



PLAN FOR DISASTER RECOVERY - AMENDMENT NO. 3
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009
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Prepared by

Texas Department of Rural Affairs
and
**Texas Department of Housing
& Community Affairs**



PO BOX 12877
Austin, TX 78711
512-936-6704
www.tdra.texas.gov



PO BOX 13941
Austin, TX 78711-3941
512 475 3976
www.tdhca.state.tx.us

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AMENDMENT NO. 3: DISASTER RECOVERY ENHANCEMENT FUND

Executive Summary

This document constitutes the Third Amendment to the *State of Texas Plan for Disaster Recovery* (Action Plan or Round 1) for CDBG disaster recovery funds related to Hurricanes Dolly and Ike and governs the receipt and use of the third allocation (Action Plan Amendment No. 3 or Round 3) of such funds in H-GAC, SETRPC, LRGVDC and DETCOG regions addressed in the First Amendment dated June 8, 2010. The Department of Housing and Urban Development has told the State of Texas that the state can receive up to \$55,481,416 in Disaster Recovery Enhancement Funds. This third amendment identifies use of \$18,000,000 of the \$55,481,416 available Disaster Recovery Enhancement Funds (DREF). The remaining \$37,481,416 will be addressed in a future Action Plan Amendment. The \$55,481,416 awarded was the result of the DREF-eligible projects identified through grantee awards in Round 1 and pledged in Round 2.

The *State of Texas Plan for Disaster Recovery Amendment No. 1* (Action Plan Amendment No. 1) provided preliminary discussion of the Disaster Recovery Enhancement Fund (DREF) as part of the State's efforts to secure additional funding based on assurances of DREF-eligible projects being undertaken with Round 1 and Round 2 CDBG Disaster Recovery Supplemental Funds. Qualifying projects include, but may not be limited to:

- Buyout payments for homeowners living in high-risk areas;
- Optional relocation payments to encourage residents to move to safer locations;
- Home improvement grants to reduce damage risks (property elevation, reinforced garage doors and windows, etc.);
- Improving and enforcing building codes;
- Actions resulting in a community beginning participation in FEMA's Community Rating System (CRS) or increasing the level of participation in CRS;
- Developing forward-thinking land-use plans that reduce development in high-risk areas, including development and adoption of updated Flood Insurance Rate Maps; and
- Public facility and other projects that meet HUD's criteria. Examples include:
 - Projects that result in removal of homes and other facilities from the 100- year floodplain through project design to reduce base flood elevations, or buyout and/or relocation resulting from acquisition for the project (including buyouts converting to green space in the floodplain).
 - Grants to reduce damage risks to public facilities and other projects, such as elevation & storm-hardening of critical equipment and reinforcement of critical structures.

Round 1 projects were used to meet the DREF match requirement, with the remainder of the DREF match requirement pledged for Round 2. In addition, eligible projects outside of the three regions identified above may also be considered to meet the match requirement. A summary of Round 1 DREF-eligible project funding totals submitted to HUD by COG is described in Table 1:

Table 1

| Round 1 DREF-Eligible Funding | | | | |
|--------------------------------------|---------------------|-------------------|---------------------|-------------------|
| COG Region | Non-Housing | | Housing | |
| | Amount | Percentage | Amount | Percentage |
| H-GAC | \$29,044,499 | 34.52% | \$11,175,170 | 100% |
| SETRPC | \$8,012,276 | 9.52% | \$0 | 0% |
| LRGVDC | \$45,069,050 | 53.58% | \$0 | 0% |
| DETCOG | \$2,003,069 | 2.38% | \$0 | 0% |
| Sub-Total | \$84,128,894 | 100% | \$11,175,170 | 100% |
| Total | \$95,304,064 | | | |

Implementation of and Modifications to DREF Program Description in Section 6 of Action Plan Amendment No. 1

Action Plan Amendment No.1 calls for 32% or \$18 Million of the DREF funds awarded to the State as the result of a DREF project identified in all COGs, to be allocated to each of the four most-impacted COGs on a pro-rata basis.

This Amendment No. 3 allows TDRA time to hold the \$37,481,416 as an unallocated contingency until TDRA and/or TDHCA is able to assure compliance with DREF obligations, as it will be necessary to complete the non-housing application process and housing program design updates for Round 2, Phase 2 in order to verify sufficient Round 1 and Round 2 projects are awarded to meet necessary DREF funding assumptions contained in Action Plan Amendment No. 1. Specific use of the TDRA and managed funds will be identified under a separate Action Plan Amendment.

Method of Distribution Between Housing and Non-Housing Activities

As discussed, DREF funds awarded as a result of housing or non-housing activity will retain their respective identity on a pro-rata basis. As a result, sixty-eight (68) percent of the funds resulting from DREF-eligible projects are allocated to non-housing activities, with the remaining thirty-two (32) percent allocated to housing activities. Table 2 reflects the methodology used to develop the appropriate activity split based on the language of Action Plan Amendment No. 1.

Table 2

| Pro-Rata Allocation of DREF Funds Between Housing and Non-Housing | | | | | | | |
|--|---------------------|---------------------|-------------------------|------------------------|-------------------------------|----------------------------------|-------------------------|
| | Round 1 | | Round 2 | | Total | | DREF Funds Split |
| | Funding | Actual Split | Funding Forecast | Split Forecast* | Total Funding Forecast | Percentage Split Forecast | |
| TDRA | \$84,128,894 | 88% | \$35,100,000 | 45% | \$119,228,894 | 68% | \$37,481,416 |
| TDHCA | \$11,175,170 | 12% | \$42,900,000 | 55% | \$54,075,170 | 32% | \$18,000,000 |
| Totals | \$95,304,064 | 100% | \$78,000,000 | 100% | \$173,304,064 | 100% | \$55,481,416 |

* In developing the housing and non-housing split in Table 2, the State of Texas applied the 45% non-housing / 55% housing split to the \$173,304,064 worth of identified DREF eligible project.

DREF Method of Distribution – Non-Housing Activities

The Texas Department of Rural Affairs (TDRA) is currently working closely with the Texas Housing Advocates (along with TDHCA) to identify any and all issues regarding impediments to fair housing in the disaster impacted area. Upon completion of this cooperative effort, TDRA will review the program and all funding applications not yet approved for implementation to assure compliance with any potential required activities identified by the Texas Housing Advocates. At that time, which should be in March 2011, the State will finalize the plans for the use of the \$37,481,416 and submit an Action Plan Amendment for HUD review and approval. Please be assured that although Administrative and Planning expenses are driving factors, all Administrative and Planning expenses will remain within limits established by HUD.

DREF Method of Distribution - Housing Activities

All DREF funding available for housing activities are being allocated to housing programmatic activities. Table 3 establishes the housing allocations to each of the four COGs. These amounts were calculated by distributing \$18,000,000 on a pro-rata basis based on the Round 2 housing allocations listed in Action Plan Amendment No. 1. Under the percentages previously presented to the public TDHCA has retained none of the DREF funds.

Table 3

| Allocations of Housing Funds Received Through DREF by COG | | | |
|--|-----------------------------------|----------------|-------------------------|
| | Round 2 Housing Allocation | | DREF Funds Split |
| | Funding | % Split | |
| H-GAC | \$647,356,639 | 66.09% | \$11,896,200 |
| SETRPC | \$190,104,113 | 19.41% | \$3,493,800 |
| LRGVDC | \$122,034,387 | 12.46% | \$2,242,800 |
| DETCOG | \$20,000,000 | 2.04% | \$367,200 |
| COG Subtotal | \$979,495,139 | 100.00% | \$18,000,000 |

* Allocation of funds resulting from DREF by COG is calculated by multiplying the % Split by the COG Subtotal (\$21,201,897)

With the DREF funds provided to the State of Texas under the application submitted to HUD, TDHCA will take the share allocated to Housing under the formula in Table 2 of this Amendment No. 3 and provide administrative and planning support to the regions based on housing allocations. During development of the Action Plan Amendment No. 3, TDHCA reviewed the original housing allocations and pro-rata distributions and there is no evidence that conditions have changed; therefore, these allocations remain appropriate to address the housing needs of disaster victims with the available funding.

Action Plan Amendment No. 1 also calls for specific housing set-asides, including an impacted area buyout program designed to provide applicants with counseling and relocation assistance under the program now designated as the Homeowner Opportunity Program (HOP). The funds previously dedicated in the Action Plan Amendment No. 1 called for \$18 million as identified in the Conciliation Agreement to go to the impacted area buyout program. After additional public discussion, it became clear that most of the housing funds under the Conciliation Agreement were subject to relocation and the \$18 million called for in the Conciliation Agreement for relocation counselors and licensed real-estate professionals should be available to all HOP participants. The counselors and real-estate professionals will explain available housing options and identify additional moving expenses to program participants. The Housing Guidelines established as required under the Conciliation Agreement also call for the housing funds to operate in this manner. The funds originally designated in Action Plan No. 1 were going to be separated from the program funds into project delivery. With this change, the funds originally planned under Action Plan No. 1 will go for hard costs and the DREF funds will be used to provide soft costs under the Homeowner Opportunity Program. These "soft cost" services will only be extended to income qualified applicants that were living in a FEMA-designated "High Risk" area or area of high minority and/or poverty concentration and whose homes were completely destroyed. Any Subrecipient who intends to provide housing benefits must develop an impacted area buyout program that benefits HOP applicants. Housing programs will be designed to ensure that HOP applicants receive funding priority and all HOP applicants must be provided with these counseling services.

The cost to provide this type of service far exceeds the current administrative funding available that ~~must be shared between TDHCA and Subrecipients~~ for housing programs. These counselors will also be required to comply with the state of Texas real estate requirements, be trained in providing advice aimed to protect homeowners against future disaster events, and be trained on affirmatively furthering fair housing issues, which will increase the cost per counselor for the Subrecipient's programs. TDHCA believes this allocation could be used to fund soft costs of the impacted area buyout program as well as offset the cost of services provided under the Homeowner Opportunity Program (HOP) ensuring that the most victims possible can benefit from the program. Regions who desire to use these funds for other housing purposes must provide information to TDHCA demonstrating that the needs of the HOP will not exceed the amount allocated in the Amendment. Any justifiable reallocation of funds will follow the process described under Action Plan Amendment No. 1 under Re-Allocation of Funds.

Should any region with a required DREF match under this Amendment fail to meet the mandatory threshold to access these funds, the allocated amount will be redistributed to the remaining COGs on a pro-rata basis. DREF housing funds will be included as part of the Round 2 Regional Method of Distribution.

Amended total Round I and Round II Disaster Recovery Budget

The following chart is the summary of the Round I and Round II DR funds with DREF funds included.

Table 4**All Funds Summary**

| Source | TDRA | Category | TDHCA | Category |
|-----------------------|------------------------|------------------|------------------------|-------------------|
| Round I DR | \$29,587,280 | Admin | \$36,162,231 | Admin |
| Round I DR | \$16,451,658 | Planning | \$20,107,582 | Planning |
| Round I DR | \$591,232,326 | Program | \$561,522,284 | Program |
| Round I DR | | | \$59,926,832 | ARHP ¹ |
| Round II DR | \$28,867,527 | Admin | \$35,282,533 | Admin |
| Round II DR | \$12,988,146 | Planning | \$15,874,401 | Planning |
| Round II DR | \$670,493,500 | Program | \$805,195,287 | Program |
| Round II DR | | | \$174,299,853 | ARHP |
| Round II DREF | \$37,481,416 | Unidentified | \$18,000,000 | Program |
| Sub Total | \$1,387,101,853 | Sub Total | \$1,726,371,003 | |
| Combined Total | \$3,113,472,856 | | | |

Applicability of Prior Amendments and Citizen Participation

All other information, requirements and certifications contained in the Action Plan and Action Plan Amendment No. 1 remain in force unless addressed in this amendment.

The original Action Plan Amendment No. 3: (December 3, 2010) Disaster Recovery Enhancement Fund Program was posted for fifteen (15) day comment period on November 8, 2010, to conclude on or after November 23, 2010. In addition, three public hearings were held.

- November 17, 2010 in Groveton, TX
- November 18, 2010 in Houston, TX
- November 19, 2010 in Harlingen, TX

Recipients of the public comment period notice include, but are not limited to, low income housing advocates and community organizations representing homeless and special needs populations, all mayors, county judges, and tribal leaders in the declared areas. The reduction in available DREF funds from the anticipate \$67,949,391 to the actual \$55,481,416 does not constitute a substantial change and therefore does not require additional public hearings.

¹ ARHP – Affordable Rental Housing Program