

## HAP Program 1 Technical Modification

### Background and Scope

The Mississippi Development Authority submits this Homeowner Assistance Program Partial Action Plan modification to the Final Plan approved by HUD on April 1, 2006. The MDA has determined that this does not represent a major modification to the plan requiring formal submission to HUD. The nature, purpose, scope and beneficiaries of the Partial Action Plan remain the same subsequent to the modification. Additionally, this technical modification will not negatively impact potential beneficiaries who have applied for assistance under this program.

The proposed modification is to provide an inflation adjustment of 35% to the pre-Katrina insured value of eligible properties. This adjustment does not modify any of the core elements of the Phase 1 Partial Action Plan – including the Program Purpose, Background, Eligibility Requirements and Performance Requirements. Further, it does not change the total amount requested for the program of \$3 billion.

The Program Purpose and Performance Requirements remain the same, as follows: “the purpose of the Homeowner Grant Assistance program is to provide a one-time grant payment, up to a maximum of \$150,000, to eligible homeowners who suffered flood damage to their primary residence as of August 29, 2005 from Hurricane Katrina. In exchange for the grant payment, a qualifying homeowner must agree to a covenant on their property that establishes building code, flood insurance, and elevation requirements for them or any future owner of the land. After certain deductions, the homeowner has complete discretion of the use of the grant funds, as allowable by State and Federal law, as they work through their personal disaster recovery situation.”

The Program Details as defined in Partial Action Plan also remain the same for Applicant Eligibility and Awarded Grant Homeowner Requirements and as previously stated in the Partial Action Plan, “the Homeowner Assistance Program offers recovery assistance for homeowners who, while outside the flood zone, maintained property insurance and in some cases, flood insurance, but in insufficient amounts. By partially filling the insurance gap with the homeowner grant, eligible homeowners can begin the recovery process – all of which will help to drive and stabilize economic development which is crucial for the recovery of the Mississippi Gulf Coast”.

Based on our review of applicant information and damage assessment data, we have determined that the uninsured gap between the original grant calculation award and the current cost to repair is larger than anticipated. Higher construction repair costs due to geographic or gulf coast inflation is one of several factors accounting for the gap. Because of this, MDA requests to include an inflation factor of 35%, the same used by HUD in their damage assessments of the public housing infrastructure on the Mississippi Gulf Coast.

Therefore, the Partial Action Plan Modification is to adjust the Grant Calculation to allow a second potential Starting Point - the pre-Katrina insured value of the home multiplied by 135%, to obtain the inflation-adjusted insured value. This inflation-adjusted insured value will then be multiplied by the percent damaged.

All other Grant Calculation elements remain the same and the grant amount cannot exceed \$150,000 as defined in the Partial Action Plan.