

**Mississippi Development Authority  
Public Housing Program  
CDBG Disaster Recovery Action Plan  
Amendment 1**

## **Overview**

Hurricane Katrina made landfall in Mississippi on August 29, 2005 and turned out to be the worst natural disaster to ever hit the United States. FEMA reported there were 65,380 homes in south Mississippi damaged or destroyed and estimated there were 44 million cubic yards of debris in south Mississippi. During the aftermath of the storm many citizens along the Mississippi Gulf Coast were without a place to live.

The State of Mississippi received a \$5.058 billion allocation from HUD resulting from the \$11.5 billion federal appropriation through HR 2863. This appropriation is for the states of Mississippi, Louisiana, Alabama, Florida and Texas. These monies have been designated by Congress for “disaster relief, long-term recovery and restoration of infrastructure in the most impacted and distressed areas related to the consequences of hurricanes in the Gulf of Mexico in 2005.” The Mississippi Development Authority (MDA) is the State’s designated agency responsible for administering CDBG funds and will administer Mississippi’s share of the Katrina CDBG funds.

The partial action plan represented \$3.560 billion of the State’s \$5.058 billion allocation and consisted of the Homeowner Assistance Grant Program, a Grant Program to Local Governments for building and permitting officials and the establishment of an Office of Fraud Prevention and Investigations.

Other proposed amendments to the CDBG Disaster Recovery Action Plan that are in progress include:

- Economic Development & Community Revitalization Program
- Regional Infrastructure Program

This amendment describes the Public Housing Program, which will provide long-term recovery assistance by replacing critical public housing that existed prior to the storm on at least a “one-for-one” basis. The total proposed for this program, including MDA administrative costs, in an amount not to exceed \$105 million. No more than \$5 million of this amount will be spent on administrative costs.

**Public Housing Program**

The laws of the State of Mississippi permit any municipality, county or group of counties to establish a public housing authority ("Housing Authority"), for the purpose of providing decent, safe and sanitary living accommodations for low and very low-income residents who, without some form of assistance, would lack access to such housing. Historically, Housing Authorities have developed, owned, operated and managed multifamily properties and looked primarily to HUD for development capital, maintenance funds, rental assistance and operating subsidies. Contractual arrangements are detailed in separate Annual Contribution Contracts (each, an "ACC") between individual Housing Authorities and HUD. To foster housing and community development in their areas of operation, Housing Authorities are also authorized by statute to establish a subsidiary nonprofit corporation.

Five Mississippi Gulf Coast Housing Authorities located in Jackson, Hancock and Harrison counties suffered serious damage as a consequence of Hurricane Katrina: Region VIII, Biloxi, Bay St. Louis, Waveland and Long Beach. After the storm, HUD contracted with MD Strum, a housing management consultant firm based in Indianapolis, Indiana, to assess the extent of the damages. MD Strum reviewed each public housing development and provided an estimate to repair/rebuild damaged units. In addition, the estimates contained inflation markups due to rising prices in materials and labor as a result of the storm. Based on MD Strum’s review, the following table shows the damages incurred by each of the five Housing Authorities:

	<b>Region VIII *</b>	<b>Biloxi</b>	<b>Bay St. Louis</b>	<b>Waveland</b>	<b>Long Beach</b>	<b>Totals</b>
Total # of Units	1,774	670	101	75	75	2,695
Units Damaged	1,664	619	101	75	75	2,534
Units Destroyed (Included in Damaged #)	26	172	36	75	7	316
Damage Estimate Dollar Value	\$40.0M	\$50.0M	\$7.5M	\$11.0M	\$2.8M	\$111.3M
Damage Estimate Per Unit Damaged	\$24K	\$81K	\$74K	\$147K	\$37K	\$44K

*\* Region VIII covers 14 counties in total. The remaining 4 Housing Authorities are “city specific,” therefore Region VIII covers all other Public Housing properties within Harrison, Hancock and Jackson counties. See Appendix A to this document for locations of the impacted housing authorities.*

## **Amendment Details**

The purpose of this Public Housing amendment is to provide funding, in an amount up to \$100M, to the five Housing Authorities that suffered damages to their facilities on August 29, 2005 from Hurricane Katrina. Grant allocations will be made based on the percentage of individual Housing Authority dollar damages to the total damages for all five Housing Authorities. Any HUD emergency monies already received will be taken into account during the allocation of payments made to each Housing Authority. Subject to (i) approval by MDA and (ii) satisfaction of the legal requirement that any housing development funded in part by these funds serve and house "persons of low and very low income," the Housing Authorities receiving these CDBG funds can – but will not be required to – use the monies to leverage other available resources in developing affordable housing targeting low and very low income Gulf Coast residents. Additional sources of assistance include but are not limited to affordable housing tax credits, tax-exempt debt, HOME funds and the Affordable Housing Program of the Federal Home Loan Bank Board.

With or without such additional assistance, the funds may be used by the Housing Authorities to rebuild and/or repair public housing units that existed before the storm. Alternatively, the Housing Authorities can use the CDBG funds to develop, multifamily properties that they will own and operate that contain public housing replacement units and target persons or families who earn 60% or less of area median income. Developments that qualify for low and very low income housing tax credits will be allowed to admit into ownership an investor that shall have no role in the management or operation of the property. Any such investor must be obligated in the ownership agreements to offer to the Housing Authority the opportunity to repurchase its ownership interest at the end of fifteen years, at the minimum price allowed by the Internal Revenue Code.

Any such development can be undertaken by the Housing Authority or, under Housing Authority sponsorship, a subsidiary nonprofit corporation of such Housing Authority, provided that the Housing Authority shall remain responsible to MDA for any funds made available through this amendment. In exchange for the funding, each Housing Authority must agree to the following:

- To a new damage assessment from a State-provided assessor
- To maintain, at a minimum, the number of affordable housing units offered prior to the storm
- That public housing residents present prior to the storm retain the first right to reoccupy housing units receiving subsidy from HUD
- That any construction, new or repair (rehab), is in accordance with the International Building Code (IBC) of 2003 or local municipal code, whichever is more stringent
- That newly constructed units be elevated in accordance with FEMA advisory flood elevations or subsequent FEMA permanent maps and access needs for disabled persons have been met for all units in accordance with CDBG requirements.
- To provide all bids (or cost estimates where the PHA has already selected a developer via RFP in accordance with a HUD approved procurement policy), plans and invoices for

repair/rebuilding to the State’s Construction Manager for review and approval; that such plans minimize future maintenance costs through strategies such as energy efficient construction

- To provide proof of total financing to the satisfaction of MDA and the State’s Construction Manager for all projects
- To provide proof of future cash flows to sustain operations
- To maintain 100% insurance coverage on replacement values of the property for all hazard types
- To provide a yearly certification to the State for all non-HUD subsidized units to ensure a minimum of 100% of the affordable housing units available prior to the storm are still available as affordable housing units
- That if previously owned land (owned prior to the storm) is sold to acquire new land, any profit from the sale will be used prior to requesting CDBG funds
- For PHA’s that intend to continue obtaining a HUD operating subsidy (ACC):
  - To abide by 24 CFR 941 (public housing development regulations) for the rebuilding of units. *Note: It is the responsibility of the Housing Authority to determine the impact of any rebuilding efforts undertaken as it relates to their operating subsidies from the HUD ACC.*
  - In order for the units to be put under the ACC, the unit count of a Housing Authority should not exceed its October 1, 1999 level.

**Calculation of Funding**

Each Housing Authority will receive funding based on their respective damage as a percent of the total aggregate damages incurred for all five Housing Authorities. This amount will be calculated based on the State-approved damage assessment. An example of payout is as follows:

Total Damages for all Five Housing Authorities	\$110,000,000
Damages for Housing Authority XYZ	\$ 40,000,000
Percent of Damages to Total Damages	37%
Total State Funding Available for all Five Public Housing Authorities	\$100,000,000
Eligible Funding for Housing Authority XYZ	\$37,000,000
<b>Less:</b> Emergency Funds Previously Received from HUD	(\$7,000,000)
Adjusted Funding for Housing Authority XYZ – <i>Note 1</i>	\$30,000,000

*Note 1: This example does not take into account various scenarios that could result from repairing/rebuilding the units. These scenarios include, but are not limited to, the following items:*

- *Some developments may be rebuilt to higher standards and include market rate units. MDA will only fund the public housing units. This funding will be achieved by allocating the public housing units to the total units for the development.*
- *Some developments may include additional financing such as tax credits, etc. The grant will be available to fund these monies as gap-financing for the public housing unit portion only.*

Funding of these amounts will be reduced for any HUD emergency funds received prior to the release of this amendment. In addition, funding will be limited to the replacement costs of the

public housing rental dwellings. Soft costs such as planning, architectural/engineering will be limited to 15 % of the total grant amount.

## **Monitoring**

MDA's Construction Manager, selected from a RFP process, will review all information for propriety and accuracy and will perform routine on-site inspections. MDA's CDBG Monitors and MDA's Accounting Division will perform routine on-site inspections and reconciliations to ensure all costs are accounted for properly. Responsible staff will report concurrently to the CFO of the Mississippi Development Authority and the Office of the Governor of the State of Mississippi.

The State will require the Public Housing Authorities receiving funds under this amendment to enter into sub-recipient agreements with MDA. Among other provisions, these agreements will require regular progress reports, permit MDA access to grant records and sites, and require that all procurement is in accordance with State and Federal requirements.

## **Audit Requirements**

Funds disbursed under this program are subject to the audit requirements of the Single Audit Act of 1996 and OMB Circular A-133.

## **Investigation and Mitigating Occurrences of Fraud, Abuse and Mismanagement**

MDA will work with HUD to develop procedures for mitigating instances of fraud, abuse, and/or mismanagement. The Construction Manager will maintain a system of tracking and clearing issues, which will be reviewed by MDA on a regular basis. Additionally, the Auditor of the State of Mississippi will have an investigative team assigned to investigate suspected instances of fraud.

To augment its existing capabilities, MDA will contract with an industry expert (Construction Manager) who has program relevant expertise. This Construction Manager will have as a primary responsibility supervising construction (e.g., oversee development in accordance with this Action Plan and the approved construction plans provided by the PHA to MDA), and administering and disbursing funds in accordance with the grant agreements with a zero tolerance for duplication of benefits and fraud.

## **Disbursement of Funds**

Funds will be made available to the five Housing Authorities as construction commences to fund costs of housing developments undertaken in accordance with this Amendment. In general, all funds will be paid on a "draw down" basis to the Housing Authority as the obligation to pay occurs and will be approved by the State's Construction Manager. Additionally, the payment for the final 5% of the grant payment will be held until the Construction Manager has performed a final inspection. Before disbursement of funds can be made, each Housing Authority must finalize the following documents: (i) a certification to be signed by the Chairman of the Board

and Executive Director of the Housing Authority to continued truth of all information submitted during this process, (ii) a waiver to be signed by the Housing Authority of all claims against state and federal government, (iii) proof of full insurance coverage, (iv) proof that construction has been in accordance with the IBC of 2003, and (v) proof that the funds will be used for units satisfying the legal requirements imposed on Housing Authorities to serve “persons of low and very low income”.

### **Complaint Referrals**

Complaints alleging a specific violation of a statutory or regulatory requirement, including Congressional inquiries, received by HUD at the Headquarters, Regional, or Field Office level will be forwarded to the appropriate State office for the response.

### **Eligible Activities and National Objectives**

Eligible activities included in this partial plan include:

- 1) The total amount allocated to this partial action plan is \$105 million. Of this amount, planning and administrative costs are estimated as no more than 5% (\$5 million). The national objective criteria do not apply separately to planning and administrative activities.
- 2) Rehabilitation, reconstruction, and new construction of housing in the form of a Public Housing Program – up to \$100 million – This program meets the national objective of low and moderate-income persons because of income restrictions placed on occupancy in public housing units.

### **Environmental**

MDA will be the Responsible Entity (RE) for obtaining compliance with HUD environmental laws stated in 24 CFR Part 58.35 and 58.36. MDA will be responsible for ensuring that the environmental review is completed and approved by HUD prior to requesting a release of funds before HUD funds are committed to the project. To assist in this review, MDA will engage an environmental contractor to perform the environmental work necessary based on the rehabilitation/reconstruction plans detailed in Appendix B of this amendment. In some instances, environmental work has already been performed by the Corps of Engineers at the request of HUD. The MDA approved environmental firm will review these assessments and advise MDA. MDA will complete the environmental assessments and the required notices and Request for Release of Funds (RROF). All other environmental assessments will be completed by MDA. Public Housing Authorities should not commit funds, regardless of source, prior to a notice from MDA that a Request for Release of Funds (RROF) has been obtained from HUD. Any such commitment of funds without an RROF might jeopardize any subsequent use of CDBG funds under this Action Plan.

### **Mississippi Overall Plan for Disaster Recovery**

The State is promoting sound short and long-term recovery planning at the state and local levels through the MS Renewal process ([www.mississippirenewal.com](http://www.mississippirenewal.com)) and the Governor's Commission ([www.governorscommission.com](http://www.governorscommission.com)). As part of the recovery process, the State called together planners of all disciplines and programs and coordinated planning across many different programs. Additionally, the State is working with the Federal government's ESF-14 long-term recovery planning process.

## **Citizen Participation Plan**

MDA will solicit public comments on this amendment to the Action Plan. Additionally, MDA will require the Public Housing Authorities to publish their plans for rebuilding and repairing for local public comment. A summary of these comments and each PHA's responses will be provided to MDA prior to approval of the grant funds.

## **Public Comments**

The State of Mississippi published this amendment to solicit public comment for approximately 10 days, which ended June 18, 2006. The plan was made available on the [mshomehelp.gov](http://mshomehelp.gov) website and at county courthouses and administrative offices, and city halls. Comments were received either by fax or via a comment form located on the website.

As required by the regulations, a summary of any comments or views received (the number received is shown in parentheses) by the June 18, 2006 deadline along with our responses are as follows:

- **Insurance – Maintaining 100% insurance coverage on all units may prove to be cost prohibitive. (3)**

Response – The mandatory insurance requirement remains unchanged. It is imperative that the PHA's obtain adequate insurance to ensure the CDBG money is used wisely.

- **Clarifications of Language – 1) The Plan should be modified because local municipal code is more stringent than that of IBC 2003 in some cases. 2) Plan language should be modified to reflect cost estimates where a PHA has already selected a developer via RFP in accordance with a HUD approved procurement policy. 3) The “supervising construction” role of the Construction Manager (located in the Investigation and Mitigating Occurrences of Fraud, Abuse and Mismanagement section) should be clarified for a developer that has already been selected by the PHA to carry out construction projects. 4) The Disbursement of Funds section states “a certification to be signed by the Board Members of the Housing Authority to continued truth of all information submitted during this process.” This should be modified to Chairman of the Board and/or Executive Director. 5) In the Monitoring section, the agreed-on procurement standards should be changed to state that all procurement is in accordance with State and Federal requirements. (1)**

Response – The Action Plan has been changed to reflect these comments.

- **Tax Credits - The draft plan represents a significant and extremely valuable commitment of CDBG funds to rebuild public housing lost to Hurricane Katrina. The strategy it lays out for distributing the funds to the PHAs based on the share of overall damage each individual authority experienced is sound. An important feature of the plan gives housing authorities the flexibility to develop public housing units as stand alone developments or as part of a development financed by housing tax credits or other funding sources. It also specifically allows authorities to include outside investors as owners of developments containing public housing. (1)**

Response – N/A

- **Right to Return - The plan must affirm the right of people, not just housing, to return. The plan must acknowledge the right of former Public Housing Authority (PHA) residents to return to the units that are rehabilitated and/or rebuilt and require local PHAs to honor that right. (1 reply comprised of 21 organizations)**

Response – The State agrees with this comment and believes that it has been the intention of the PHA’s all along to offer the right to return. The plan has been changed to include this requirement.

- **Affordability to the Lowest Income Residents on the Coast – A substantial number of units affordable to households with incomes up to 60 percent of median are already funded through Tax Credit Programs. Expand the program to include people with incomes below 30 percent of AMI. The plan should require the same income mix in the units funded under this amendment match that which existed in public housing prior to the hurricane. To ensure affordability for new future residents, (those not prior residents of public housing) the targeting should comply at the minimum, with the income targeting rule that 40% of new tenants to public housing must be less than 30% of area median income. Rents should be set at 30% of adjusted family income. The requirement that units in developments that do not repair or rebuild public housing target households with incomes below 60 percent of median should also apply for an extended period – either for the useful life of the development, or at a minimum, 15 years. (1 reply comprised of 21 organizations)**

Response – The State believes that the 60 percent of median income limit is appropriate for this plan. This plan has been approved by HUD and it allows for flexibility within the PHA’s to take the opportunity to build back affordable housing better than before. In addition, all properties receiving a HUD subsidy will be required to meet HUD requirements for VLI and ELI.

- **Increase Funding – The \$100 million will not be sufficient to repair all HUD-subsidized housing. We strongly recommend that the \$100 million be viewed as an initial disbursement with the opportunity for additional funding pending the outcome of unsettled insurance claims and negotiations with the Federal Emergency Management Agency regarding expenses for recovery. (1 reply comprised of 21 organizations)**

Response – If funds become available in the future, the State will consider additional methods of assistance for Affordable Housing Needs.

- **Meeting the Range of Critical Affordable Housing Needs – Public Housing is one critical component of affordable housing on the Gulf Coast, but it’s inadequate on its own and must be supplemented by other rental programs. We recommend that the State piggyback \$150 million in CDBG funds on the Low Income Housing Tax Credits (LIHTC) to provide financing necessary for the development of tax credit housing units that are affordable to our lowest-income households. \$25,000 or \$50,000 loans should be provided to small rental property owners to rehabilitate rental units in exchange for keeping rents to affordable levels for a set period of time. The State should provide \$1.2 million to create homeownership opportunities for 300 low-income households, fortifying the long-term economic health of the region. (1 reply comprised of 21 organizations)**

Response –If funds become available in the future, the State will consider additional methods of assistance for Affordable Housing Needs.

- **Citizen Participation Plan – We support the Citizen Participation elements of the proposal, in particular the requirement for the local PHA’s to publish plans and seek local comments. (1 reply comprised of 21 organizations)**

Response – N/A

- **Monitoring Progress and Compliance – Basic operating procedures associated with the supplemental CDBG funds requires each grantee to submit a quarterly performance report until all funds have been expended and all expenditures have been reported and posted on a web site for public review. Beyond web posting, paper quarterly reports should be provide to residents that request a copy. A mechanism for written resident comments should be established. Quarterly public hearings or meetings should be held with residents and other low-income people so established officials can hear and respond to residents’ oral comments, concerns and suggestions. (1 reply comprised of 21 organizations)**

Response – All CDBG reporting requirements will be met. The State will not require the PHA’s to hold public hearing or meetings with residents. Any meeting of this type will be at the discretion of the PHA.

Some comments were received subsequent to the June 18, 2006 deadline. The following is a summary of those comments or views and our response to each.

- **Timeframe – A timeframe should be attached to the expenditure of funds (3-5 years), after which recapture or reduction in funds. (1)**

Response – This comment will be considered in conjunction with the sub-recipient agreement. At this time, the State does not believe that a timeframe can be placed on the rebuilding with so many unknown items (adoption of FEMA maps, etc.).

- **Professional Service Firm – A Professional Services firm should serve as construction and accounting manager for the project with public housing experience being a requirement. (1)**

Response – Per the Action Plan, a Construction Manager will be obtained. This Manager will also be required to perform a new damage assessment. An RFP will be published in the near future for this work.

- **Use of funds for Land – If previously occupied (PHA owned) land is sold and new land is acquired, any excess profit from the sale of the land over the newly acquired parcel should be used in construction prior to CDBG funds. Consider actually decreasing the total funding for this situation. (1)**

Response – The State agrees with this comment and the plan has been modified accordingly.

- **Use of funds for Administrative Fees – None of the funds should be allowable to be used as PHA administrative fees, specifically salaries. (1)**

Response – Further clarification of eligible versus ineligible costs will be conducted and will be included in the sub-recipient agreement.

- **Leveraging of PHA resources - Some leveraging of PHA resources or Capital Grants should be a requirement to receive funds. (1)**

Response – The action plan states that proof of total financing is required to receive the grant money.

- **New Cost Analyses – Independent cost analysis should be conducted as needs are likely not as great as previously reported by MD Strum and internal PHA reports. (1)**

Response – The Action Plan states that a Construction Manager will be obtained. This Manager will also be required to perform a new damage assessment. An RFP will be published in the near future for this work.

- **Procurement Regulations – Federal and State procurement regulations should be followed with the most restrictive being the ruling regulation. (1)**

Response – The Monitoring section of the plan previously stated that the sub-recipient agreement will describe agreed-upon procurement standards. The sub-recipient agreement will still be the document that includes the specific procurement standards, however the Action Plan has been modified to state specifically that all procurement should be in accordance with State and Federal requirements.

## Appendix A

### Region VIII Housing Authority

Contact: JP Lawrence  
P.O. Box 2347  
Gulfport, MS 39505-2347  
(228) 863-6272 Ext. 114

### Biloxi Housing Authority

Contact: Tom Nolan  
P.O. Box 447  
Biloxi, MS 39533  
(228) 374-7771 Ext. 218

### Bay St. Louis Housing Authority

Contact: Demetria Crumbley  
601 Bienville Street  
Bay St. Louis, MS 39520  
(877) 755-1565

### Waveland Housing Authority

Contact: Karen Ladner  
500 Camille Circle  
Waveland, MS 39576  
(228) 467-4247

### Long Beach Housing Authority

Contact: Kathy McCaleb  
102 N. Girard Avenue  
Long Beach, MS 39560  
(228) 863-8256

## Appendix B

### Project List for Rehabilitation & Reconstruction as it Relates to Environmental Reviews

Region VIII - Gulfport	Biloxi	Bay St. Louis	Waveland	Long Beach
Camelot – Total Rebuild – new name will be Regency Way – same property – no plans for HUD subsidy going forward.	Beavoir Beach & Backbay Place - Rebuild – may or may not be at same site – will continue to receive a HUD Subsidy	Bay Oaks & Magnolia Homes - Rebuild – Will continue to get Hud Subsidy – not sure if it will be on same property or not – may all be at Bay Pines	Camille Circle, Reude LaSalle and Russell Drive – All Rebuild with HUD subsidy going forward.	Woodward Park Subdivision #1 & Woodward Park Subdivision #2 - Rehab – Will continue receiving a HUD Subsidy
Village, Baywood, Willow Creek, Juan DeCuevas - Rehab –no plans for HUD subsidy going forward	Oakwood Village, SunCoast Villa, Covenant Square, Fernwood Place - Rehab – work underway – will continue to receive a HUD Subsidy	Bay Pines - Rehab was intention but decision has been made that it would be more beneficial to rebuild it – 2 years would have to redo if we rehab it– will continue to receive a HUD Subsidy		
	<p>Hope 6 – Bayview Place, Bayview Oaks, Cadet Point - Bayview Place was to be total 196 rentals and Bayview Oaks was to be 39 lease purchase. Of the 235, 106 were turned over to BHA from contractor prior to storm (Bayview Place 103 of which 50 were occupied and Bayview Oaks 3 that were leased). Currently rebuilding all 106. Of the 196 rentals at Bayview Place, 146 will receive a HUD subsidy and 50 will not.</p> <p>Cadet Point is the elderly portion. 76 units prior to storm with first floor ready. Storm flooded them all. It is currently being rebuilt and will receive a HUD subsidy.</p>			