



Omar E. Negrón Judice, MBA
Comisionado



September 7, 2011

Mr. José R. Rivera
CPD Director
US Department of Housing and Urban Development
Caribbean Office, CPD Division – Region IV
Parque Las Américas
235 Federico Costas St. – Suite 200
San Juan, Puerto Rico 00918-00903

Subject: Disaster Recovery Enhancement Fund (DREF), Grant B-08-DI-72-0001

Dear Mr. Rivera,

First and foremost, I hope all is well. Please find enclosed, a Second Amendment to the Disaster Recovery Enhancement Fund Action Plan, previously approved by your office on January 27th, 2011.

The amendment includes: 1) a new allocation of the funds among the participating municipalities in compliance with OCMA's method of distribution, and 2) a set of new limits for the acquisition and new construction of the properties to be used for relocation of families at risk.

We thank you for the opportunity to participate in this great federal program for the benefit of the people of Puerto Rico.

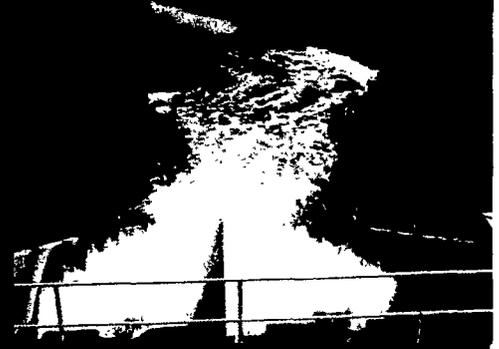
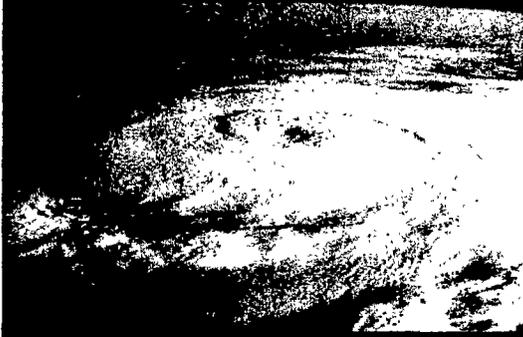
Kindest Regards,

Omar Negrón Judice, MBA
Commissioner

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

Government of Puerto Rico

Office of the Commissioner of Municipal Affairs (OCMA)



SECOND AMENDMENT TO THE ACTION PLAN FOR THE USE OF STATE CDBG FUNDS IN RESPONSE TO THE 2008 TROPICAL STORM KYLE

Disaster Enhancement Recovery Fund (DREF)

GRANT NUMBER B-08-DI-72-0001

Omar E. Negrón Judice

Commissioner

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Oficio del Comisionado de Asuntos Municipales

Amendment to the Action Plan for the Use of CDBG Funds in Response to 2008 Tropical Storm Kyle

The Office of the Commissioner of Municipal Affairs hereby proposes to amend the Action Plan for the use of CDBG Funds in Response to the 2008 Tropical Storm Kyle. The purpose of the proposed amendment is the following:

1. To redistribute the amount of \$1,200,000 in Disaster Recovery Enhancement Fund (DREF) of unrequested funds allocated to Puerto Rico on January 27th, 2011.
2. To amend the requirements associated to the average cost per housing unit per type of activity.

INTRODUCTION

On January 27th, 2011, the U.S. Department of Housing and Urban Development approved the Amended Action Plan associated to \$12,000,000 in Community Development Block Grant (CDBG) disaster recovery funds awarded to the Government of Puerto Rico. The award responded to the Commonwealth's identifying eligible activities under the Disaster Recovery Enhancement Fund (DREF). The aim of the additional allocation was to further meet the outstanding recovery needs of several municipalities resulting from the effects of the Tropical Storm Kyle.

The Government of Puerto Rico was previously awarded with \$17,982,887.00 under Public Law (P.L.) 110-329 to assist in addressing the long-term recovery impacts from the 2008 disasters¹. Therefore, in combination, with this allocation, the State Government has been awarded a total of \$29,982,887.00 under this grant.

Due to various changes, a proposed amendment is needed to reallocate \$1,200,000 in unrequested funds. These funds were originally allocated to two municipalities that failed to comply with the process of request for proposals established and developed by OCMA. In addition, some municipalities have formally requested a revision to the maximum eligible costs per activity and per unit cost. Although OCMA defined the limits based on previous experiences with similar activities and that these limits were previously consulted with municipalities, the Agency will amend the Action Plan to remove any barriers that may be affecting the implementation of the recovery efforts. Also, OCMA recognizes that municipalities are subject to different cost and market conditions affecting the cost of implementation of recovery relief efforts.

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.

METHOD OF DISTRIBUTION

A. Basic Allocation

The \$12,000,000 in DREF funds will be allocated among 16 municipalities, as presented in the fourth column of the following table:

Municipality	Original Allocation (Disaster 2008)	DREF Original Allocation	DREF New Allocation	Total Allocation
Adjuntas	\$ 817,291.24	\$ -	\$ -	\$ 817,291.24
Arroyo	\$ 557,790.14	\$ 400,000.00	\$ 400,000.00	\$ 957,790.14
Cabo Rojo	\$ 817,291.24	\$ -	\$ -	\$ 817,291.24
Guánica	\$ 557,790.14	\$ 800,000.00	\$ 800,000.00	\$ 1,357,790.14
Guayanilla	\$ 577,291.24	\$ 800,000.00	\$ 800,000.00	\$ 1,377,291.24
Gurabo	\$ 817,291.24	\$ 400,000.00	\$ 400,000.00	\$ 1,217,291.24
Humacao	\$ 417,291.24	\$ -	\$ -	\$ 417,291.24
Juncos	\$ 1,017,291.24	\$ 800,000.00	\$ 800,000.00	\$ 1,817,291.24
Lajas	\$ 1,017,291.24	\$ 800,000.00	\$ -	\$ 1,017,291.24
Las Piedras	\$ 1,017,291.24	\$ 400,000.00	\$ 515,210.00	\$ 1,532,501.24
Maunabo	\$ 1,017,291.24	\$ 800,000.00	\$ 929,890.00	\$ 1,947,181.24
Naguabo	\$ 864,600.45	\$ 800,000.00	\$ 800,000.00	\$ 1,664,600.45
Patillas	\$ 1,017,291.24	\$ 800,000.00	\$ 948,830.00	\$ 1,966,121.24
Ponce	\$ 417,291.24	\$ -	\$ -	\$ 417,291.24
Sabana Grande	\$ 417,291.24	\$ 400,000.00	\$ -	\$ 417,291.24
Salinas	\$ 417,291.24	\$ 400,000.00	\$ 688,900.00	\$ 1,106,191.24
San Germán	\$ 417,291.24	\$ -	\$ -	\$ 417,291.24
San Lorenzo	\$ 1,017,291.24	\$ 800,000.00	\$ 1,042,085.00	\$ 2,059,376.24
Santa Isabel	\$ 817,291.24	\$ 800,000.00	\$ 800,000.00	\$ 1,617,291.24
Utua	\$ 664,600.45	\$ 800,000.00	\$ 877,000.00	\$ 1,541,600.45
Villalba	\$ 817,291.24	\$ 400,000.00	\$ 511,385.00	\$ 1,328,676.24
Yabucoa	\$ 1,017,291.24	\$ 800,000.00	\$ 886,700.00	\$ 1,903,991.24
Yauco	\$ 1,017,291.24	\$ 800,000.00	\$ 800,000.00	\$ 1,817,291.24
Sub Total	\$17,533,314.74	\$12,000,000.00	\$ 12,000,000.00	\$ 29,533,314.74
Admin	\$ 449,572.26	\$ -	\$ -	\$ 449,572.26
Totals	\$17,982,887.00	\$12,000,000.00	\$ 12,000,000.00	\$ 29,982,887.00

OCMA redistributed the unrequested \$1,200,000 in funds, using the following criteria:

1. The municipality had unmet needs, as documented by the municipality to OCMA as described in the aforesaid consultation process.

2. The municipality spent all or more than 25% of the 2008 Emergency Disaster Funds.
3. Municipalities complying with criteria 1 and 2, received funds proportionally, based on the amount spent. The amount of the total allocation was not greater than the documented unmet needs.

Amended Cost Allocation Guidelines:

General Rule

As stated on the original approved proposal, the funds coming from the Puerto Rico Disaster Enhancement Fund, will be awarded to Municipalities as a basic allocation. Such allocation is based on the unmet needs presented by the participating municipalities to OCMA. No Municipality should receive more than \$90,000 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
<i>Scenario 1</i>	
Acquisition	Up to \$90,000
Project delivery costs	Up to \$2,000
Demolition	Up to \$15,000
Sub-total per unit	Up to \$90,000
<i>Scenario 2:</i>	
New Housing Construction or Rehabilitation	Up to \$90,000
Project delivery costs	Up to \$2,000
Demolition	Up to \$15,000
Sub-total per unit	Up to \$90,000

Example 1:

The participating municipality is building a new property with \$90,000, in which the cost of demolition for the property to be discarded as a living property amount up to \$5,000. Therefore, the municipality will have to cover the costs of demolition with leveraged funds.

Example 2:

The participating municipality acquired a property with \$90,000 in which the cost of demolition for the property to be discarded as a living property amount up to \$9,000. Therefore, the maximum amount of costs to be allocated to Project Delivery Costs goes up to \$1,000. If these latter costs, are higher than \$1,000, then the municipality will have to provide a leverage with its own funds.

Exceptions

The municipalities are allowed, by exception, to increase the cost allocation per unit and the allocation. In this case, the maximum amount allowed to be spent per unit, for the buyout program and/or rehabilitation, will be the amount applicable under the HOME program limits established by the Puerto Rico Department of Housing. These are included on the appendix to this amendment. Likewise, the municipalities may opt for this alternative only under one of the following circumstances and must maintain appropriate documentation as to supporting and justifying the excess over the cost limits established by OCMA:

1. **The municipality is unable to find appropriate housing units inventory at prices below \$90,000.**
 - a. In this case, the municipality must show that they conducted reasonable efforts to find appropriate housing units. Reasonable efforts include contacting local banks and inquiring about foreclosed properties, reviewing local classified ads in newspapers and specialized internet platforms, among other activities.
 - b. If the municipality is having issues complying with Housing Quality Standards because no housing unit valued at \$90,000 or less complies, evidence as to the physical inspection of the property to this effect, must be submitted to OCMA.

2. **The municipality is unable to build or rehabilitate housing units at less than \$90,000 per unit.**

- a. The municipality must show that they conducted reasonable efforts to build or rehabilitate housing units under the stated limit.
3. The cost of the delivery costs exceeds \$2,000.
 - a. The municipality must provide a detailed budget of the delivery costs and the documentation supporting it.
4. Cost of demolition is higher than \$15,000.
 - a. The municipality must provide a detailed budget of the demolition costs and other documentation supporting it.

For items 2 through 4, evidence of the procurement processes such as purchase orders, sealed bids/formal advertising, competitive proposals or other applicable processes acquisition of goods and/or services must be presented.