Notice on Community Development Block Grant Disaster Recovery (CDBG-DR) Formula Docket No. FR-6337-N-02

Pacific Palisades Community Council

Response to HUD CDBG-DR Disaster Recovery Funding Formula

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The Palisades Fire, which began on January 7, 2025, destroyed over 6,837 structures, damaged over 973 structures, and displaced over 16,000 residents. Striking a major metropolitan city, the Palisades Fire resulted in forms of loss that past disaster datasets do not adequately capture. Consequently, Pacific Palisades faces unusually high rebuilding costs, substantial insurance gaps, prolonged displacement, lost and reduced economic activity, and major infrastructure reconstruction needs. We submit these circumstances as evidence of why HUD's CDBG-DR Disaster Recovery Funding Formula must be revised to more accurately measure actual community-level unmet recovery needs.

We respectfully request that HUD provide local communities the flexibility to rebuild according to their local needs. We further ask that HUD use the most accurate information available to truly capture unmet needs, not only for housing but also for the economic and infrastructure components that are equally critical to a community and without which a community cannot rebuild.

Application to Outstanding Allocations

We urge HUD to apply any formula revisions adopted as a result of this comment period not only prospectively, but also to any allocation determinations for the 2023 and 2024 disaster cohort under the January 2025 Notice that have not yet been finalized or disbursed, including Pacific Palisades, which has not yet received an allocation. Any calculation of Pacific Palisades' unmet need should reflect corrected methodology, rather than the same multipliers, damage categories, and countywide-average approach that this comment demonstrates are inadequate to capture the community's actual recovery gap. If HUD concludes that these methodologies require revision, that conclusion is equally true for disasters already funded, or still awaiting funding, under the outdated methodology and not just those funded in the future.

This is consistent with our recommendation elsewhere in this comment that HUD adopt a formal reconciliation mechanism allowing allocations to be adjusted as actual recovery costs and available resources become known. A community should not be permanently disadvantaged simply because its disaster happened to occur before, rather than after HUD corrected a methodology it now recognizes as inappropriate.

<u>The Pacific Palisades Disaster</u>

Scope of Ongoing Displacement

- 75% of residents remain displaced as of July 2026, 19 months after the Palisades Fire.

Housing Stock Lost

- More than 3,900 single-family homes, with an average size of 2,849 sq.ft., were completely destroyed. About 60% of the entire single-family housing stock was destroyed or damaged.
- Roughly 1,860 units (70%) of multi-unit housing stock were destroyed or damaged.
- Destroyed multi-unit housing includes 354 mobile homes across Pacific Palisades' two mobile home parks – an important source of low- and moderate-income housing.

- Additional attainable housing units have been lost and others are at risk. According to PPCC records, as of Sept. 2026,140 attainable housing units across five condominium and townhome HOAs have been lost due to HOAs forced to dissolve as a result of insufficient rebuild funds and/or unavailability of affordable rebuild financing. More attainable housing units will be lost as other HOAs are forced to make the same decision.
- Between 1,000 and 3,000+ homes were rendered uninhabitable with no secondary damage assessment other than a visual walk-by. This lack of precision resulted in a cascade of insurance denials and delays, exclusion from recovery programs, and prolonged displacement – keeping homes that could have been among the first to return from contributing to the community's economic recovery, safety, and stability.

Financial Gap

- Total-loss homeowners with constructive total loss face a median post-insurance rebuilding gap exceeding $1 million, according to Department of Angels survey data for Pacific Palisades-only.
- Households already had a significant rent burden of 53.56% prior to the fire (2024, ACS B25070); households spending more than 50% of their income on housing are considered severely rent-burdened. Since the fire, this burden has intensified as insurance funds for temporary housing have been exhausted and households were determined ineligible by FEMA based on insurance status and/or income-based eligibility standards that rely on countywide rather than localized median incomes.

Vulnerable Populations

- 26% of impacted residents are age 65+.
- Approximately half of households earned less than $200,000 AGI (IRS SOI, 2023).

A more appropriate federal response should be to measure what resources are actually required to restore the community to a safe, functional, and resilient condition. CDBG-DR programs should be designed to meet documented recovery gaps, preserve viable housing, and enable displaced residents to return home. The measure of success should not be how much money is allocated, but instead, whether housing is rebuilt and residents can return home.

Catastrophic Local Market Construction Costs

Local market rebuilding conditions are not typical markets. Labor rates are extraordinarily high due to the strained labor market, unfamiliarity of outside labor with the area, higher supervision costs due to non-local labor, further distance for material supply to travel, increased lead times and outages due to higher disaster demand, tariffs, inflation, surge pricing, and volatility. Costs are driven higher still due to: waste disposal conditions of toxic materials, required dumpster locations, materials handling in congested construction areas, long distances to dump, transportation cost increases, and supply chain disruptions.

Flexibility as a Governing Principle

Flexibility and accuracy are not separate requests, they are two sides of the same recommendation. Throughout this comment, we ask HUD to allow flexibility precisely where a rigid, one-size-fits-all rule would produce an inaccurate result: flexibility for each community's environmental testing needs, given that toxic contamination is not visible on standard inspection; flexibility in supporting infrastructure recovery, given that infrastructure destruction varies by topography, density, and disaster type; and the discretion to apply alternative data or methods in extraordinary circumstances the standard formula could not anticipate, particularly for an urban environment. A single national formula cannot be both accurate and rigid at the same time. We ask HUD to build flexibility into the formula wherever local conditions predictably vary, rather than treating flexibility as an exception granted case by case.

Our Core Recommendation

The recommendations that follow all apply a single governing principle: HUD should measure the actual resources required for a community to recover quickly and safely. Eligibility for assistance, an insurance policy, or a loan offer is not equivalent to funds actually available to rebuild. We recommend HUD adopt the following formula as the basis for calculating unmet need throughout the CDBG-DR methodology:

Remaining Recovery Gap = Reasonable cost of safe reconstruction and recovery − Insurance actually available − FEMA/SBA/other assistance actually available − Affordable, realistically available financing

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"Reasonable cost of safe reconstruction and recovery" means (1) rebuilding to current, resilience-based codes — fire-hardening and seismic and landslide-mitigation beyond HUD's minimum "decent, safe, and sanitary" standard; and (2) a cost a household can bear without resulting in financial ruin or significant financial set-back. In our comment, the word "safe" is used in this broader sense and is distinct from HUD's existing Housing Quality Standards definition.

These principles underlie each of the specific recommendations below.

Section 1a. Housing

Should HUD Consider a New "Destroyed" Category?

We respectfully urge the addition of a new category for "destroyed." This category would ensure the actual level of destruction is accurately captured. Unit damage from the Los Angeles fires far exceed the "severe" damage threshold as defined by FEMA. We argue that the "severe" category, as currently defined, does not fully reflect the true magnitude of the destruction experienced.

The destroyed category should also encompass functional total loss. Homes initially assessed as undamaged or slightly damaged have since required extensive remediation for invisible wildfire toxins, at costs nearly matching visibly destroyed homes. Yet, initial inspection data categorizes these homes as having little or no unmet need.

This oversight is documented across four independent sources. A resident survey found 44% reported damage to standing homes under a definition that includes smoke and contaminants, as compared to CAL FIRE's count of just 973 damaged structures for the entire footprint. A university survey documented ash inside standing homes across both LA Fire zones – in or on floors, windowsills, attics, HVAC systems – and found less than 25% of Palisades households considered their insurance proceeds adequate to rebuild. A separate post-fire contamination testing dataset found that after professional remediation more than half of tested standing homes in both LA Fire zones remained in excess of lead limits, and a third of those tested contained asbestos.

This problem is particularly serious when insurers do not recognize or cooperate with claims involving non-visible wildfire damage. In both Pacific Palisades and Altadena, many insurers initially did not test or only superficially tested for toxins, and the actual scope of loss became clear only after homeowners hired experts for destructive testing behind walls and in structural components. HUD should therefore permit subsequent testing, professional assessments, and evidence of habitability to revise an initial damage classification, measuring the cost of restoring a property to safe, habitable condition rather than the cost of repairing only what was visibly damaged at first assessment and should allow flexibility for each community's environmental testing needs.

Measuring Housing as a System, Not Individual Units

We urge HUD to measure housing recovery by total housing units and residents displaced, not simply by individual unit categories within the destroyed category. Pacific Palisades includes single-family homes, condominiums, townhomes, apartment buildings, and mobile home parks. Current recovery programs often treat common-interest properties and apartment buildings as commercial, or otherwise apply rules that do not reflect their fundamentally residential purpose.

The inability of a condominium or townhome HOA to finance reconstruction can prevent numerous households from returning even though each individual household may be willing and able to do so if the common property could be rebuilt. Similarly, when an insufficient number of an HOA's residents can bear the financial burden of its underinsurance gap, including the deficit caused by residents who default on assessments, the HOA is forced to dissolve. HUD should include all units within an affected condominium or townhome in the destroyed category when this occurs, not just the units with direct physical damage, and should ensure CDBG-DR's unmet-housing calculation recognizes the number of units and residents displaced across condominiums, townhomes, apartment buildings, and mobile home parks. Residential common-interest properties should not be disadvantaged because of their legal or financing classification.

Multipliers, Construction Costs, and Common-Interest Housing

HUD's current multiplier is not a measurement of what it actually costs to repair a home, it is a single historical average, drawn from SBA loss data in other disasters, applied uniformly to every household within a damage category regardless of that household's actual circumstances. This mechanism cannot capture what we have documented throughout this comment: Pacific Palisades' local reconstruction costs of $600–$800+ per square foot, the functional total loss of homes left standing but toxic, or the distinct costs of rebuilding multifamily, condominium, and HOA properties. A multiplier built from other disasters, in other regions, at other points in time systematically understates the need in a geographically concentrated disaster area such as Pacific Palisades.

As the basis for calculating unmet housing needs, we urge HUD to replace the historical multiplier with actual, current, localized reconstruction costs, using private-sector construction cost data specific to the affected community, adjusted for inflation and geography and consistent with our recommendations throughout this comment.

Common-interest Properties and Multifamily Stabilization

We urge HUD to apply a distinct cost methodology for condominiums, townhomes, co-ops, and small multifamily properties that reflects their collective rebuilding obligations. Local reconstruction costs of $600–$800+ per square foot as compared to approximately $450 per sq. ft. in insurance proceeds leaves many HOAs with insufficient master-insurance funds to rebuild. At the same time, the $2 million SBA commercial loan cap blocks access to adequate low-cost financing. The combined result is the loss of attainable housing whose residents tend to be members of vulnerable populations such as seniors and essential workers. We urge HUD to create an HOA recovery pathway that: (1) funds common-area and shared structural reconstruction, calculated using actual costs, and accounts for master-policy insurance gaps and special assessments; and (2) sets per-project assistance limits reflecting the actual scale of common-interest reconstruction, not single-family assumptions or generic multipliers.

Manufactured Housing Recovery Approach

We urge HUD to apply a distinct cost methodology for destroyed manufactured homes and a separate community-infrastructure factor, since destroyed manufactured homes currently remain within the broader severe-damage category and the formula does not capture the infrastructure needed to restore a manufactured housing community. Replacement need should be calculated using the full, actual installed cost of a manufactured home (home, transportation, foundation, permits, utility connections, and code/resilience upgrades); community-level infrastructure needs (roads, utilities, drainage, fire protection) should be calculated separately; and manufactured homes should be treated as owner-occupied housing regardless of title or financing structure.

Concentrated Losses and Financing Barriers

Not only did Pacific Palisades lose the low-to-moderate income housing represented by 354 mobile homes across two mobile home parks, according to PPCC records only one three-unit multifamily building and one condominium building have been permitted for rebuilding versus more than 1,700 single-family permit submissions and roughly 1,000 single-family homes already under construction; this is a reflection of rebuild obstacles specific to multifamily and common interest property buildings.

We urge HUD to establish concentration or housing-stock preservation factors where losses threaten a substantial share of a community's housing; prioritize preservation of existing attainable and multi-unit housing, including funding for the predevelopment, planning, and engineering costs currently preventing pre-fire multi-unit projects from reaching reconstruction; and measure housing loss at the community and project level, not solely as individual damaged units.

Displaced condominium and townhome owners simultaneously face mortgages, rent, property taxes, monthly HOA fees, and HOA special assessment. Financial stress at the association level restricts conventional financing even for otherwise solvent individual owners. We urge HUD to evaluate association-level financial viability when determining whether individual owners can realistically return, and to recognize that an individual owner's ability to rebuild depends on the association's ability to restore the entire property.

Income Limit Consideration

A community survey conducted by Department of Angels found that Pacific Palisades fire survivors are exhausting every available resource to remain in their community: 52% have depleted a significant portion or all of their savings, 48% have taken on debt, 21% are relying on financial assistance from friends and family, 17% are delaying or pausing repairs or rebuilding, 19% have experienced unstable housing, 12% have cut back on food, 13% have taken on extra jobs or side work, 12% are going without healthcare or delaying medical needs, and 10% are falling behind or underpaying rent or mortgage.

In Pacific Palisades the median gap between insurance proceeds and the cost to rebuild destroyed homes exceeds $1 million. Many survivors were denied FEMA assistance because they had insurance coverage, regardless of its insufficiency to fund actual rebuild costs. Consequently, a survivor who qualifies for and can finance a $500,000 SBA loan, the maximum available for a single-family home, still faces a significant rebuilding deficit with few or no additional grants or affordable financing options available to close the gap. When available assistance falls hundreds of thousands of dollars short, survivors are forced to sell their properties rather than return home, resulting in permanent displacement and loss of housing in the community. Roughly 586 destroyed properties in Pacific Palisades have already been sold through May 31, 2026. The City of Los Angeles projects more than 40% of destroyed homes will change hands and, each month of allocation delay converts recoverable households into permanent departures.

We strongly recommend raising the income eligibility limits to accurately reflect the needs of the impacted area. A household earning above a countywide AMI threshold may nevertheless be unable to finance a $1,000,000-plus rebuilding gap. Excluding households from assistance does not eliminate the underlying recovery gap, it simply shifts the consequence to permanent displacement and the loss of equity many homeowners accumulated over a lifetime and intended for retirement or their children. HUD should establish a disaster-specific recovery-gap exception to ordinary income eligibility rules in which income should remain a factor, but eligibility should also consider documented reconstruction cost, insurance proceeds, liquid resources, existing disaster-related debt, displacement costs, and the household's actual ability to obtain additional affordable financing.

Localized Data and the Double Housing Burden

HUD should use the smallest reliable geographic area available when calculating unmet need. Countywide averages materially misrepresent both the unique economic characteristics and the recovery costs of a highly concentrated disaster such as this one in Pacific Palisades. Many disaster recovery programs, both governmental and philanthropic, use Los Angeles County median household income or AMI thresholds to determine Palisadians' eligibility. This results in the exclusion of Palisades households who, although their earning capacity exceeds the countywide threshold, face extraordinary, documented reconstruction costs that they cannot finance. HUD already recognizes the value of localized housing-market data; Pacific Palisades ZIP Code 90272 is treated as a distinct Small Area Fair Market Rent geography. The same principle should extend to disaster-recovery eligibility by utilizing ZIP code, census tract, or neighborhood-level data where countywide statistics materially misrepresent the affected community.

HUD should also adjust income-eligibility calculations to account for the extraordinary, unavoidable double housing burden disaster survivors face. According to the Department of Angels, more than 55% of Palisadians have already exhausted their Additional Living Expenses/Loss of Use (ALE/LOU) benefits, and another 25% will exhaust theirs within a year. Once a household has exhausted ALE/LOU, CDBG-DR programs should allow exclusion of one of the two unavoidable housing costs – the destroyed or uninhabitable home and associated expenses such as HOA monthly fees or the temporary rental – when calculating household income for eligibility, recognizing that survivors are temporarily carrying two housing obligations through no fault of their own.

Insurance Limitations

Insurance coverage should not be treated as evidence that a survivor's recovery need has been satisfied. Structural failures in California's insurance market have left Angelenos significantly underinsured, some dropped by insurers or forced onto the California FAIR Plan, others underinsured due to affordability, inaccurate replacement-cost estimates, outdated coverage, inaccurate common-interest master policies, and rapidly rising construction costs. Cal OES reported on May 3, 2026 that nearly 29,500 households across Pacific Palisades and Altadena were still navigating insurance claims and that, of those who qualified under current eligibility measures, nearly 1,000 remain on federal temporary housing assistance.

HUD should distinguish among insured, covered, settled, paid, and actually available insurance proceeds for reconstruction, deducting only actually available proceeds rather than assuming a policy or settlement eliminates unmet need. A household can receive a settlement and still face a large uninsured gap, as shown by the average $1 million gap documented by the Department of Angels for Pacific Palisades. HUD should also allow provisional assistance when claims are pending or disputed which can be reconciled once the final outcome is known.

Insurance obstacles extend beyond insurers: Governor Newsom's July 2026 letter found that in violation of federal guidelines, mortgage servicers were holding insurance funds above the unpaid principal balance rather than releasing the funds to homeowners for reconstruction, thereby leaving proceeds inaccessible although they appeared "available" on paper. A formula that deducts insurance proceeds without confirming their actual accessibility to the homeowner improperly measures need and is among the reasons why we recommend HUD's formula account for insurance "actually available," not simply issued or settled.

Why FEMA and SBA Assistance Does Not Close the Recovery Gap

FEMA's own data for Pacific Palisades illustrate why FEMA payments cannot substitute for calculating the remaining recovery gap: of the 10,621 Palisades households that registered with FEMA, only 64% (6,833) were approved for Individual Assistance, totaling $48,820,000 — an average of just $7,145 per approved household (FEMA Housing Assistance data, DR-4856, ZIP 90272, as of August 2026). According to that same data, insurance was the primary reason registrations did not qualify. Of the total approved, $25,620,000 went to Housing Assistance and $23,200,000 to Other Needs Assistance (serving 6,823 households); of the 1,429 households that received Housing Assistance, 685 were owners and 744 were renters, and just $11,600,000 (24%) went specifically to Home Repair and Home Replacement — clearly insufficient against an average rebuilding gap exceeding $1,000,000 for destroyed homes.

SBA data present a similar problem: SBA offered Palisadians approximately $1.11 billion in disaster loans, but only about $206.4 million had actually been disbursed as of June 2026. SBA financing is debt — a loan offer is not funds available to rebuild, and qualifying for a loan is not the same as being able to repay it. This is particularly untenable for seniors, who represent approximately 26% of Palisades residents and often have limited income to service a large construction loan. Many seniors and other long-term residents have substantial home equity but lack the liquidity to finance a seven-figure obligation. In addition, Palisades households face a median $1,500 increase in monthly housing costs, on top of the median post-insurance rebuilding deficit exceeding $1,000,000 for destroyed homes (Department of Angels survey, July 2026).

Timing of Allocation

We strongly recommend HUD facilitate a faster, provisional CDBG-DR allocation adjusted after more accurate data becomes available, rather than requiring every uncertainty resolved first. We are 19 months post-disaster; already urgent needs will be desperate by the time funding arrives.

The current recovery sequence can require a survivor, while searching for temporary housing, applying for FEMA/SBA assistance, and managing the disaster's health toll, to also: complete a damage assessment; pursue insurance and resolve disputes (still ongoing at 19 months); conduct environmental testing; identify vendors; obtain design plans and bids; finalize project costs; begin construction; and front the costs out-of-pocket. For mortgaged homeowners, insurance funds are released in staged draws with substantial holdbacks until late-stage completion. SBA assistance is sequenced after the release of insurance funds and reduced by insurance recoveries, leaving survivors to bridge the gap themselves.

These requirements not only delay recovery but also force survivors to finance rebuilding costs upfront, often without the resources to do so, ultimately pushing lower-income and otherwise vulnerable households out of the rebuilding process altogether. HUD should permit provisional funding based on standardized, locally appropriate estimates (property type, square footage, damage category, demolition, remediation, current construction costs, resilience improvements), reconciled against actual insurance and construction costs later.

Section 1b. Economic Revitalization

We urge HUD to reject a flat percentage approach in favor of a methodology that adjusts based on disaster type and the economic profile of the affected community.

A flat percentage assumes economic recovery moves in lockstep with physical rebuilding; the data shows it does not. Fifteen months after the fire, Pacific Palisades had reached roughly 19.9% of destroyed structures permitted for rebuilding, but only 0.31% complete permits – a record pace for the City of Los Angeles but a fraction of comparable recoveries: the Tubbs Fire was at 5.5% complete and the Marshall Fire at 15.5% complete at the same point in time after their respective disasters (LAEDC). Economic damage—including lost jobs, reduced local spending, and business closures—continues to accumulate, often outpacing the pace of rebuilding. A fixed housing-based ratio cannot capture these ongoing and compounding economic losses.

Urban wildfires generate disproportionate economic loss relative to housing damage because destruction of a walkable, economically integrated neighborhood severs the connection between residents, employers, and the local service economy far more severely than what is measured by per unit lost. The Los Angeles fires demonstrate this concretely:

- Employment per establishment remains below pre-fire levels in both Eaton and Palisades areas even as businesses reopen.
- Palisade's job postings fell 38.4% in 2025, nearly five times Altadena's 8.2% decline despite comparable housing destruction; local economic character, not housing loss alone, drives impact.
- Annual localized spending losses are estimated at $79 million in the Palisades and $73.6 million in Eaton, over $150 million combined per year – a cost a housing-derived percentage can't capture without calibrating to the community's commercial density.
- Metro ridership serving the fire areas remained 17.7% below pre-fire levels in early 2026 – further evidence that the local economy must be measured independently.

Section 1c. Infrastructure

We respectfully urge HUD to reject a flat percentage approach for infrastructure assistance in favor of a methodology that adjusts based on a category such as "destroyed," and to allow local flexibility in supporting infrastructure recovery. Infrastructure destruction depends heavily on topography and population density and can vary considerably by disaster type. We recommend HUD consider alternatives to relying solely on FEMA estimates for infrastructure needs and, in keeping with CDBG-DR's broader mitigation goals, fund mitigation of pre-existing infrastructure deficiencies exposed by the disaster rather than limit the program to restoration of infrastructure to its pre-fire condition.

The Palisades Fire exposed significant infrastructure vulnerabilities including low water pressure and fire-flow capacity resulting in unusable hydrants when most needed and, more broadly, the need to examine utility configuration, emergency access, communications, and water infrastructure from a resilience perspective. The state expenditure record confirms wildfire recovery has required extensive environmental, infrastructure, and emergency-response work, including hazardous conditions, watershed protection, and debris monitoring.

The County's Blue Ribbon Commission recommends a water-system assessment, fire-flow standards, and strategic undergrounding. We ask that undergrounding electricity be evaluated as part of the overall cost of resilient recovery, alongside other permanent improvements to electrical, water, communications, and transportation systems that materially reduce wildfire risk. We also ask HUD to consider improvements to Pacific Coast Highway – the primary access route to the beach for residents and visitors, whose current configuration caused major evacuation issues during the fire. HUD should define infrastructure recovery as restoring and improving critical infrastructure, using a comprehensive needs assessment that captures both damage and the cost of correcting demonstrated vulnerabilities.

Section 1d. Extraordinary Circumstances

We strongly support HUD's proposal to reserve the Secretary's discretion to use alternative data or methods in extraordinary circumstances. As HUD's 2018 adjustment for lava-inaccessible homes in Hawaii demonstrates, no standardized formula can anticipate every way a disaster may create unmet recovery needs. The Palisades Fire likewise exposed circumstances – arising in a densely populated, high-cost urban community – that the current methodology fails to capture:

- **Standing but uninhabitable homes.** Homes standing but with significant toxic contamination are functionally destroyed, yet are not classified as "destroyed" or "damaged" under standard definitions, directly analogous to the lava-flow precedent HUD cites.
- **Common-interest housing collapse.** Condominium and townhome HOAs facing insufficient rebuild funds and no access to low-cost financing being forced to dissolve, eliminating housing stock through a legal and financial failure that the standard formula doesn't address.
- **Mobile home park infrastructure.** Damage to shared infrastructure within mobile home parks, as distinct from the individual homes themselves, falls outside conventional single-family/multifamily housing categories, and existing assistance for individual mobile homes remains inadequate.
- **Geography-specific rebuild costs.** Different from lower cost communities, Pacific Palisades single-family home rebuilds range from $600-$800+ per s.f. In addition, new code-required caisson installations for hillside stabilization and building requirements such as earthquake and VHFSZ code required upgrades can substantially exceed standard per-unit cost assumptions. For example, caissons on a hillside lot can add from $500,000 to $1 million in additional reconstruction costs.

We urge HUD to adopt this discretionary element and to ensure the process for invoking it is transparent and accessible to grantees and communities identifying unique unmet needs.

Section 3. Targeting the Most Serious Needs

Our recommendations for improving the formula's targeting to the most serious needs are addressed throughout this comment, particularly in Section 1a and the Core Recommendation above, which we incorporate here by reference. We would like to highlight two points in particular:

(1) the formula should apply additional weighting where concentrated losses threaten a substantial share of a community's attainable and multi-unit housing stock, since such losses create recovery needs beyond the sum of individual unit damage and, (2) HUD should establish a formal reconciliation mechanism allowing allocations to be adjusted as actual recovery costs and available resources become known, particularly where functional loss, cost inflation, or collective-property complexity were not captured in the initial estimate.

Section 4. Metropolitan, Non-Metropolitan, and Tribal Thresholds
We urge HUD to apply the same principle here that we recommend throughout this comment: thresholds should reflect actual local conditions, not broad categorical averages. Metropolitan, non-metropolitan, and tribal areas have fundamentally different cost structures, housing types, and density patterns, and a single national threshold cannot accurately capture "most impacted and distressed" status across all three.

However, we caution HUD against treating "metropolitan" as internally uniform. A single metropolitan designation can span both ultra-high-cost, high-density communities and far lower-cost communities within the same county, such as is the case with Los Angeles County. A damage or cost threshold calibrated to a metropolitan area's average will still understate need in its highest-cost pockets, for the same reason that countywide income and construction-cost averages understate need in Pacific Palisades specifically, as described throughout this comment.
HUD already recognizes this kind of sub-metropolitan variation in other contexts – Pacific Palisades' ZIP Code 90272 is designated as its own Small Area Fair Market Rent geography precisely because it differs meaningfully from broader county averages.

We recommend HUD set metropolitan thresholds using the smallest geography for which reliable cost and damage data exist — ZIP code, census tract, or comparable localized unit rather than a single metropolitan-wide figure, consistent with our broader recommendation that HUD use localized, current data throughout the formula.

Section 8. Mitigation Percentage by Disaster Type
We recommend HUD use documented, current mitigation costs rather than historical benefit-cost research as the basis for calculating actual costs. Where a grantee can document that its most effective mitigation measures (e.g., undergrounding, hillside stabilization) carry costs materially higher than the historical average, the formula should allow the mitigation percentage to reflect that documented cost, up to the statutory 18 percent cap.

Pacific Palisades wants to rebuild resiliently to reduce the risk of future loss. However, there is a gap in resiliency rebuilding costs that insurance does not cover. By supporting homeowners, Homeowner Associations, commercial business owners, places of worship, and other disaster victims in meeting that gap before they rebuild, the community can build to resiliency standards higher than minimum current code requirements. Support is also needed for owners of standing properties to harden homes and other structures and to create defensible space. We have a real opportunity to build community-wide resilience – but only if every property owner has the resources and support needed to participate.

Conclusion
Pacific Palisades' experience demonstrates why HUD's CDBG-DR formula must evolve to reflect the realities of catastrophic urban wildfire recovery. The issue is not simply how much physical damage occurred, but whether communities have the resources necessary to recover and do so

resiliently. A home can be standing but uninhabitable. A homeowner can have insurance, FEMA assistance, or access to an SBA loan and still face a seven-figure rebuilding gap. A condominium can remain individually owned while the building that houses it becomes financially impossible to rebuild. Businesses can reopen on paper while the local economy continues to contract. Infrastructure can be repaired while the vulnerabilities that contributed to the disaster remain. These are not isolated exceptions.

We therefore urge HUD to adopt a CDBG-DR methodology that measures the resources actually required to achieve safe, functional, resilient recovery after accounting for resources that are truly available – not resources that are merely offered, theoretical, or inaccessible. The formula should use the most localized and current data available, recognize functional and collective losses, account for actual recovery costs and capacity, and provide a mechanism to adjust allocations when initial estimates do not reflect the reality on the ground.

Pacific Palisades has the capacity and determination to rebuild. What it does not have is the ability to close the extraordinary recovery gap on its own. HUD has an opportunity to ensure that the CDBG-DR formula recognizes that gap not only for Pacific Palisades, but for every community that will face a catastrophic disaster in the future. Without meaningful help, many Palisadians will not be able to return home. We are not simply facing the loss of homes; we are at risk of losing the community we built, the future we envisioned, and the place we hoped to preserve for our children and grandchildren.

Sources

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- Eaton Fire Residents United, Pre- and Post-Remediation Indoor Contamination Maps (March and November 2025), findings summarized in Rep. Judy Chu's letter to Governor Newsom and Commissioner Lara, 4 December 2025.