

4th AMENDMENT TO STATE OF INDIANA ACTION PLAN FOR CDBG DISASTER RECOVERY FUNDS

U.S. Department of Housing and Urban Development
Docket No. FR-5250-N-01
[Federal Register: September 11, 2008 (Volume 73, Number 177)]



Mitchell E. Daniels, Jr.
Governor

Prepared by:

Indiana Office of Community and Rural Affairs
One North Capitol, Suite 600
Indianapolis, IN 46204
Phone: 317.232.1703
www.ocra.in.gov

Indiana Housing and Community Development Authority
30 South Meridian Street, Suite 1000
Indianapolis, IN 46204
Phone: 317.232.7777
www.indianahousing.org

Table of Contents

INTRODUCTION	3
THE EFFECT OF THE DISASTERS AND INDIANA’S RECOVERY NEEDS	3
FEDERAL AND STATE RESPONSES TO DATE	5
CONSULTATION WITH LOCAL GOVERNMENTS	6
FEDERALLY-DESIGNATED AREAS ELIGIBLE FOR ASSISTANCE	7
PROMOTION OF SHORT- AND LONG-TERM RECOVERY PLANNING	
Immediate (Short-Term) Recommendations	8
Subsequent (Long-Term) Recommendations	8
(AMENDED) METHOD OF DISTRIBUTION	
• HOUSING ACTIVITIES	9
• PUBLIC FACILITIES	10
• ADMINISTRATION	10
ANTI-DISPLACEMENT AND RELOCATION	11
PROMOTING HIGH QUALITY, DURABLE, ENERGY EFFICIENT, AND MOLD RESISTANT CONSTRUCTION METHODS	11
PROVISION OF ADEQUATE, FLOOD-RESISTANT HOUSING FOR ALL INCOME GROUPS THAT LIVED IN THE DISASTER-IMPACTED AREAS	11
ACTION PLAN AMENDMENTS	12
MONITORING STANDARDS AND PROCEDURES	12
STEPS THE STATE WILL TAKE TO AVOID OR MITIGATE OCCURRENCES OF FRAUD, ABUSE, AND MISMANAGEMENT	
Administration and Staffing	14
National Objective	14
Administrative Costs	14

Program Changes through Contract Amendments	14
Documentation	15
Reporting	15
Citizen Complaints	15
Regulatory Requirements	15
APPENDIX A: FUTURE FUNDS METHOD OF DISTRIBUTION	17
APPENDIX B: CERTIFICATIONS FOR STATE GOVERNMENTS, WAIVERS AND ALTERNATIVE REQUIREMENTS	18
APPENDIX C: CITIZEN PARTICIPATION AND RESPONSE TO PUBLIC COMMENT	21

INTRODUCTION

The State of Indiana is required to publish an Action Plan for Disaster Recovery (Action Plan) 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 110-252, approved June 30, 2008) for disaster relief of unmet needs resulting from tornadoes and flooding in the state. This document will describe:

- the citizen participation process used to develop the Action Plan;
- eligible affected areas and applicants, and the methodology to be used to distribute funds to those areas and applicants;
- activities for which funding may be used; and
- grant administration standards.

This Action Plan will be used by the state to guide the distribution of \$67,000,000 of CDBG Disaster Recovery Funding toward meeting unmet housing, infrastructure, business, public service, public facility, and other needs in counties designated as Presidential Disaster Areas, as directed by Public Law 110-252 and HUD. This Action Plan is in relation to the U.S. Department of Housing and Urban Development's Notice of Funding Availability provided in Federal Register / Volume 73, Number 177, Docket No. FR-5250-N-01.

THE EFFECT OF THE DISASTERS ON INDIANA'S RECOVERY NEEDS

The 2008 disasters in Indiana have been among the worst in our state's history. 82 of Indiana's 92 counties were declared as Presidential disaster areas between the three disaster periods (DR-1740, DR-1766 and DR-1795).

DR-1766, the result of severe flooding in late May and early June, was clearly the most substantial with 44 counties declared as Presidential disaster areas. FEMA estimates that total IA and PA for this disaster will exceed \$350 million. FEMA and the SBA received 17,844 applications for IA during DR-1766, resulting in over \$127 million in assistance. The PA process is now in full swing with FEMA having 471 applicants from local and state government and an estimated 2,092 project worksheets. Currently 26 million dollars have been obligated to local governments, and PA total estimates exceed \$150 million.

While the estimated FEMA assistance is substantial, it will not cover the estimated recovery needs in the areas of economic and workforce development, infrastructure, and housing. The following summarizes the key unmet needs in each of these areas:

Economic and Workforce Development

The largest economic impact to Indiana will be in the area of agriculture where early estimates indicate that crop losses will exceed \$300 million and land rehabilitation losses for activities like debris and sediment removal, levee repair and soil erosion repair will exceed \$200 million.

Impact to other Indiana businesses is likely to exceed \$400 million with most of the damage occurring in the five most effected counties of Bartholomew, Johnson, Vigo, Morgan and Owen. The most substantial areas of damage occurred in Columbus, Indiana, where the Columbus Regional Hospital was completely immobilized and had over \$211 million in damages of which less than \$75 million will be

covered by FEMA. Additionally, the city’s largest employer reported damages in excess of \$200 million none of which qualified for assistance.

Infrastructure

Damage to Indiana’s public infrastructure will likely exceed \$325 million and it is estimated that FEMA-PA will cover about half, or \$158 million of this expense. The remainder does not qualify, is covered by another Federal program, or represents the state/local match. The chart below depicts the financial assistance the State of Indiana has received. However, the costs that go beyond what is covered below have been identified as key areas of remaining need.

	FEMA-IA Applicants	FEMA-IA Assistance (\$000)	SBA Loans (\$000)	FEMA-PA Assistance (\$000)	Total Financial Assistance (\$000)
June Flooding & Tornadoes DR-1766	17,840	54,241	71,711	158,502	284,454

About half of Indiana’s PA expense comes from the extensive damages to Columbus Regional Hospital, a major hospital servicing a large portion of Southeastern Indiana. The hospital suffered over \$211 million in damage of which about half will qualify for FEMA-PA. One of the state’s top priorities has been to help CRH recover from the catastrophic losses experienced in June of 2008, and a portion of PA-match funding would be for this effort. The remaining PA expenses result from damage to a mixture of public infrastructure such as damaged roads, bridges, dams and levees.

Of note, Indiana’s local FEMA-PA match will likely exceed \$40 million. Indiana will likely not achieve an automatic reduction in the FEMA match rate from 25% to 10% as our statewide per capita loss will be below the \$122 threshold. However, our hardest hit counties have more than exceeded this threshold and thus this match will be a burden to them. The disaster CDBG funds will be key in helping reduce this local burden.

Housing

Indiana has over 17,000 families who suffered some type of damage to their dwelling. Housing is a key challenge for the state. FEMA-IA has provided substantial assistance; however, additional help will be required.

The most urgent need is to insure that those communities wanting to participate in a buy-out program have the resources to do so. Over 550 homes totaling \$71MM could be purchased through the home buy-out program with local match exceeding \$17MM. Many communities have opted to participate in the home buy-out program offered by FEMA as most of these homes have been completely destroyed and are in floodplains. While this will clearly benefit the community long-term, two issues exist. First, the match requirement is burdensome and in many cases homeowners have been left in limbo while local communities wrestle with this issue. Some communities are currently deciding not to include significantly damaged homes in the buy-out because they are concerned about funding their 25%

match. Second, the state anticipates receiving only \$30 million from FEMA in HMGP funds. This estimate is based on FEMA's formula which determines the HMGP funds based on 15% of both IA and PA. This results in slightly more than a \$25 million shortfall.

Indiana now has 14 local Long Term Recovery Committees (LTRCs) assessing the other unmet needs in counties declared during DR-1766. Early estimates indicate that those needs could exceed \$20 million. The vast majority of this need will be to ensure that communities have adequate affordable housing options.

FEDERAL AND STATE RESPONSES TO DATE

From the onset of the disaster, federal and state agencies have exhibited an unprecedented level of cooperation. This coordinated effort has resulted in quick and efficient response and a transparent delivery of services to Hoosiers.

Early in the disaster period, Governor Daniels initiated a unique approach to recovery in that he ordered all state and federal agencies to set up One-Stop-Shops around the disaster areas. These centers were designed to include appropriate federal, state and volunteer resources so flood victims could initiate all of their recovery efforts at one time. This resulted in a quick enrollment of almost all applicants and the quick disbursement of nearly \$130 million in IA ,ONA and SBA loans.

Similarly, Governor Daniels created the Office of Disaster Recovery (ODR) to coordinate the state's ongoing recovery efforts with one voice. ODR has five primary areas of focus: 1) Maximizing federal financial assistance, 2) Ensuring optimal short and long-term housing, 3) Maximizing PA and issuing funds to local government quickly, 4) Addressing the long-term dam and levee issues, and 5) Ensuring farmers receive maximum USDA assistance. ODR coordinates the activities of many federal and state agencies and is in close partnership with FEMA's DR-1766 JFO. ODR's activities are summarized and key metrics are available at www.emergency.in.gov.

Regarding federal financial assistance, the state is working directly with appropriate federal agencies to ensure that Indiana receives its fair share of the funds appropriated in the Supplemental Appropriations Act, 2008 (PUBLIC LAW 110-252 – JUNE 30, 2008).

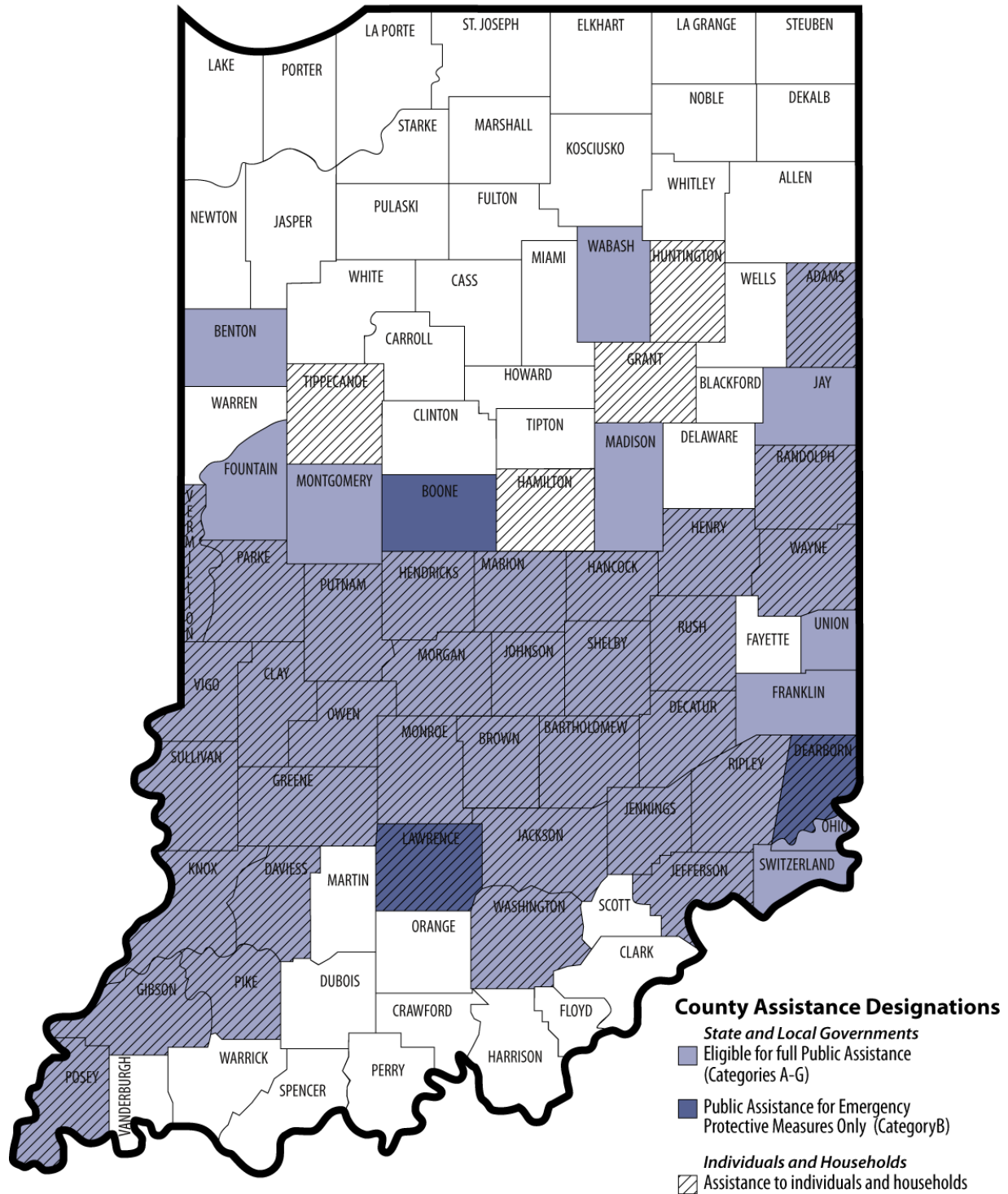
CONSULTATION WITH LOCAL GOVERNMENTS

Indiana has made local government interaction a key priority in the recovery efforts. In the early days after the flooding the Governor directed the Office of Community & Rural Affairs (OCRA), the Indiana Department of Homeland Security (IDHS) and the Indiana Bond Bank (IBB) to coordinate an aggressive outreach effort to the over 1,500 local units of government impacted. This effort resulted in detailed overviews of the PA process and then aiding local government in the Request for Public Assistance process.

More recently, ODR partnered with OCRA and FEMA-ESF#14 to begin a comprehensive Long-Term Community Recovery (LTCR) effort. The goal of this process was to understand the long-term issues that communities must address to recover. This included identifying those projects that were indirectly

impacted given that resources were diverted to cover flood related expenses. LTCR is also the state's tool to identify unmet needs and maximize federal assistance. LTCR initiated efforts in 14 of the most heavily impacted counties. Each of these counties now has a dedicated team of state and federal resources working on key recovery projects, and much progress has been made since the creation of LTCR. The LTCR has also been the key mechanism for the state to identify appropriate uses of CDBG funds.

Counties Approved for Assistance



September 15, 2008

PROMOTION OF SHORT TERM/LONG TERM RECOVERY

Indiana consistently promotes robust land use planning at the local level. The state believes that land use decisions must originate with local government with input from state and federal partners. In response to flooding, state and federal agencies are providing tools such as enhanced floodplain mapping and mitigation analysis tools to aid local government in making decisions, particularly on home buy-out programs. Once plans are complete, the state is committed to expedite the regulatory requirements under its purview.

Short term recovery

- The counties each have long-term recovery teams (funded by Lilly Endowment/United Way) to plan and respond to long term needs, primarily focused on Individual Assistance. Some also bleed into Public Assistance.
- For each county, Indiana has a team that provides assistance and supplements the efforts of the local teams. The team consists of representatives from OCRA, FEMA (ESF-14), DHS, RPCs, and others as needed/required. This team works on a 'short list' each county has identified by following up at the state and federal level to remove barriers to progress on the high priorities identified by the county teams.

Long term recovery

- The state teams also engage the local teams in discussion to start planning and acting on long term recovery.
- Six Regional Planning Commissions are hiring additional staff to serve as Flood Recovery Coordinators. The funding for staffs comes from EDA and from OCRA (providing local match). The Coordinators help the counties develop recovery plans and also economic recovery plans. They also assist individual communities in finding funds and applying for these funds.
- OCRA has received an EDA grant which will pay for the development of a statewide economic recovery plan. This plan will provide for coordination of the priorities established in the local plans; and also guide the efforts of the Flood Recovery Coordinators.

METHOD OF DISTRIBUTION

All local units of government (cities, towns, counties) will be eligible for the Disaster Recovery program, including HUD Entitlements.

Flood Plain Acquisition and Green Space Development

IHCDA, in coordination with the Indiana Department of Homeland Security (IDHS), proposes to provide grants that allow cities, towns, and counties to acquire and demolish substantially damaged residential properties contained within a floodplain or floodway and to redevelop the area into permanent green space for community use. The voluntary program must be initiated by a local community and be agreed to by individual homeowners.

In order to be considered for mitigation funds, communities must have a state-approved hazard mitigation plan or a FEMA-approved multi-hazards mitigation plan. The Indiana Department of Homeland Security has provided grants to the 42 counties impacted by the floods to complete these plans. To expedite the overall process, FEMA has given approval for communities to apply for mitigation funds while they assemble their multi-hazards plans.

Interested communities must submit a joint grant application to IDHS. Once a property is approved for purchase, the Federal Emergency Management Agency (FEMA) will cover 75 percent of the acquisition cost with the remaining 25 percent to be paid by the local unit of government, which can use CDBG funding to offset its match requirement.

Funds may also be used to purchase state-approved properties or to fill the mortgage gap that is created by shortfalls in FEMA payout. This use will ensure that homeowners have the necessary funds to obtain suitable replacement housing. Local communities in coordination with IDHS will determine the gap each homeowner may experience or the cost of the buyout property. Finally, communities may use these funds to repurpose the mitigation area into usable greenspace for community residents.

Priority will be given to communities with the greatest needs considering the concentration of affected individuals and financial need of each local unit of government.

Specific criteria include:

- The community's match obligation as a percent of its annual budget;
- The median assessed value of the residential properties in the buy-out area; and
- The concentration of individual assistance applications in an impacted community.

Allocation: \$9,826,594

Rental Housing Finance Fund

The state of Indiana plans to invest \$10,000,000 to develop affordable rental properties in communities devastated by the disasters of 2008. The rental markets in many of the communities impacted the most suffered from an under supply of units and excessive demand from income-restricted households.

Utilizing CDBG Disaster Recovery Funds to replace and expand rental opportunities in these communities meets two key objectives: 1) allows existing residents to remain in the community; and 2) provides a ready supply of housing alternatives for a service sector workforce that previously could not afford to reside in the community. Funds may be used to finance offsite infrastructure that is requisite for a housing development that is financed by IHCD. Applications will be accepted and awards made until all funds have been expended.

Allocation: \$10,000,000

Emergency Rental Assistance

From the beginning of the disaster, under the leadership of Governor Daniels, IHCD took an active roll in ensuring that those victims of the floods were adequately housed as soon as possible. To that end, IHCD made a commitment to provide temporary housing for all displaced victims. For displaced flood victims that were ineligible to receive FEMA assistance, IHCD committed to paying any necessary security deposit and three months rent. For all of those who were deemed eligible to receive FEMA assistance, IHCD committed to paying any necessary security deposit. IHCD paid \$823,405.85 in temporary rental assistance to property owners to ensure the immediate housing of those displaced by the floods. The State would request that a portion of the CDBG Disaster Recovery Funds be used to reimburse IHCD for these up-front costs.

Allocation: \$823,406

Long Term Recovery Planning

In 2008, the state experienced a series of major flooding events of a scale that had not been seen in many years. There were three different federal disaster declarations, resulting in estimated total damages over \$1 Billion. Local communities were, by and large, unprepared to provide a timely response to flooding to help reduce risk to human life and property or to the major infrastructures within these communities. They were also unprepared for the necessary post-flood damage assessment and recovery efforts. Completion of the proposed Flood Response Plans (FRPs) will assist local communities in responding and recovering from future floods by providing them the tools necessary to detect, classify the severity, notify the affected parties, and take timely action.

The proposed Flood Response Plans and tabletop exercises will further increase the communities' preparedness and readiness to respond and recover from future floods. Among other benefits, the

preparation of the FRP will also highlight the community's highest risk areas and existing vulnerabilities. Communities can then plan for mitigation of existing flood risks, and avoiding future development in high risk areas through subsequent resiliency planning. These funds are only proposed to be used for work done on 20 selected communities within the counties covered by the disaster declarations eligible for DR1 funding. However, the proposed completion of a flood response plan for the selected communities is intended to serve as a pilot for completing a plan for other flood-prone communities throughout the state, by utilizing other funding sources. The following communities will be included in the planning process: Lebanon, Nashville, Brazil, Elnora, Linton, Noblesville, New Castle, Seymour, Portland, Franklin, Anderson, Alexandria, Elwood, Martinsville, New Harmony, Decatur, Princeton, Greenfield, Edinburgh and Bloomington. The list of selected communities is subject to revision, based on willingness by the community to participate. Should a community not be willing to participate, other communities from the list of 42 communities will be substituted based on their priority group rating.

Allocation: \$650,000

Public Infrastructure

I. FEMA Public Assistance match

The CDBG Disaster Recovery Fund (DRF) will be available through the Indiana Office of Community and Rural Affairs. This fund will help offset the twenty-five percent (25%) FEMA match for various eligible public facilities activities pursuant to 24 CFR 570.201(c) and 24 CFR 507.201(f)(2). The Office of Community and Rural Affairs will give priority for activities that benefit at least 51% low-to-moderate income persons.

Eligible DRF activities will include most activities eligible under FEMA Public Assistance – Category A, Category B (Permanent Restoration of Facilities), Category C, Category D (limited), Category E (buildings), Category F, Category G (limited). Eligible activities will be determined by OCRA on a project by project basis. Examples include:

1. Construction/rehabilitation of public wastewater systems;
2. Construction/rehabilitation of public drinking water systems;
3. Construction/rehabilitation of storm drainage systems;
4. Rehabilitation of public roadways, bridges and dams;
5. Construction/rehabilitation of public facility buildings.

Projects/applications will be evaluated using the following criteria:

1. The importance of the project to post disaster recovery of the applicant;
2. The percentage of low-to-moderate income persons served;
3. The percentage of grant amount in relation to applicant's annual budget;
4. The relative economic distress of the applicant.

Grant applications will be accepted and awards made until funding is no longer available. The intent of the program is to provide the non-federal share of necessary public improvements and/or rehabilitation related to the 2008 presidentially declared disaster. A minimum of fifty percent (50%) of grant funds will be awarded to projects that benefit at least 51% low-to-moderate income persons.

Actual grant amounts are negotiated on a case by case basis and the amount of assistance will be dependent upon the factors described above. There is no maximum grant award for the Public Assistance Match Program.

II. Other non-FEMA Public Assistance projects

Upon completion of the FEMA Public Assistance match program, additional available funding will be allocated towards projects not included in the FEMA Public Assistance match program. Eligible projects will have sustained damage in FEMA Disaster 1766 and/or be related to the long term recovery and restoration of that public facility. This fund will help offset the required local costs not covered by another funding source (FEMA, USDA-NRCS, U.S. Army Corps of Engineers, etc...). The eligible public facilities activities will be pursuant to 24 CFR 570.201(c) and 24 CFR 507.201(f)(2). The Office of Community and Rural Affairs will give priority for activities that benefit at least 51% low-to-moderate income persons. Examples include:

1. Construction/rehabilitation of public wastewater systems;
2. Construction/rehabilitation of public drinking water systems;
3. Construction/rehabilitation of storm drainage systems;
4. Rehabilitation of public roadways, bridges and dams;
5. Construction/rehabilitation of public facility buildings.

Applications will be accepted and awards will be made on a competitive basis in two funding rounds. One round will include completed projects and another round for to-be-completed projects. Approximately one-half of available funds shall be budgeted for each round. A third competitive round will be held at the discretion of the Office of Community and Rural Affairs (OCRA) to expend any remaining/de-obligated funding. Projects will be evaluated using the following criteria:

1. The importance of the project to post disaster recovery of the applicant;
2. The financial impact of the project on the applicant;
3. The percentage of low-to-moderate income persons served;
4. The relative economic distress of the applicant.

Actual grant amounts are negotiated on a case by case basis and the amount of assistance will be dependent upon the factors described above.

Allocation: \$27,000,000

Dam and Levee Improvements

OCRA, in coordination with the Department of Natural Resources (DNR) will provide grants to communities to address damaged and failing dams and levees. These dams are owned by local units of government or not-for-profit organizations and have significant safety deficiencies and/or damage or failure in FEMA Disaster 1766. The owners will typically consider these structures an asset that needs to be upgraded to a better condition or a nuisance that need to be decommissioned; both considerations are to protect the community safety and economic development. Eligible projects will have sustained

damage in FEMA Disaster 1766 and/or be related to the long term recovery and restoration of that structure. Projects must meet the National Objective of either Urgent Need or LMI Area Benefit (51% low to moderate income persons). National Objective will be determined by the Office of Community and Rural Affairs.

Applications will be evaluated using the following criteria:

1. The extent of damage caused by FEMA Disaster 1766;
2. The importance of the project to post disaster recovery of the applicant;
3. The DNR assessed hazard level;
4. The percentage of low-to-moderate income persons served;
5. The relative economic distress of the applicant;

Grant applications will be accepted and awards made until funding is no longer available. Grant amounts will be determined at the discretion of OCRA based on the above criteria.

Allocation: \$16,012,318

Administration

The State will set aside \$2,700,468 of its CDBG Disaster Recovery Funds for payment of costs associated with administering the Program (Docket No. FR-5250-N-01). This constitutes five percent (5%) of the State's CDBG Disaster Recovery allocation. These funds will be used by the Office of Community and Rural Affairs for expenses associated with administering its State CDBG Program, including direct personal services and fringe benefits of applicable Office of Community and Rural Affairs and Indiana Housing staff, as well as direct and indirect expenses incurred in the proper administration of the state's program and monitoring activities respective to CDBG grants awarded to units of local government (i.e. telephone, travel, services contractual, etc.).

Allocation: \$2,700,468

ANTI-DISPLACEMENT AND RELOCATION

Recipients implementing activities identified in this Action Plan are expected to ensure the assistance and protections afforded to any persons or entities under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) of 1970 (URA), as amended and section 104(d) of the Housing and Community Development Act of 1974 (HCD), as amended. Indiana plans to exercise the waivers set forth in Federal Register Vol. 73 No. 177 pertaining to URA and HCD given its priority to engage in voluntary acquisition and optional relocation activities to avert repeated flood damage and to improve floodplain management.

HIGH QUALITY, DURABILITY AND ENERGY EFFICIENCY

All housing activities involving the construction or rehabilitation of multi-family and single-family dwellings must meet all building codes and standards adopted and enforced by the State of Indiana as well as any local ordinances that exceed State codes and standards.

All housing activities shall be designed to achieve maximum energy efficiency to the extent that this can be accomplished on a cost-effective basis, considering construction and operating costs over the life cycle of the structure. Efficiency may be demonstrated through design based on LEED, Green Globes, Energy Star, and/or other comparable guidelines and rating systems. Historic aesthetic and local sourced materials shall be afforded value in this analysis.

PROVISION OF ADEQUATE, FLOOD-RESISTANT HOUSING FOR ALL INCOME GROUPS THAT LIVED IN THE DISASTER-IMPACTED AREAS

The State of Indiana will utilize a portion of its CDBG supplemental appropriation to mitigate the unmet affordable housing needs in disaster-impacted communities through voluntary acquisition, rehabilitation, and homebuyer assistance.

Many impacted communities have convened a long-term recovery committee in collaboration with the Indiana Association of United Ways and the Lilly Endowment. An integral responsibility of these committees is deploying strategic solutions to address unmet housing needs. Local Continuums of Care have been actively engaged in the long-term recovery committees to ensure that the homeless or those at risk of homelessness due to flooding have adequate housing and support services. As appropriate, the Homeless Management Information System will be utilized to assess household needs, to link families with services, and to track outcomes. It is anticipated that shelters, transitional housing units and permanent supportive housing properties damaged or lost due this flooding disaster will be eligible for some assistance under the housing assistance component of this plan.

Immediately following the disaster, Indiana, through the Indiana Housing and Community Development Authority (IHCDA) which administers the Section 8 program for the Balance of State, extended the 60-day time constraint that Section 8 voucher holders typically have to locate new, suitable housing. IHCDA will continue to identify administrative policies that can be amended, suspended, or repealed to increase the supply of affordable housing opportunities in each impacted community.

IndianaHousingNow.org, a online interactive database of available affordable rental units across the state has also been a useful tool in matching households with housing. Indiana expects that IndianaHousingNow will continue to grow and prove to be a robust service in future disasters.

ACTION PLAN AMENDMENTS

The following events would require a substantial amendment to the Action Plan:

- Addition or deletion of any allowable activity described in the Plan;
- Change in the planned beneficiaries;

Substantial amendments to the Disaster Recovery Action Plan, if any, will be published on the both the IHCDA and OCRA websites, emailed to affected units of general local government and will provide for a public comment period.

All comments will be considered.

MONITORING

CDBG (non-housing) monitoring. OCRA uses the following processes and procedures for monitoring projects receiving HUD funds:

- Evaluation on program progress;
- Compliance monitoring;
- Technical assistance;
- Project status reports;
- Monitoring technical assistance visits;
- Special visits; and
- Continual technical assistance and quality assurance by program managers.

Monitoring. OCRA conducts a monitoring of every grant project receiving HUD funds. Two basic types of monitoring are used: off-site, or “desk” monitoring and on-site monitoring.

- Desk monitoring is conducted by staff for non-construction projects. Desk monitoring confirms compliance with national objective, eligible activities, procurement and financial management.
- On-site monitoring is a structured review conducted by OCRA staff at the locations where project activities are being carried out or project records are being maintained. One on-site monitoring visit is normally conducted during the course of a project, unless determined otherwise by OCRA staff.

Grants utilizing a sub-recipient to carry out eligible activities are monitored on-site annually during the 5-year reporting period to confirm continued compliance with national objective and eligible activity requirements.

In addition, if there are findings at the monitoring, the grantee is sent a letter within 3 to 5 days of monitoring visit and is given 30 days to resolve it.

CDBG (housing) monitoring. IHCD uses the following processes and procedures for monitoring projects receiving CDBG and HOME funds:

- Self monitoring;
- Monitoring reviews (on-site or desk-top);
- Results of monitoring review;
- Determination and responses;
- Clearing issues/findings
- Sanctions;
- Resolution of disagreements; and
- Audits.

IHCD conducts at least one monitoring of every grant project receiving CDBG and HOME funds. The recipient must ensure that all records relating to the award are available at IHCD’s monitoring. For

those projects determined to need special attention, IHCDCA may conduct one or more monitoring visits while award activities are in full progress. Some of the more common factors that would signal special attention include: activity appears behind schedule, previous audit or monitoring findings of recipient or administrative firm, high dollar amount of award, inexperience of recipient or administrative firm, and/or complexity of program. These visits will combine on-site technical assistance with compliance review. However, if the recipient's systems are found to be nonexistent or are not functioning properly, other actions could be taken by IHCDCA, such as suspension of funding until appropriate corrective actions are taken or termination of funding altogether.

Monitoring. Two basic types of monitoring are used: on-site monitoring and desk-top monitoring.

- On-site monitoring review:
 - Community Development Representative will contact recipient to set-up monitoring based on award expiration and completion/close-out documentation submitted and approved.
 - Recipient will receive a confirmation letter stating date, time, and general monitoring information.
 - On date of monitoring, IHCDCA staff will need: files, an area to review files, and a staff person available to answer questions.
 - Before leaving, IHCDCA staff will discuss known findings and concerns, along with any areas that are in question.
- Desk-top monitoring review:
 - Community Development Representative or Community Development Coordinator will request information/documentation from award recipient in order to conduct the monitoring. IHCDCA staff will give approximately 30 days for this information to be submitted.
 - IHCDCA staff will review information/documentation submitted and correspond via the chief executive officer the findings of the desk-top review. However, if during the course of the review additional information and/or documentation is needed, staff will contact the award administrator.

The Indiana State Board of Accounts will audit the Disaster Recovery program on an annual basis and report its findings to the Lieutenant Governor's Business Office.

STEPS THE STATE WILL TAKE TO AVOID OR MITIGATE OCCURRENCES OF FRAUD, ABUSE, AND MISMANAGEMENT

Administration and Staffing

The Office of Community and Rural Affairs and the Indiana Housing and Community Development Authority, will provide technical assistance to local government grant recipients and undertake administrative and monitoring activities to ensure compliance with applicable federal requirements.

National Objective

All activities must meet one of the three national objectives set out in the Housing and Community Development Act (address slum and blight, urgent need, or primarily benefit LMI persons). At least 50% of the Supplemental Funding will be used for activities that meet the National Objective of primarily benefiting persons of low- and moderate-income.

Administrative Costs

Sub-grantees are strongly encouraged to minimize their administrative costs so that the amount available for program activities will be maximized. To promote this goal, the amount of allowable sub-grantee administrative costs will be capped at a reasonable amount for each of the various activity categories (i.e. FEMA buy-out, housing repair, public facilities), but will not exceed 5% for any of the categories.

Program Changes through Contract Amendments

All sub-grantees will be encouraged to carefully plan projects that meet the stated requirements and to specify activities, associated costs, and proposed accomplishments and beneficiaries in order to reduce the need for amending contracts. Sub-grantees must contact the awarding agency (OCRA or IHCD) prior to requesting an amendment or contract modification that affects the budget, activities, beneficiaries, or time frame for accomplishing the proposed activities. Substantial amendments may cause to review the entire Application submitted to determine if the project is meeting its stated goals and its timelines.

Documentation

The use of the disaster funding is contingent upon certain requirements, and both the state and local government will be expected to certify that these requirements will be met or carried out. The chief elected official, or designee authorized by the local governing authority of the local government applying for funds will be required to certify in writing that the grant will be carried out in accordance with applicable laws and regulations.

In addition, local governments will be required to submit or maintain documentation that fully supports the application that is submitted to the State. Failure to document that the project is needed as a result of the disaster(s), or to mitigate the effects of future disasters, will result in an application being declared ineligible. If this discovery is made after an award has been made, the contract with the local government will be terminated and the local government will have to repay any funds received to that point.

Reporting

Each awarded applicant must report on a form provided by the awarding agency on the status of the activities undertaken and the funds drawn. Additional reporting requirements (i.e., annual audits, contractual obligations and minority business enterprise reports, as applicable) will be specified in the Grant Agreement.

Citizen Complaints

All sub-grantees and recipients should establish procedures for responding to citizens' complaints regarding to activities carried out utilizing these funds. Citizens should be provided with an appropriate address, phone number, and times during which they may submit such complaints. Sub-grantees should provide a written response to every citizen complaint within 15 working days of the complaint.

Regulatory Requirements

Sub-grantees must comply with fair housing, nondiscrimination, labor standards, and environmental requirements applicable to the CDBG Program, as follows:

(i.) Fair Housing: Each Sub-grantee will be required to take steps to affirmatively further fair housing; and when gathering public input, planning, and implementing housing related activities, will include participation by neighborhood organizations, community development organizations, social service organizations, community housing development organizations, and members of each distinct affected community or neighborhood which might fall into the assistance category of low and moderate income communities.

(ii.) Nondiscrimination: Each Sub-grantee will be required to adhere to the State's established policies which ensure that no person be excluded, denied benefits or subjected to discrimination on the basis race, color, national origin, religion, sex, familial status, and/or physical and mental handicap under any program funded in whole or in part by Federal CDBG funds. Sub-grantees will be required to document compliance with all nondiscrimination laws, executive orders, and regulations.

(iii.) Labor Standards: Each Sub-grantee will be required to oversee compliance with Davis-Bacon Labor Standards and related laws and regulations. Regulations require all laborers and mechanics employed by contractors or subcontractors on CDBG funded or CDBG assisted public works construction contracts in excess of \$2,000, or residential construction or rehabilitation projects involving eight or more units be paid wages no less than those prescribed by the Department of Labor and in accordance with Davis Bacon Related Acts.

(iv.) Environmental: Specific instructions concerning environmental requirements at 24 CFR Part 58 will be made available to all Sub-grantees. Some projects may be exempt from the environmental assessment process, but all Sub-grantees will be required to submit a Request for Release of Funds and Certification. Funds will not be released for expenditure until the awarding agency is satisfied that the appropriate environmental review has been conducted. Sub-grantees will not use CDBG disaster recovery funds for any activity in an area delineated as a special flood hazard area in FEMA's most current flood advisory maps unless it also ensures that the action is designed or modified to minimize harm to or within the floodplain in accordance with Executive Order 11988 and 24 CFR Part 55.

All suspected cases of fraud or abuse will be reported to the Lieutenant Governor's Business Office. The Business Office will make a determination on further investigation.

APPENDIX A: FUTURE FUNDS METHOD OF DISTRIBUTION

Long Term Housing Needs

In each community that realized displaced victims, the State has instituted Long-Term Housing Committees. Coordinated by local United Way organizations, these committees will meet with victims and “triage” their long-term housing needs and compare that with any housing assistance that they have been provided. While still awaiting final numbers, it has become apparent that many displaced flood victims have been denied assistance through the Small Business Administration loan program and will therefore require additional assistance in order to find long-term stable housing. IHEDA intends to use any additional CDBG Disaster Recovery Funds for this purpose. Specifically, this funding may be used for up to 24 months of rental assistance, relocation assistance and assistance with the rebuilding of single-family homes.

APPENDIX B: CERTIFICATIONS FOR STATE GOVERNMENTS, WAIVER AND ALTERNATIVE REQUIREMENT

In accordance with the applicable statutes and the regulations governing the consolidated plan and the Supplemental Appropriations Act, 2008, the State certifies that:

- a) The state certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard. (See 24 CFR 570.487(b)(2).)
- b) The state certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan in connection with any activity assisted with funding under the CDBG program.
- c) The state certifies its compliance with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms, if required by that Part.
- d) The state certifies that the Action Plan for Disaster Recovery is authorized under state law and that the state, and any entity or entities designated by the state, possesses the legal authority to carry out the program for which it is seeking funding, in accordance with applicable HUD regulations and this Notice.
- e) The state certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR Part 24, except where waivers or alternative requirements are provided for this grant.
- f) The state certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR Part 135.
- g) The state certifies that it is following a detailed citizen participation plan that satisfies the requirements of 24 CFR 91.115 (except as provided for in notices providing waivers and alternative requirements for this grant), and that each unit of general local government that is receiving assistance from the state is following a detailed citizen participation plan that satisfies the requirements of 24 CFR 570.486 (except as provided for in notices providing waivers and alternative requirements for this grant).
- h) The state certifies that it has consulted with affected units of local government in counties designated in covered major disaster declarations in the nonentitlement, entitlement and tribal areas of the state in determining the method of distribution of funding;
- i) The state certifies that it is complying with each of the following criteria:

1) Funds will be used solely for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in areas covered by a declaration of major disaster under title IV of the

Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) as a result of recent natural disasters.

2) With respect to activities expected to be assisted with CDBG disaster recovery funds, the action plan has been developed so as to give the maximum feasible priority to activities that will benefit low- and moderate-income families.

3) The aggregate use of CDBG disaster recovery funds shall principally benefit low- and moderate income families in a manner that ensures that at least 50 percent of the amount is expended for activities that benefit such persons during the designated period.

4) The state will not attempt to recover any capital costs of public improvements assisted with CDBG disaster recovery grant funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless (A) disaster recovery grant funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than under this title; or (B) for purposes of assessing any amount against properties owned and occupied by persons of moderate income, the grantee certifies to the Secretary that it lacks sufficient CDBG funds (in any form) to comply with the requirements of clause (A).

j) The state certifies that the grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations.

k) The state certifies that it has and that it will require units of general local government that receive grant funds to certify that they have adopted and are enforcing:

1) A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and

2) A policy of enforcing applicable state and local laws against physically barring entrance to or exit from a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

l) The state certifies that each state grant recipient or administering entity has the capacity to carry out disaster recovery activities in a timely manner, or the state has a plan to increase the capacity of any state grant recipient or administering entity that lacks such capacity.

m) The state certifies that it will not use CDBG disaster recovery funds for any activity in an area delineated as a special flood hazard area in FEMA's most current flood advisory maps unless it also ensures that the action is designed or modified to minimize harm to or within the floodplain in accordance with Executive Order 11988 and 24 CFR Part 55.

n) The state certifies that it will comply with applicable laws.

Signature/Authorized Official

12/16/2008
Date

Executive Director, OCRA
Title

APPENDIX C: CITIZEN PARTICIPATION AND RESPONSE TO PUBLIC COMMENT

The Draft Action Plan Amendment No. 1 was released for public comment on Friday, January 15, 2009. The public comment period for the document ran from Friday, January 15, 2009 through Friday, January 22, 2009. The Draft Plan was posted on the websites of the Office of Community and Rural Affairs (www.ocra.in.gov) and the Indiana Housing and Community Development Authority (www.in.gov/ihcda) on January 15th as well. The Draft Plan was also emailed to all Regional Planning Commissions and all cities, towns and counties in Indiana. An announcement of the Action Plan's availability was made in the following newspapers on or before January 15, 2009.

The Republic

Columbus, IN 47201

Indianapolis Star

Indianapolis, IN 46204

The Chronicle-Tribune

Marion, IN 46953

Tribune Star

Terre Haute, IN 47807

Journal & Courier

Lafayette, IN 47901

Palladium-Item

Richmond, IN 47375

Martinsville Reporter Times

Martinsville, IN 46151

Tribune

Seymour, IN 47274

Spencer Evening World

Spencer, IN 47460

Bloomington Herald Times

Bloomington, IN 47402

Franklin Daily Journal

Franklin, IN 46131

Attached you will find comments to the DRAFT Action Plan Amendment #2 and responses by the State of Indiana.

**LEGAL NOTICE
OF FILING OF
DISASTER RECOVERY ACTION PLAN AMENDMENT #2**

The Office of Community and Rural Affairs (OCRA) and the Indiana Housing and Community Development Authority (IHCDA) wish to encourage citizens to participate in the development of the State of Indiana Disaster Recovery Action Plan Amendment #2. The State is providing the opportunity for citizens to comment on the draft Amended Plan, which will be submitted to the U.S. Department of Housing and Urban Development (HUD) on or around January 25, 2010. The Second Amended Action Plan will set forth the method of distribution of funds for the HUD-funded program.

Members of the public, especially persons of low to moderate income, are invited to review the Second Amended Plan prior to its submission during the hours of 8:30 a.m. to 5:00 p.m., Friday, January 15, 2010 through Friday, January 22, 2010, at the Indiana Office of Community & Rural Affairs, One North Capitol, Suite 600, Indianapolis, Indiana 46204. The Plan will also be available on the IHCDA and OCRA websites.

Written comments are invited from Friday, January 15, 2010 through Friday, January 22, 2010, at the following address:

Disaster Recovery Action Plan Amendment #2
Office of Community and Rural Affairs
One North Capitol, Suite 600
Indianapolis, Indiana 46204-2288.

Additional information may also be obtained via e-mail at bdawson2@ocra.IN.gov or by phone at 1-800-824-2476.