Experience with large scale disasters in the United States illustrates that local governments cannot navigate long-term recovery on their own. To respond minimally to a long-term recovery’s urgent redevelopment needs, local governments must not only rely on state and federal intervention and the investment of private enterprise, they must also leverage resources of non-profit organizations and philanthropic entities. Indeed, following Hurricanes Katrina and Rita, non-profits and philanthropic funders led the charge to jump start long-term neighborhood and city rebuilding efforts.

Stories highlighting the work of non-profits engaged in post-disaster long-term recovery efforts often provide snapshots of their most significant achievements. These accounts document leadership teams, how much money was raised to bankroll a recovery project, how many families were assisted, or how the organization incorporated sustainable design features in its recovery work. However, these assessments often skip the specific legal and organizational proficiencies that allow the non-profit to complete its work as quickly, efficiently, and effectively as possible. They miss the non-profit’s legal sophistication that helps it navigate federal regulatory requirements and thus avoid development process slow-downs or non-compliance stoppages. Further, we generally do not hear about prudent project planning and management strategies that include the non-profit setting aside funding to carry on a recovery project when federal resources fail to flow in a timely manner. Overall, being organizationally nimble throughout the complex and uncertain recovery and redevelopment phases is perhaps the most important attribute that a non-profit brings to partnerships with local governments. Non-profit and philanthropic organizations’ broad knowledge of local needs coupled with their ability to leverage resources, share information, and mobilize public opinion are important attributes that bode well for government partnerships.

In this paper, we focus on rebuilding and reconstruction activities and projects. The paper proposes a basic assessment framework to evaluate the success or failure of non-profit organizations partnering with local governments to execute housing and community

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1 When the Cameras Stop Rolling, Nonprofits Remain, THIRD SECTOR: NEW ENGLAND, http://www.tsne.org/site/c.ghLUK3PCLoF/b.1424995/k.1D68/Articles_Nonprofits_Response_to_Katrina.htm

2 For more details, see Chapter 4 “Nonprofit relief organizations” in Gavin Smith. 2011. Planning for Post-Disaster Recovery: A Review of the United States Disaster Assistance Framework. Public Entity Risk Institute, Fairfax, VA.
development projects. Such a framework can serve as a compass to guide partnership-building between local governments, non-profits, and philanthropic organizations, during post-disaster rebuilding periods.

A broad range of potential components could comprise this framework for measuring the efficacy of partnerships between nonprofits, philanthropic organizations, and local governments. Our paper focuses initially on the following three crucial legal and organizational capabilities: (1) compliance with regulatory requirements applicable to federally-funded neighborhood redevelopment projects, (2) capability to employ sophisticated development strategies, and (3) capacity to finance project costs for approved recovery projects. This list is preliminary rather than exhaustive and will be expanded as research continues.

1. Compliance with Federal Regulatory Requirements:

Non-profits face higher legal, logistical, and organizational hurdles when they commit to partnering with local governments to deploy federal disaster block grant funds to accomplish a city’s redevelopment objectives. A non-profit developer pursuing a project using philanthropic funding, private donations, and/or federal tax credits, need only complete the pre-acquisition legal tasks generally required by private lenders, including a purchase and sale contract, title and survey review, and a Phase I environmental report. However, if a development project’s pro forma includes federal block grant funding, the pre-acquisition requirements become considerably more complex.

One critical capacity possessed by non-profits that have successfully partnered with local governments to complete long-term recovery projects is the ability to comply with strict legal requirements that attach to federal disaster block grant funds. A standard services contract funded by federal block grant funds details no less than thirty-four (34) separate statutory, regulatory, or general contractual restrictions applicable to a non-profit’s work on behalf of a local or state government. Failure to follow relevant regulations can derail or completely undo a recovery project. Three particularly critical compliance requirements pertinent to long-term redevelopment projects are: (i) the joint National Environmental Policy Act (NEPA) and National Historic Preservation Act (NHPA) environmental and historic review requirements; (ii) the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) requirements; and (iii) the Housing and Community Development Act’s programmatic objectives for the federal Community Development Block Grant (CDBG) program. Whether the non-profit or its local government partner bears principal responsibility for compliance with

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3 See, e.g., New Orleans Redevelopment Authority contact template (2011) at Attachment “2” CDBG Compliance Provisions for Professional Services Contracts. These compliance provisions cover a wide range of civil right, environmental, labor, and political activity laws.


these federal regulatory requirements, it is essential to a project’s success that the non-profit have the ability to track compliance closely.

In short, federal statutes and their implementing regulations add steps to the housing development process that generally do not apply to projects that forgo federal funding. A non-profit developer with previous experience completing housing development projects without federal funds must carefully consider the obstacles and challenges presented by regulations governing federal block grant funds. Failure to comply with these regulations not only causes long delays, but jeopardizes reimbursements for money the non-profit may have spent and may result in termination of continued funding for a project. Further, the negative press and public relations fallout that attaches even to ‘technical’ non-compliance with federal regulations can undermine a non-profit’s ability to work not only in the jurisdiction impacted by the disaster, but also on other projects nationwide. Thus, in partnering with government agencies deploying federal funds, non-profit developers must have either a track record of complying with federal regulatory requirements, or they must have retained staff or consultants with significant experience managing these requirements.

2. **Capability to Employ Sophisticated Development Strategies:**

The second capability that promotes effective non-profit contributions to long-term recovery is the ability to implement sophisticated strategies for acquiring and disposing of properties targeted for land banking or redevelopment. Communities traveling the long road to disaster recovery generally emphasize moving long-term recovery efforts forward as fast as possible. This rush to implement tends to focus local governments on employing ‘tried and true’ real estate development strategies. Properties are often assembled using private market property acquisition or eminent domain. Properties are returned to commerce through auction or requests for proposals. These are core real estate tools with which all non-profits must be familiar, but they are also relatively blunt acquisition and disposition strategies.

Non-profits have the opportunity to distinguish themselves, meet their mission-driven objectives, and make more aggressive progress in advancing a local government’s long-term recovery goals through the use of quick and efficient (but perhaps less common) public sector real estate strategies. Hurricanes Katrina, Rita, and Sandy have all focused attention on the importance of deploying redevelopment options that allow families to relocate from high risk locations. Land swaps are an example of a potentially useful tool that non-profits can employ post-disaster. To the extent that non-profits can propose alternative land acquisition and disposition strategies, such as land swaps, that promote equitable, efficient, and strategic management of properties, while not only satisfying but advancing the local government’s long-term recovery goals, these non-profits add value to the entire recovery process. They can establish new pathways for local governments to achieve their goal of neighborhood recovery.

3. **Capacity to Finance Project Costs for Approved Recovery Projects**

The third capability that significantly improves a non-profit’s performance on long-term recovery projects is to supply financing to commence an approved project or to sustain an ongoing project. Recovery projects are frequently delayed when initial federal funding flows
slowly or middle-of-project reimbursements are delayed. These programmatic delays also occur when non-profits must rely on local or state governments to contribute properties for development instead of grant funds. A non-profit’s access to a private funding pool can help bridge these funding and property – or other development resource -- gaps.

Developers are not strangers to cash flow concerns. Bridge financing commonly helps fund private development projects between the time that the project commences and the developer closes on the transaction’s permanent financing. However, federal block grant funds sometimes do not flow quickly or predictably. Two reasons for slow flow of funds include the multiple government agencies involved in disbursement of block grant funds and the reimbursement basis of block grant payments. First, federal disaster block grant funds generally must flow through multiple government agencies, starting with HUD, moving to a state agency, then to one or more local government entities before reaching the non-profit. Each additional stop from the U.S. Treasury to the city block being redeveloped increases the chance that government staff will raise questions or simply be distracted by competing recovery project priorities. The second reason is that disaster block grant funds generally cannot be paid out in advance of work having been completed. That is, federal block grant funds are paid on a reimbursement basis, only after the developer has incurred costs, such as payments to contractors.

**Partnership Success: Proposed Assessment Framework**

Delays in carrying out long-term neighborhood recovery measures following urban disasters can effectively deny recovery to thousands waiting to return home or to reopen their businesses. As the weeks and months following a disaster turn to years, local governments generally bear principal responsibility for a city or county’s long-term recovery. This undertaking is complex and extensive. It demands detail-oriented implementation and oversight, including complying with volumes of local, state, and federal laws controlling expenditure of public funds. The process of city rebuilding forces the city to assemble a team of firms, professionals, and service providers necessary to implement development, reconstruction and revitalization plans. In this paper, we focused on the partnership between local governments and non-profits. Using the three examples detailed in this paper, we propose the following framework as one means to assess partnership success during post-disaster housing and community development rebuilding and revitalization projects.

<table>
<thead>
<tr>
<th>Type of Non-Profit Capability Essential to Execute Housing &amp; Community Development Projects</th>
<th>Category of Non-Profit Capability (Organizational, Operational, Legal)</th>
<th>Advantages of Partnering -- Where Capability Is Strong</th>
<th>Disadvantages of Partnering -- Where Capability Is Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with regulatory requirements applicable to federal funds</td>
<td>Legal</td>
<td>Augments local government’s capacity to complete neighborhood redevelopment projects</td>
<td>Failure to comply risks significant project delay or potential loss of government funding for project</td>
</tr>
<tr>
<td>Capacity for, or</td>
<td>Operational /</td>
<td>Augments local</td>
<td>Lack of versatility in</td>
</tr>
<tr>
<td>experience with, deploying a range of different property acquisition and disposition strategies</td>
<td>Organizational</td>
<td>government’s capacity to complete neighborhood redevelopment projects</td>
<td>techniques for acquiring and disposing of properties potentially diminishes volume of properties redeveloped and returned to commerce</td>
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<td>---------------------------------------------------------------</td>
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<tr>
<td>Financial resources to bridge federal funding delays and gaps</td>
<td>Operational / Organizational</td>
<td>Augments local government’s capacity to complete neighborhood redevelopment projects</td>
<td>Delays completion of recovery projects and potentially leaves contractors and subcontractors without payment for extended time periods</td>
</tr>
</tbody>
</table>

**Conclusion**

Overall, non-profit and philanthropic entities play a critical role in the post-disaster city revitalization and rebuilding processes. They frequently have missions to create and implement urban revitalization programs that serve a city’s poorer citizens and neighborhoods, communities that private development firms generally choose not to serve or are slow to serve. By isolating the legal and organizational capabilities that tend to make non-profits successful partners in long-term recovery implementation, we can achieve complementary goals: supply cities with information that can help them pick the best possible non-profit partners, and provide non-profits with strategic guidance regarding the capacities critical to playing important roles in future long-term recovery initiatives.