



Katrina Supplemental CDBG Funds

For

**Homeowner Assistance Program (HAP)
Phase I and II Grant Calculation**

**HAP Phase I and II Technical Modification
#11**

**CDBG Disaster Recovery Program
July 29, 2008**

Mississippi Development Authority
HAP Phase I and II Grant Calculation

July 23, 2008

Mississippi Development Authority

HAP Phase I and Phase II Technical Modification 11

Overview

This Technical Modification pertains to the additional use of the \$5.058 billion allocation in CDBG funding from HUD as part of the \$5.48 billion federal appropriation through the Emergency Supplemental Appropriation Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (Public Law 109-148). Congress has designated these monies for “necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to Hurricanes Katrina, Rita, or Wilma.”

Background and Scope

The Mississippi Development Authority (MDA) submits this Homeowner Assistance Program Partial Action Plan Modification Number 11 to the Final Plan approved by HUD on April 1, 2006 and to clarify Technical Modification Number 11. 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.

Program Purpose

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, 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. After certain deductions, homeowners have 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 the 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

Mississippi Development Authority
HAP Phase I and II Grant Calculation

July 23, 2008

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 – which will help to drive and stabilize economic development crucial to the recovery of the Mississippi Gulf Coast”.

Phase I Grant Calculation

The Phase I grant calculation is determined in the following manner:

- To determine the starting amount, take the larger of the following three estimates, not to exceed the Insurance Basis**:

 - The MDA damage assessment of the property*
 - The SBA damage assessment of the property
 - The Percent Damage Estimate (The Adjusted Insured Value x % of Damage from the MDA damage assessment)

- From the starting amount above, duplication of benefits deductions are computed which may include FEMA, Homeowner Insurance or NFIP Insurance proceeds.
- The value arrived based on these factors is the grant amount which is NOT to exceed \$150,000.

*MDA damage assessment has been commonly referred to in correspondence as “Cost to Repair” assessment.

**Insurance Basis is determined to be the coverage amount (of the homeowner’s insurance policy) multiplied by a 35% inflation factor [Insurable coverage x 1.35 = Insurance Basis]

Example Table	Example 1	Example 2	Example 3	Example 4
Adjusted Insured Value	\$75,000	\$150,000	\$125,000	\$300,000
Damage Assessment:				
Percent Damage Est.	\$55,000	\$135,000	\$125,000	\$240,000
SBA Damage Est.	\$60,000	\$80,000		\$250,000
MDA Damage Est.	\$50,000	\$90,000	\$145,000	\$210,000
Starting Amount:	\$60,000	\$135,000	125,000	\$250,000
Duplication of Benefits	(\$20,000)	(\$15,000)	\$0	(\$50,000)
Grant Award ***:	\$40,000	\$120,000	\$125,000	\$200,000

*** The Grant Award amount may be further reduced by SBA Loan payoffs or State of Mississippi taxes due which are more completely detailed in Technical Modification #6.

This change does not modify 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 of \$3 billion requested for the program.

Phase II Grant Calculation

The Phase II grant calculation is determined in the following manner:

- To determine the starting amount, take the larger of the MDA* or SBA damage assessment of the property.
- From the starting amount above, duplication of benefits deductions are computed which may include FEMA, Homeowner Insurance or NFIP Insurance proceeds.
- The value arrived based on these factors is the grant amount which is NOT to exceed \$100,000.

*MDA damage assessment has been commonly referred to in correspondence as “Cost to Repair” assessment.

Example Table	Example 1	Example 2	Example 3	Example 4
Damage Assessment:				
SBA:	\$70,000	\$60,000	-	\$150,000
MDA:	\$60,000	\$80,000	\$145,000	\$190,000
Starting Amount:	\$70,000	\$80,000	\$145,000	\$190,000
Duplication of Benefits	(\$25,000)	(\$15,000)	(\$0)	(\$30,000)
Grant Award ***	\$45,000	\$65,000	\$100,000	\$100,000

*** The Grant Award amount may be further reduced by SBA Loan payoffs or State of Mississippi taxes due which are more completely detailed in Technical Modification #6.

Summary Conclusion

The Partial Action Plan Technical Modification Number 11 is to clarify the Grant starting amount calculation. All other Grant Calculation elements remain the same; the Phase I grant amount cannot exceed \$150,000 and the Phase II grant amount cannot exceed \$100,000 as defined in the Partial Action Plan.