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**Is the increased cost of building materials in 2020, 2021 making your disaster recovery impossible to afford?**

# Changes... RESTORE



## Award Calculation Letter Feb. 2020 vs. Feb 2021

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Original post location: <https://www.truckandtools.com/disaster/mur.asp?gdyk=326>  
Published: 3-6-2021 Revised: 3-21-2021

Do you know HUD 2019 Guidance? Have you researched the meaning of, "Reassess Unmet Need When Necessary". Has your state informed you of their reassessment processes? Can you manage the additional cost caused by the 2020, 2021 pandemic economic downturn?

HUD provided program policy guidance in 2011 to all state managers of HUD CDBG-DR programs about the need and responsibility to the homeowners of the major disaster to reassess recovery needs periodically throughout the disaster recovery process. HUD repeated the same guidance in 2019. Every state agency authorized to disburse federal tax dollars on behalf of HUD is aware of the need to "Reassess Unmet Need When Necessary."

The question now is why so few if any actually assist with the increased costs after the original grant awards have been offered. The pandemic of 2020 and 2021 has caused on going recovery efforts to cost the homeowners impacted by major disasters even more.

For homeowners of major disasters in Louisiana who received funding or were allocated funds for recovery and then lost their jobs in 2020 because of the COVID-19 pandemic they may not be able to complete the HUD CDBG-DR program as the state of Louisiana has detailed. Homeowners that suffered from a major disaster are asked to spend their own money then request reimbursement from the grant funds awarded to them. They call this a draw but no funds are distributed to the homeowners before the homeowner completes repairs. For those currently unemployed this new hurdle in their path to recovery is larger than life. Imagine if you will a grant in your name for \$50,000 and you are told you need to complete \$50,000 in repairs before you will receive the grant awarded to you. For a very low income or low to moderate income household this \$50,000 reimbursement program is an impossible program to benefit from.

The grant award system has been modified into a reimbursement program by the state managers of the OCD-DRU who manage all HUD programs associated with housing. This basically means those that have no cash, credit will have no repair funds. They

will be asked to borrow the money and complete the repairs or be terminated from the grant program simply because the household doesn't have the capital to repair under a reimbursement program.

Many states will not offer or provide reassessment for increased costs of materials even if made aware of increased costs of materials and labor which causes unmet needs for the disaster recovery.

Let's review what HUD CDBG-DR Guidance from June 20, 2019 has to share.

### **Federal Register Volume 84, Number 119 (Thursday, June 20, 2019)**

Docket No. FR-6169-N-01

#### **E. Reassess Unmet Need When Necessary IV.E. Reassess Unmet Need When Necessary**

Although long-term recovery is a process, disaster recovery needs are calculated at points in time. As a result, a subsequent change in an applicant's circumstances can affect that applicant's remaining unmet need, meaning the need that was not met by CDBG-DR and other sources of assistance.

Oftentimes, unmet need does not become apparent until after CDBG-DR assistance has been provided. Examples may include: A subsequent disaster that causes further damage to a partially rehabilitated home or business; **an increase in the cost of construction materials**; vandalism; contractor fraud; or theft of materials. **Unmet need may also change if other resources become available to pay for costs of the activity (such as FEMA or Army Corps), and reduce the need for CDBG-DR.**

To the extent that an original disaster recovery need was not fully met or was exacerbated by factors beyond the control of the applicant, the grantee may provide additional CDBG-DR funds to meet the increased unmet need.

Grantees must be able to identify and document additional unmet need, for example, by completing a professional inspection to verify the revised estimate of costs to rehabilitate or reconstruct damaged property.

Editors Note: **"Unmet need may also change if other resources become available to pay for costs of the activity (such as FEMA or Army Corps), and reduce the need for CDBG-DR."**

**Editorial Note:** HUD will most likely need to clarify this thought and it's worth looking into if you had flood insurance or homeowners insurance that covered in part your disaster damage. Your Increased Cost of Compliance or ICC from NFIP could actually be used at the end of the program to cover your increased material costs you experienced in 2020. The change to your grant may not be possible due to management of funds. If your state claims they cannot increase your assistance you may be able to ask your insurance for additional assistance then argue the assistance is for unmet needs which the state would be aware of because you would have informed them of your increased costs of materials.

#### **Example:**

In 2019 your estimated cost for lumber may have been \$31,000. The increased prices to lumber in 2020 and continuing in 2021 would most likely have added at least \$16,000 or more to your build or repairs. Your ICC from your NFIP would cover up to \$33,000 and could be itemized so it does not show a duplication.

Your state managers would have to clarify and update their DOB calculations to allow the section "Reassess Unmet Need When Necessary" to use other assistance if HUD CDBG-DR funds are no longer available to the homeowners.

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