

## **Background and Scope**

This modification clarifies several aspects of **CDBG Disaster Recovery Action Plan Amendment 1**, as submitted for approval. Specifically, this modification addresses the question of acceptable usage of funds of Round 2 Program awards and the question of Round 2 applicant participation in multiple Program Options.

### **I. Use of Funds**

In regards to use of funds awarded for repair or construction, Amendment 1 states the following:

*Awards under Program Options B, C, and D must be used solely for capital expenditures on the repaired, rehabbed or constructed property.*

The intent of this requirement was to ensure that all monies expended under the program would be used for activities related to the property. The requirement of capital expenditure was driven primarily due to tax considerations for program applicants, and not by program delivery concerns.

Therefore, MDA clarifies that it interprets this statement as allowing applicants who receive monies under Program Options B, C, or D to use those monies for any purpose, so long as the purpose is related to the applicant property.

### **II. Participation in Multiple Program Options**

In regards to participation in multiple Program Options, Amendment 1 states the following:

*Any applicant in Program Option B or C may also participate in Program Option A.*

MDA anticipated that program applicants would not require the full loan amount for construction-related costs. The “rollover” allowance was intended to provide a mechanism whereby each applicant would receive the full program loan amount through another Program Option, namely Option A.

From its inception, the “rollover” mechanism was only an internal processing decision which did not affect the amount of funding which was available to applicants. Because the Program imposes compliance requirements on each of its landlords in addition to construction costs, MDA sought a means to provide compensation for following the compliance requirements. The “rollover” was the method of calculating the compensation for each applicant for the cost of compliance.

MDA's Round 1 experience determined that allowing this "rollover" to an additional Program Option was overly cumbersome and expensive as a means to provide this additional compensation.

MDA has determined that the proper means of compensating applicants for program compliance is to clarify that Program Options B, C, and D inherently contain within them consideration for continued Program compliance. In the interests of expeditious Program delivery and lowered cost, MDA has determined that it should not specify the amounts that are utilized for each purpose. Therefore, MDA will make a "flat rate" payment equal to the maximum funding amount available under Options B, C, and D which will include compensation for compliance AND expenses related to repair or construction. MDA will also disburse all loan awards in two payments, as opposed to the three payments.

### **III. Program Purpose**

The Program Purpose and Performance Requirements remain the same, as follows:

*The purpose of this Small Rental Property Assistance Program is to provide grants and loans, in an aggregate amount up to \$250 million, to owners of small rental properties located in Hancock, Harrison, Jackson and Pearl River Counties on the Mississippi Gulf Coast. FEMA estimated that 71,116 renter-occupied housing units statewide were damaged or destroyed by Hurricane Katrina. It is also estimated that there are over 42,000 rental units in the four coastal counties.*

*Smaller rental properties (fewer than 4 units) make up the large majority of total rental units in these counties and according to Census 2000 figures, over three-quarters of total rental units were in these smaller complexes (including single-unit homes). About 2,000 rental properties with 4 units or fewer fall into the FEMA Serious Damage category. The purpose of this program is to provide project-based rental assistance in the repair and replacement of lost or damaged rental units.*

*Owners of the rental properties and units will commit to renting the units to eligible applicants with incomes not to exceed 80% or 120% of the area median income (AMI) depending on the number of units per property. Owners are also restricted in the rents that can be charged to each tenant based on the tenant's income. The commitment to the program is for 5 years.*

### **IV. Summary Conclusion**

The Small Rental Assistance Program required program modifications to clarify policy and procedures and to ensure compliance with HUD regulations. Additionally, components of the plan required further refinement and clarification.

Therefore, this Partial Action Plan Modification Amendment Number 01 is to clarify the proper usage of funds for repair and new construction projects and the ability of applicants to participate in multiple Program Options. Because of the nature and scope of this modification, this is not considered a significant plan modification.