

I. Background and Scope

This modification clarifies several aspects of **Modification Number 4 – Phase II**, as submitted for approval. In regards to both Phase I and Phase II, this modification addresses the elevation grant program. It also issues a clarification as to the definition of structural damage in the context of damage assessments, and extends the grant term for additional local government assistance grants.

II. Amendments to Phase I and Phase II

MDA clarifies that structural damage assessments included any damage to attached appliances (e.g. dishwashers, refrigerators, washers, dryers, ovens, or stoves) as structural damage in their calculations.

MDA initially established a \$5 million grant pool for grants to local governments in Hancock, Harrison, Jackson, and Pearl River Counties for costs of additional permitting and building inspector officials, for the term of one year. This term is now extended to three years. Applications will continue to be evaluated based on current staffing levels, anticipated work loads and projected staffing levels to meet those work loads as well as needs throughout the coastal counties.

The HUD approved MDA Homeowner Assistance Program Partial Action Plan (the Plan) included a program for Elevation Grants. The purpose of the elevation grant is to help homeowners defray the cost of elevating their homes. Grants of up to \$30,000 are available to homeowners who meet the Phase I or Phase II eligibility criteria and are required to be "...elevated in accordance with newly recommended FEMA flood maps and is being rebuilt in accordance with International Residential Code of 2003". In addition, in the Plan the covenants that run with the property are expanded to include "...if rebuilding, home will be elevated in accordance with FEMA recommended flood elevations..." and "if replacement housing will be manufactured housing, it will comply with HUD's manufactured housing code and be elevated in accordance with FEMA recommended flood levels.". Lastly, "...each property will be subject to an environmental review..."

This modification clarifies the standard elevation requirement, the payment method, and disbursement schedule.

III. Proposed Elevation Grant Policies and Procedures:

- 1) The elevation must meet the proposed FEMA developed Hurricane Katrina Surge Inundation and Advisory Base Flood Elevation (ABFE) at the time the agreement is signed. This clarifies the use of "...newly recommended FEMA flood maps..." The Plan calls for the elevation to be completed in accordance with International Residential Building Code of 2003. To further clarify this requirement, the rebuilding

and elevation of the property shall be completed in accordance with the International Residential Code of 2003 and the International Building Code of 2003.

This position is based on the fact that "...Katrina Recovery Maps depict ABFEs (that is, elevations that FEMA recommends be used for rebuilding) for defined areas or zones. The visual appearance of these advisory zones and elevations was intentionally made similar to the format of flood hazard data shown FEMA's Flood Insurance Rate Maps (FIRMs)."

- 2) The recommended grant payments call for the applicant to receive 50% of the grant upon producing a valid permit from their local permit office. The permit will provide the elevation height. The remaining 50% of the grant will be paid upon receipt from the applicant of a letter of compliance/elevation certificate from the local permit/inspection office.
 - a) The payment will be made directly by the state to the applicant and will not require the use of a disbursing agent. The Federal funds would not be drawn until milestones have been accomplished by the homeowner.
 - b) This procedure is similar to that used by the NFIP to provide ICC grants.

IV. Amendments to Phase II

Specifically in regards to Phase II, this modification addresses the grant disbursement process, relocation options, financial incentives, and environmental requirements.

This modification clarifies several aspects of **Modification Number 4 – Phase II**, as submitted for approval. Specifically, this modification addresses the grant disbursement process, relocation options, financial incentives, and environmental requirements.

To comply with HUD requirements and meet the goals set forth in **Modification Number 4 – Phase II**, grants will be treated as compensation grants, with discretion being given to individual homeowners as to the appropriate usage of funds. The process is modeled after the process used in Phase I of the grant program.

Financial counseling remains a mandatory component of the program, prior to disbursement of the grant award.

MDA also clarifies that relocation options are discretionary and not meant to be limited to the six counties listed in Modification 4.

MDA also clarifies that the incentive loan program is no longer contemplated as a component of Phase II.

Additionally, MDA clarifies that the design of Phase II categorically excludes applicant homes from environmental review.

V. Grant Disbursement Process

Once the homeowner is determined to be eligible, the grant process will be finalized with the homeowner. Documents will include: (i) a certification to be signed by Recipient as to continued truth of all information submitted in the application, (ii) a waiver to be signed by Recipient of all claims against state and federal government, (iii) an assignment by Recipient of all pending insurance claims equal to the grant amount, (iv) the covenants to be signed by Recipient and recorded, (v) the form of Subordination to be signed by all lien holders, and (vi) Recipient's proof of identity.

Funds will be made available to the homeowner through a closing process. If the homeowner has a mortgage, their first mortgage lender may be a co-pay on the check for the grant proceeds. After working with the homeowner to cover any past-due mortgage balance, at the homeowner's request and direction, the mortgage lender will work with the homeowner on the distribution of funds. Management and use of the net grant proceeds are at the discretion of the homeowner, as allowable by State and Federal law, as the homeowner works through their personal disaster recovery situation.

If the homeowner does not have a mortgage or if the mortgage lender is not a co-pay on the grant award, the check may be made payable directly to the homeowner. Management and use of the net grant proceeds are at the discretion of the homeowner, as allowable by State and Federal law, as the homeowner works through their personal disaster recovery situation.

VI. Relocation

The original action plan includes language that indicates that homeowners may relocate to six enumerated counties. This language shall not be construed to limit homeowners' relocation ability to the six listed counties.

VII. Financial Incentives

The action plan includes language that references potential future incentive loans as a component of the program. MDA has eliminated the necessity of the proposed incentive loan program.

VIII. Environmental Requirements

In consultation with HUD, due to the nature and design of the Homeowner Assistance Grant Program, the State has determined through its environmental review that project level actions are categorically excluded and not subject to related laws. There is no required documentation to be submitted in the State's Environmental Review Record.

IX. Program Purpose

The Program Purpose and Performance Requirements for both the elevation grant program and Phase II remain the same. The stated purpose of the elevation grant program is as follows: “MDA may offer a separate grant program offering grants of up to \$30,000 to help homeowners defray the costs of elevating their homes.” The grant will be given to eligible homeowners. In exchange for the grant payment, qualifying homeowners 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.

The stated purpose for Phase II is as follows: the purpose of the Phase II Homeowner Grant Assistance program is to provide compensation, up to a maximum of \$100,000, to homeowners who suffered damage to their primary residence as of August 29, 2005, from Hurricane Katrina. In addition, an elevation grant of up to \$30,000 may be offered to eligible applicants who meet program requirements. Qualifying homeowners must have a household income at or below 120% of the Area Median Income (AMI), agree to a covenant on their property that establishes building code, homeowner insurance, and elevation requirements for them or any future owners of the land. After certain deductions, homeowners have complete discretion of the use of the compensation grant, as allowable by State and Federal law, as they work through their personal disaster recovery situations.

X. Summary Conclusion

The elevation grant is a disbursement program and requires program modifications to clarify policy and procedures and to ensure compliance with HUD regulations.

Therefore, this Partial Action Plan Technical Amendment clarifies the policies that will be used to administer the elevation grant.

The Phase II Homeowner Grant Assistance program is a compensation program and requires program modifications to clarify policy and procedures and to ensure compliance with HUD regulations. Additionally, several components of the plan required further refinement and clarification.

Therefore, this Partial Action Plan Technical Amendment clarifies the grant disbursement process, relocation options, financial incentives, and environmental requirements.

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.