

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

Government of Puerto Rico
Office of the Commissioner of Municipal Affairs



AMENDMENT TO THE ACTION PLAN FOR THE UTILIZATION OF CDBG FUNDS IN RESPONSE TO THE 2008 TROPICAL STORM KYLE

CDBG Supplemental Disaster Recovery Funds
Disaster Enhancement Recovery Fund (DREF)
Initial Allocation PL 110-329

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INTRODUCTION

On September 28, 2010, the U.S. Department of Housing and Urban Development notified The Commonwealth of Puerto Rico (Commonwealth) a \$12,000,000 award in Community Development Block Grant (CDBG) disaster recovery funds. The award responded to the Commonwealth's Identification of eligible activities under the Disaster Recovery Enhancement Fund (DREF). The Commonwealth of Puerto Rico has previously been awarded \$17,982,887.00 under Public Law (P.L.) 110-329 to assist in addressing the long-term recovery impacts from the 2008 disasters¹. This represents the third allocation under P.L. 110-329. Combined with this allocation, the Commonwealth has been awarded a total of \$29,982,887.00 under this appropriation. The aim of the additional allocation is to further meet the outstanding recovery needs of the State resulting from Tropical Storm Kyle.

The Commonwealth of Puerto Rico is submitting this amendment to the Action Plan in order to identify and describe the use of additional funds granted as required by regulations. The Commonwealth is required to publish an Action Plan for Disaster Recovery that describes the proposed use of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funding associated with the Supplemental Appropriations Act, 2008 (Public Law 110-329, approved September 30, 2008). The Act provides for disaster relief of unmet needs resulting from severe weather in the State that occurred during 2008, for which the President declared a major disaster under Title IV of the Stafford Disaster Relief Act (42 U.S.C. 5121 et seq.). The HUD guidance for the funding was published February 13, 2009 in the Federal Register as Docket Number FR-5256-N-01.

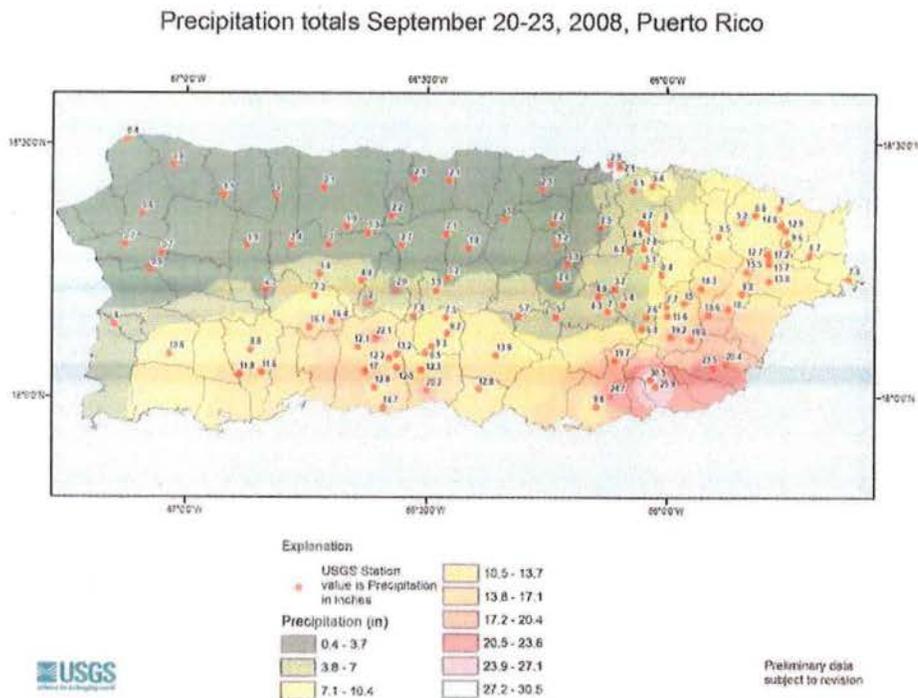
This amendment to the Action Plan describes 1) the eligible affected areas and eligible applicants; 2) the methodology to be used to distribute funds to those areas and applicants; 3) activities for which funding may be used; 4) consultation with local units; and 5) grant administration standards.

¹ Since the original submission of the State's Disaster Recovery Action Plan to HUD on August 4, 2009, and its following approval on September 17, 2009, the State has received CDBG disaster funds for unmet housing, infrastructure, and economic revitalization needs.

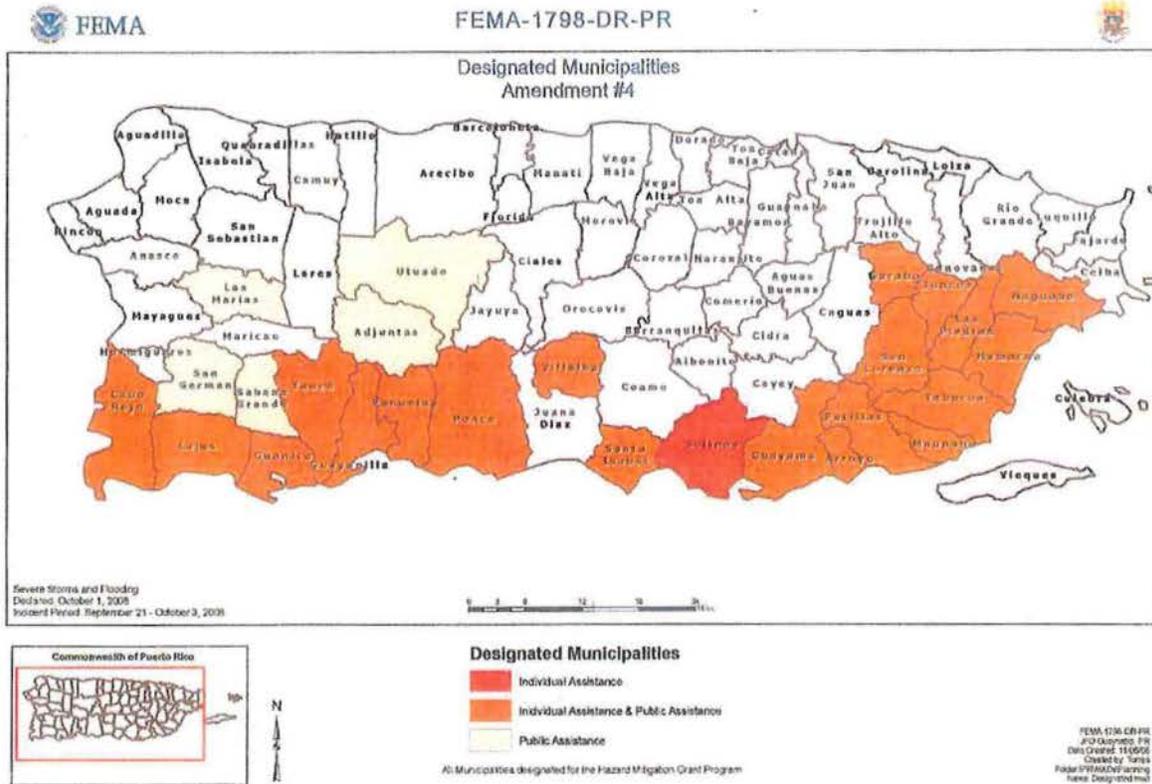
DESCRIPTION OF AFFECTED AREAS

The Disaster Recovery Action Plan provided a detailed description of the affected areas. In general, during the three day period of September 21-23, 2008, parts of Puerto Rico suffered from one of the most catastrophic flooding events of the season to date. The flooding affected many municipalities island wide. The torrential rainfall resulted in severe flooding to rivers, streams, and roads, causing sinkholes, land/mudslides, and structural collapses mainly across the southern half of the island. The heavy rainfall and subsequent flooding were a direct result of a large tropical disturbance named by the National Hurricane Center (NHC) as a Tropical Storm Kyle. The strongest effects of the tropical disturbance were first felt in Puerto Rico on Sunday, September 21, 2008. The 24-hour rainfall totals ending at 8 am Monday, September 22, 2008, which encompassed part of the southeastern section of the island, exceeded 200-year 24-hour rainfall totals.

The resultant flooding had considerable effects on the local population. An estimated 630 people in the affected areas were evacuated to shelters. In addition to the structural damage caused by the floods, some crops such as coffee, plantains, and other minor agricultural activity suffered greatly. In response the federal authorities issued a disaster declaration for portions of the island (FEMA-1798-DR-PR). The following charts summarize rain precipitation across Puerto Rico and FEMA declared disaster zones.



Source: National Weather Bureau.



NATIONAL OBJECTIVES

All funds will be distributed in accordance with the national objective: to benefit of low and moderate-income persons. Additionally, the allocation of program funds must benefit low- and moderate- income persons, in at least 50% of the total grant funds.

CONSULTATION WITH LOCAL GOVERNMENTS

In order to complete the Disaster Recovery Action Plan, OCMA conducted a need assessment process with the Municipalities. Yet, after the approval of the abovementioned Action Plan (September 17, 2009), Municipalities still had certain unmet needs. Based on the existing unmet needs, OCMA allocated DREF funds to Municipalities on June, 2010. Accordingly, OCMA implemented a consultation process with local governments so that Municipalities could re-certify their specific unmet needs. On October 26, 2010, OCMA conducted a seminar² with the Municipalities which

² The seminar was convened by a written communication to each Municipality.

outlined the program requirements and the proposed method of distribution. During the meeting, OCMA solicited feedback from Local Governments by requiring that each Municipality re-certify their unmet needs, by means of a written document detailing the number of families affected³ by Tropical Storm Kyle and the proposed relocation plan. Such letter was submitted to OCMA before November 5, 2010. Additional outreach efforts included email communications, phone calls, and meetings with local government officials. Once the certifications were received by OCMA, the 2008 Action Plan was revised accordingly. The Municipalities provided sufficient data supporting the need of safe homes for families who still lived in structures vastly deteriorated by the Storm.

The State will publish the Action Plan to the general public, by posting it on its website (<http://www.ocam.gobierno.pr>). OCMA recognizes that adding or deleting an activity or changing the planned beneficiaries of an activity, will constitute a substantial change requiring an amendment of the action plan.

The following qualifying municipalities informed their unmet needs:



The information revealed that each Municipality identified over 25 families of low-income living in dangerous high-risk areas with severe deteriorated housing units. The

³ Each Municipality could submit up to 25 previously qualified families.

data included local government certifications, photos, contracts, deeds, among others. See appendix for a complete list of certifications.

PROGRAM DESCRIPTION

The Commonwealth of Puerto Rico has designed the program “*A Safe Home for your Family*” in accordance with CDBG and Disaster Recovery eligible activities, described in the original Action Plan. Such activity qualifies with DREF eligible criteria as a Floodplain Area Buyout Program⁴.

The Program awards funds to a variety of activities aiming to address the housing needs of moderate and low income families in order to promote the revitalization high-risk areas and the safety of households battered by Tropical Storm Kyle. Additionally, the state will support HUD’s mission to promote the development of relocation programs, so that families move out high-risk areas and thus mitigate damage from future disasters. Moreover, the state will provide the beneficiaries with improved housing.

METHOD OF DISTRIBUTION

A. Basic Allocation

The \$12,000,000 in DREF funds will be allocated among 18 municipalities, as presented in the following table:

Municipality	Original Allocation	DREF Allocation	Total Allocation
Arroyo	540,499	400,000	940,499
Guánica	540,499	800,000	1,340,499
Guayanilla	560,000	800,000	1,360,000
Gurabo	800,000	400,000	1,200,000
Juncos	1,000,000	800,000	1,800,000
Lajas	1,000,000	800,000	1,800,000
Las Piedras	1,000,000	400,000	1,400,000
Maunabo	1,000,000	800,000	1,800,000
Naguabo	847,309	800,000	1,647,309
Patillas	999,964	800,000	1,799,964
Sabana Grande	400,000	400,000	800,000

⁴ “Floodplain or critical fire or seismic hazard area buyouts programs under an optional relocation plan that includes incentives so that families and private sector employers move out of areas at severe risk for a future disaster...” (DREF Eligible Activities)

Salinas	400,000	400,000	800,000
San Lorenzo	1,000,000	800,000	1,800,000
Santa Isabel	800,000	800,000	1,600,000
Utuaado	647,309	800,000	1,447,309
Villalba	800,000	400,000	1,200,000
Yabucoa	1,000,000	800,000	1,800,000
Yauco	1,000,000	800,000	1,800,000
Sub Total	14,335,580	12,000,000	26,335,580
Admin	3,647,307	-	3,647,307
Totals	\$ 17,982,887	\$ 12,000,000	\$ 29,982,887

B. Eligible Activities

The following eligible activities were included⁵ in the original Disaster Recovery Action Plan:

A. Housing Activity Category- Housing activities must comply with the following:

1. Housing Rehabilitation - units affected as a direct result of the disaster (s).
2. Acquisition of new or existing unit- to relocate low and moderate income families affected as a direct result of the disaster(s).
3. Construction of new housing- to replace damaged or destroyed units as a direct result of the disaster(s).

B. Specific Housing Activities Requirements

1. Housing Rehabilitation- Units to be rehabilitated must comply with Housing Rehabilitation Standards. If the housing units that will be rehabilitated are located in flood areas, the recipient's must obtain and maintain flood insurance as required under applicable Federal Law. Owner has also a statutory responsibility to notify any transferee of the requirement to obtain and maintain flood insurance.
2. Acquisition of existing housing must meet Housing Quality Standards - The maximum cost of construction will be in accordance with the HOME program limits established by the Puerto Rico Department of Housing.
3. Construction of new housing- The maximum cost of construction will be in accordance with the HOME program limits established by the Puerto Rico

⁵ Even Municipalities like Yauco had already executed such activities under the original Disaster Recovery Action Plan.

Department of Housing. A model plan for new housing unit should be submitted with the proposal.

4. Land acquisition is not considered under this grant.

General Requirements:

1. Puerto Rico Disaster Funds will be awarded to Municipalities in the form of a basic allocation. Such allocation is based on the unmet needs presented by the Municipalities to OCMA as described in the aforesaid consultation process. Each Municipality is receiving a basic allocation of \$400,000 up to a maximum of \$2,000,000. No Municipality will receive more than \$80,000 per home unit. See the following table for a detailed description of maximum eligible costs per activity.

"A safe Home for your Family"	
OCAM Unmet Needs Initiative – Buyout Program	Allocation per housing unit
Scenario 1	
Acquisition	\$69,000.00
Demolition	\$11,000.00
Sub-total per unit	\$80,000.00
Scenario 2:	
New housing construction or Rehabilitation	\$67,500.00
Project delivery costs	\$1,500.00
Demolition	\$11,000.00
Sub-total per unit	\$80,000.00
Total Grant (150 families)	\$12,000,000.00

2. No Municipality may receive disaster CDBG recovery grant assistance with respect to any disaster loss that has been addressed by insurance proceeds, federal assistance or any other funding source.
3. Each application must include the following information, in order to be considered for funding:
 - Description/Narrative of the project and related activities.
 - National Objectives and compliance with at least 50% low and moderate income requirements.

- Location and census map. Indicate if the project is located in flood plain area.
 - Justification of the project in regard to declared disaster area and mitigation result.
 - Identify special needs population pertaining to your housing needs identify. (Elderly, Handicapped Single Mothers HIV/AIDS Terminally Illness, Battered Spouses and Battered Children.) (Housing Only)
 - Family Income and Family size should be provided. Section 8 Income limits will be taken in consideration. If the housing unit is overcrowding the municipal government should include this information. (Housing Only)
 - Project schedule/Time Table within 48 months from approval date should be provided
 - Budget Breakdown of the project including any professional services.
 - Budget Breakdown of planning and administrative cost.
 - Evidence of Citizen Participation. (In accordance with the applicable citizen participation Plan).
 - Residential Anti displacement and Relocation Plan if applicable
 - A certification from the family must be obtained by the municipality, certifying that the family is owner and was resident of the housing unit at the moment of the disaster(s) and do not have any other property.
4. To determine the appropriate amount, OCMA reserves the right to approve less funds than requested, based on the following:
- All applicable laws and regulations of the State CDBG requirements, used to evaluate each specific proposed project.
 - The Guidelines of the College of Engineers and Land Surveyors of Puerto Rico and the project breakdown in which includes: cost of material, labor, equipment, insurance, administrative and other cost related to the project to determine reasonable project cost.
 - Municipal governments must comply with Environmental Requirements and Regulations.

ACTIVITY DESCRIPTION

The following activities must be conducted as part of the process. In many cases, municipalities have already complied with Phase I during the needs establishment process:

Phase 1- The Municipality will visit families who reside in housing units severely deteriorated by the rainfalls of Tropical Storm Kyle and which are located in high-risk areas prone to future disasters. Once the unit is classified as unsafe, the Municipality will assess the income level of households in order to comply with the low-income condition.

Phase 2- The Municipality will provide for relocation to an alternative housing unit that could be previously rehabilitated, constructed or bought by the Municipality. Depending on how the Municipality acquired the structure the program could have different costs scenarios.

Phase 3- Once the transaction is completed, the Municipality will acquire the dominium of the old damaged property and will then proceed with the demolition of such structure.

ELIGIBLE APPLICANTS

OCMA will not be carrying out any program activities directly with regard to DREF funds. Eligible applicants are units of local government (Municipalities). Applicants must be Municipalities severely affected by Tropical Storm Kyle.

PROPOSAL PERIOD:

By January 7, 2011 OCMA submitted the amendment to the Action Plan. Upon approval by HUD, OCAM will notify the Municipalities within 15 days, other applicable procedures.

TIMELINE

The program must obligate its full appropriation before December 31, 2011. The aim is to relocate families in high-risk areas before the arrival of the 2011 tropical storm and hurricanes season. All grants between OCMA and local governments will have an 18 month contract, which could be extended for up to 24 months from the initial contract.

ADMINISTRATIVE, PLANNING AND TECHNICAL ASSISTANCE

The state will not allocate any funds to general state and local program administration costs. OCMA will specifically provide Technical Assistance to Municipalities in order to help them plan and implement the abovementioned activities. Such assistance could be

conducted by providing documentation, educational tools/workshops, on-site visits and guidelines, among others.

MONITORING

The State will utilize an established monitoring process used for the regular CDBG program, with the modifications detailed in approved ensuing Action Plan Amendments to specifically address the requirements of the CDBG Disaster Recovery Program and to ensure that all contracts funded under this disaster recovery allocation are carried out in accordance with federal and state laws, rules and regulations, and the requirements set out in the Federal Register notice.