



FEMA

RECOVERY

FACT SHEET

RP9580.102

PERMANENT RELOCATION

Overview

Title 44 CFR §206.226(g) authorizes the Regional Administrator to, “approve funding for and require restoration of a damaged or 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 Administrator, 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. Demolition and removal of the old facility may also be an eligible cost if deemed necessary. When the Regional Administrator approves the permanent relocation of a damaged or destroyed facility, FEMA will not provide future funding for repair or replacement of a facility at the original site, unless the facility facilitates an open space use in accordance with 44 CFR Part 9.

Questions & Answers (Q&A)

- 1. When FEMA approves the permanent relocation of a damaged or destroyed facility, can the applicant sell the land on which the damaged or destroyed 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 funding for the land acquisition to the amount necessary to make the relocated facility and its associated components operational, and cost effective. For example, if the facility being permanently relocated was located on 10 acres of land at the time of the disaster, FEMA may provide less than 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.

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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. The new site should be in proximity to necessary water, sewer, or electrical services to make the facility operational. The cost of the new land plus ancillary cost should be minimized to the extent practicable. For example, the cost of running off-site utility hookup will be compared to providing on-site wells or sewer treatment facilities and the lowest cost solution will be provided. Any off-site ancillary cost will be limited to utilities that serve the applicant exclusively. The cost of utilities that serve the general public is not eligible. Similar to limitations placed on land acquisition, FEMA will limit funding for construction of the relocated facility and ancillary facilities to the amount necessary to make it operational.

3. If the applicant owns the facility, 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 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. The cost to purchase the land or build ancillary facilities is not eligible.

4. Will FEMA reduce the amount of funding for the relocated facility if the applicant sells the original property?

Yes. While the subgrant is open, FEMA will reduce the grant for the relocated facility by the net proceeds from the disposition of property. While the applicant's proceeds derived from the sale of the buildings, ancillary structures, or land on which the damaged or destroyed facility was originally located will not impact the funding of the reconstruction of the actual damaged or destroyed 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 monetary value, which is included in the sale price of the damaged or destroyed facility's property.

For example, if FEMA provides \$400,000 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 or destroyed facility was originally located for \$750,000, FEMA will deduct \$400,000 from the final project cost.

The sale price of the property must be reasonable. Selling 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. If the applicant leases the original property,

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FEMA will reduce the grant by the amount of rent the Applicant collects up to the purchase price of the acquired land during the time the project is open.

5. **Does FEMA consider the potential proceeds from the sale of the land in the benefit-cost analysis to determine if the relocated project is cost effective?**

No. FEMA does not use the value of the land at the original site to determine if the relocated facility is cost effective.

6. **If the land for the new location of the damaged or destroyed 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 or destroyed 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 \$100,000 to construct ancillary facilities on the donated property to make the relocated facility operational and the applicant sells the land on which the damaged or destroyed facility was originally located for \$750,000, FEMA will deduct \$100,000 from the eligible cost of the relocated property. As noted above in Question 4, the sale of the property will not affect the funding of the reconstruction of the actual damaged or destroyed facility at the new site; it will only affect the costs associated with land acquisition and the construction of ancillary facilities.

7. **If the Regional Administrator does not require the damaged or destroyed 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 Administrator. 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.

8. **If the applicant decides for historical or other reasons to make substantial improvements to a damaged or destroyed facility that is located in a special flood hazard zone, will FEMA provide funding for the repairs?**

Yes. The applicant must comply with the community's floodplain management ordinance. The cost to comply with the floodplain management ordinance is eligible for reimbursement up to the replacement cost of the facility.

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9. How does FEMA determine the cost effectiveness of a relocated project?

When the cost to relocate a facility is greater than the cost to repair the facility in its original location, cost effectiveness is determined by comparing the increased cost of relocation to the benefits derived from relocating the facility. This comparison can be accomplished using the FEMA-approved Benefit Cost Analysis (BCA) methodology and tool. The Regional Administrator may approve an alternative methodology on a case-by-case basis.



Elizabeth A. Zimmerman
Assistant Administrator
Recovery Directorate

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Date