to homes with insured values under \$300,000, providing a preference to low- and moderate-income households.

This series of issue briefs was made possible through the generous support of WeatherPredict Consulting.

For more information on financing efforts to make homes more resistant to natural disasters visit www.housingpolicy.org/toolbox/strategy/policies/finance_efforts.html

To discuss this topic with other policymakers, practitioners and researchers, visit the related HousingPolicy.org Forum discussion group at forum.housingpolicy.org/group/housinganddisasters