STATE OF INDIANA
AMENDMENT #6 TO ACTION PLAN
FOR CDBG SUPPLEMENTAL DISASTER RECOVERY FUNDS
(Method of Distribution Section Only)

U.S. Department of Housing and Urban Development

Docket No. FR-5256-N-01

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INTRODUCTION

The State of Indiana is required to publish a Substantial Amendment to their 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 110-329, approved September 30, 2008) for disaster relief of unmet needs resulting from severe weather 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 $348,382,701 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 110-329 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 74, Number 156, Docket No. FR-5337-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-1740, which affected northern Indiana, occurred after winter rains melted several feet of snow, causing severe flooding. 21 counties were declared as a result of the winter weather. Additionally, the northwestern-most counties declared as part of DR-1740 were again affected by severe storms. As of the end of 2008, the declared counties received $7.6 million of Individual Assistance and $5.1 million in Public Assistance as a result of DR-1740.

DR-1766, the result of tornados and severe flooding in late May and early June, was clearly the most substantial 2008 disaster with 44 counties declared as Presidential disaster areas. FEMA estimates that total IA and PA for this disaster will exceed $275 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 318 eligible applicants from local and state government and an estimated 2,111 project worksheets. Currently $22 million have been obligated to local governments, and PA total estimates exceed $150 million.

Lastly, when the powerful remnants of Hurricane Ike passed through Indiana in early September they caused severe flooding in the northern parts of the state and wind storms in the south. DR-1795 resulted in 38 county declarations. To date, 25,800 IA applications have been filed with FEMA and $43 million of financial assistance provided to individuals.

The chart below depicts the best possible estimate of the financial impact of all the 2008 disasters to the state of Indiana. Based on these estimates, the state has been subject to over $1.9 billion in damage to public infrastructure, housing and farmland.

Category	**Estimated Financial Impact $000**
FEMA Relief	372,714
Private Insurance Claims for Natural Disasters	735,000
Dams, Levees, & Other Infrastructure	246,500
Federal Highway Repairs	13,700
Agriculture	270,000
Other Unmet Needs *(Based on HUD Estimates)*	266,108
TOTAL	**1,904,022**

While the estimated FEMA assistance is substantial with over $370 million in funding provided, 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 $500 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 that $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 $217.4 million that was found to be eligible for their program, providing a federal share of $123.3 million or less than half, 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)
DR-1740	3,291	7,653	8,890	6,864	23,407
DR-1766	17,850	55,768	73,456	170,866	300,090
DR-1795	26,039	34,088	28,622	39,734	102,444
TOTALS	47,180	97,509	110,968	217,464	425,941

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.

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 homeowners who are displaced by flooding are not faced with outstanding mortgage debt from a substantially damaged property that precludes them from obtaining suitable replacement housing. Over 700 homes totaling $80MM have been identified for community buy-out programs. Projections from DR-1766 indicate that FEMA's payout under the HMGP will leave Indiana with a shortfall of at least $12MM. Extrapolating these metrics to DR-1795, Indiana expects an underpayment from FEMA to total $6MM. Moreover, 20% of the displaced homeowners also find themselves underwater on average 10% with their mortgage. To make these homeowners whole will cost an additional $1.6MM. In total, Indiana anticipates nearly $20MM in unmet housing need for homeowners who have lost their homes due to these recent disasters. Filling this gap with CDBG Disaster Recovery Funds would make homeowners whole and permit localities to move forward with their buy-out programs expeditiously.

FEDERAL AND STATE RESPONSES TO DATE

From the onset of the major disasters of 2008, 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 during DR-1766, 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 $285 million in IA, ONA and SBA loans.

This effort was replicated in Northern and Southern Indiana after the disastrous remnants of Hurricane Ike. One stop shops were set up in 21 counties where thousands of Indiana residents were served and nearly $66 million were disbursed in IA, ONA and SBA loans. Additionally, Indiana's Family and Social Services Administration served nearly 50,000 Indiana residents through the distribution of $17.6 million dollars of disaster food stamps at the 21 different one stop shops.

Governor Daniels also 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.

CONSULTATION WITH LOCAL GOVERNMENTS

In early January 2009, the Office of Community & Rural Affairs solicited feedback from local units of government in the 82 counties affected by disasters in 2008 through a Capital Infrastructure Survey. The Indiana Association of Cities and Towns, the Association of Indiana Counties and the Indiana Association of Regional Councils were key partners in soliciting information from the units of local government, including HUD Entitlements.

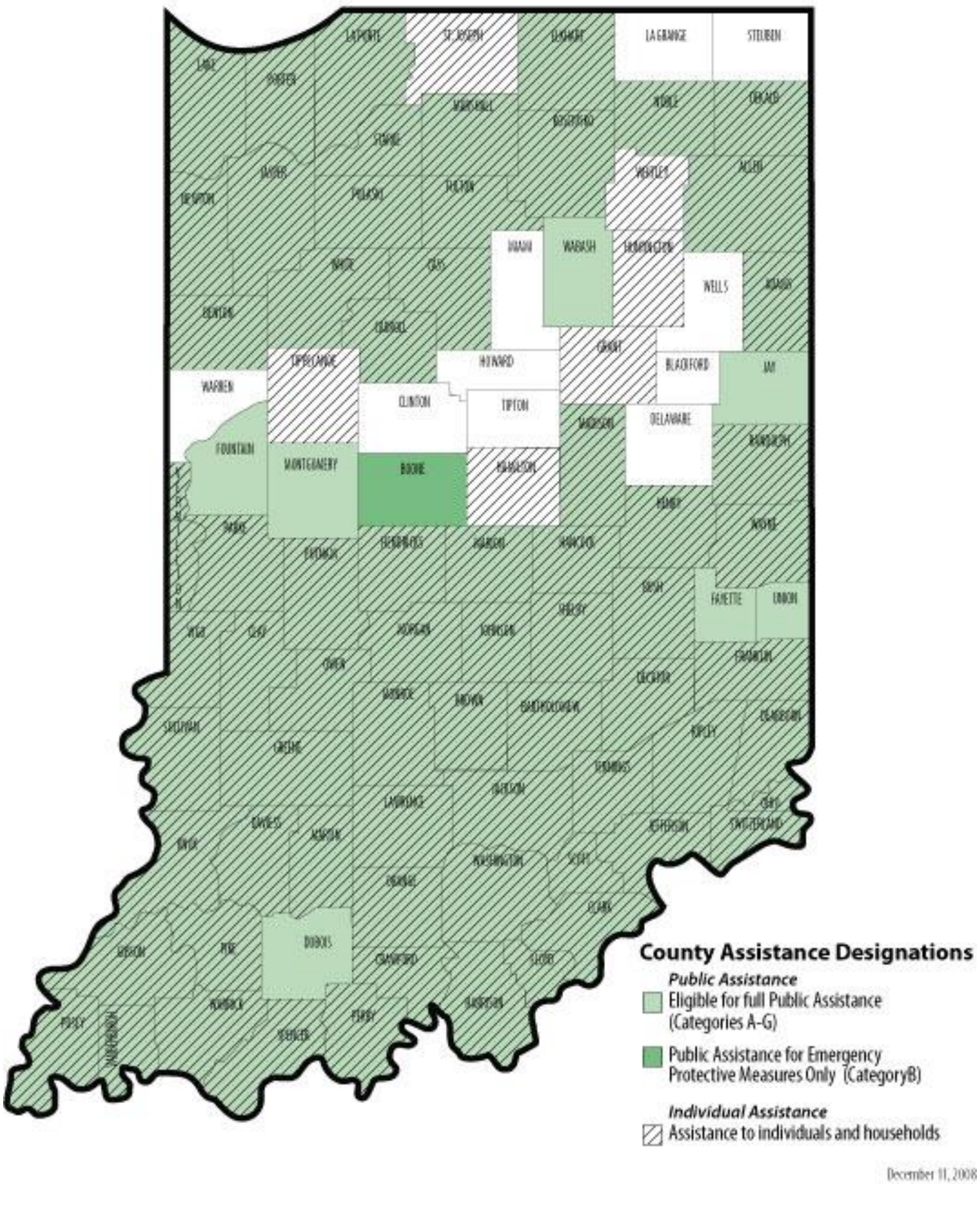
In addition, the Indiana Office of Community & Rural Affairs, Indiana Economic Development Corporation and the Indiana Association of Regional Councils in collaboration are charged with the task of directing the use of funds from the *2008 Supplemental Appropriations Disaster Relief Opportunity and the American Recovery and Reinvestment Act of 2009*. In order to garner input from local and regional entities a survey was developed and sent to a wide target audience including all units of local government (including all HUD Entitlements), economic development organizations, elected officials and other stakeholders. Information provided by this group of stakeholders will be used to prioritize projects and develop a statewide disaster and economic recovery plan. Follow up meetings will be held on a regional basis to gather additional information as indicated by the following schedule.

Location	Date and Time
Northeast (Ft. Wayne) Sweetwater	Friday, February 27 10:00 – 1:00 PM EST
Southwest (Evansville) Ivy Tech	Friday, February 27 10: - 1:00 PM CST
Central Indiana West (Greencastle) Area 30 Career Center	Monday, March 2 9:00 – 11:30 AM EST
Northwest (Portage) Northwest Indiana Forum	Tuesday, March 3 9:00 – 11:30 AM CST
North Central (Mishawaka) Mishawaka Council Chambers	Tuesday, March 3 2:30 – 5:00 PM EST
Southeast (North Vernon) IEDC Office	Wednesday, March 4 10:00 – 1:00PM EST
Central Indiana TBD	Wednesday, March 4 4:00 – 7:00 PM EST
Central Indiana East (Anderson) Flagship Enterprise Center	Monday, March 2 2:30 – 5:00 PM EST

The information gathered from each of these surveys was instrumental in determining the priorities of the CDBG Supplemental Disaster Relief Program.

FEDERALLY DESIGNATED AREAS ELIGIBLE FOR ASSISTANCE

Counties Approved for 2008 Disaster Assistance



PROMOTION OF SHORT TERM/LONG TERM RECOVERY

Short Term Recovery

The State of Indiana has a state level disaster recovery mechanism coordinated through the Indiana Department of Homeland Security (IDHS) for short-term recovery that provides assistance to disaster stricken counties and communities. In the event of an emergency anywhere in the state the local jurisdictions are responsible for first response to the emergency, under the direction of the Local Emergency Management Coordinator. The Local Coordinator works with IDHS to determine the immediate level of assistance.

Indiana has a team that coordinates and supplements the efforts of the local teams. For Individual Assistance, State agencies coordinate teams that include staffs from IDHS, Department of Workforce Development (DWD), Family and Social Services Administration (FSSA), Indiana Housing and Community Development Agency (IHCDA), Bureau of Motor Vehicles (BMV), Office of Faith-Based and Community Initiatives (OFBCI), Red Cross and other Non-Governmental Organizations (NGO's) to provide immediate assistance to individuals.

For Public Assistance, teams from IDHS, Office of Community and Rural Affairs (OCRA) and other regional development agencies work with local officials to document the damages and to begin the plans for recovery.

Long Term Recovery

Indiana consistently promotes 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 the 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.

OCRA has partnered with regional planning organizations to start planning and acting on long term recovery, including long term economic recovery. Six Regional Planning Commissions (RPC's) have hired additional staff to serve as Disaster Recovery Coordinators. The funding for staff comes from EDA and from OCRA (providing local match). The Coordinators help 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; and is further developing a statewide disaster economic recovery plan. This plan will provide for coordination of the priorities established in the local plans; and also guide the efforts of the regions.

METHOD OF DISTRIBUTION

All local units of government (cities, towns, counties) in the 82 counties approved for funding (see page 8) will be eligible for the Disaster Recovery program, including HUD Entitlements.

Indiana Office of Community and Rural Affairs (OCRA) Programs:

Storm Drainage Improvements

Inadequate storm drainage had an enormous impact on the severe flooding in Indiana. In order to revitalize these communities and mitigate future flooding, the State is obligating $45,000,000 to storm drainage systems. Eligible projects will either have sustained damage in a disaster or be vital to the economic recovery of the area. All projects must meet the National Objective of LMI Area Benefit (51% low to moderate income persons).

Projects/applications will be evaluated using the following criteria:

1. The importance of the project to post disaster recovery of the applicant – 40%
2. The percentage of low-to-moderate income persons served – 30%;
3. The relative economic distress of the applicant – 15%;
4. Applicant ranking on the OCRA Rurality Index – 15%.

Grants were awarded in 2 competitive funding rounds. Additional funding allocated in this Amendment will be awarded according to the Round 2 threshold and score sheet until all funds are allocated. 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 a $1,000,000 maximum grant award for the Storm Drainage Improvements Program.

Lack of proper storm drainage causes a severe risk to communities, particularly homeowners, from stormwater and wastewater causing damage to homes, basements to flood, properties to erode, etc. OCRA has over $49MM in eligible applications that went unfunded due to limited resources.

Allocation: $56,838,525
DREF Eligible Activities: $36,376,656
Rationale: All Storm drainage projects met the National Objective of LMI on an area basis. The project areas were all primarily residential. Taking into consideration the fact that there are some non-residential structures residing in all projects, the State has estimated that at least 64% of all project costs are directly reducing the risk of damage to residential properties.

Wastewater and Drinking Water System Improvements (SRF/USDA)

Eligible applicants will have approved projects with the Indiana State Revolving Fund and/or the USDA-

RD Water and Environmental Programs. Eligible projects will either have sustained damage in a disaster or be vital to the economic recovery of the area. All projects must meet the National Objective of LMI Area Benefit (51% low to moderate income persons).

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 relative economic distress of the applicant;

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

Allocation: $93,762,676

Wastewater and Drinking Water Small Projects Program

Eligible projects will either have sustained damage in a disaster or be vital to the economic recovery of the area. All projects must meet the National Objective of LMI Area Benefit (51% low to moderate income persons).

Applications will be evaluated using the following criteria:

1. The importance of the project to post disaster recovery of the applicant – 40%
2. The percentage of low-to-moderate income persons served – 30%
3. The relative economic distress of the applicant – 20%
4. Applicant ranking on the OCRA Rurality Index – 10%

Grants were awarded in 1 competitive funding round. There was a $1,000,000 maximum grant award for the Wastewater and Drinking Water Small System Program.

Allocation: $35,426,850

Dam and Levee Improvements

Many dams and levees in the State of Indiana have significant safety deficiencies and/or damage or failure from storm events. The failure of one of these structures would be an immediate risk to the residential properties currently within the “area of affect” as determined by DNR.

Numerous upgrades are required to bring older levees up to current standards in order receive FEMA certification. Without these upgrades and certification, not only are all homes protected by the levee in serious danger of flooding, but also will require all homeowners protected by the levees, many who are low income families, to carry flood insurance.

Not only were many of the dams in Indiana affected by the 2008 disasters, but many of these same dams are not up to current standards. These dams must be brought up to current standards based on the newest data on flood elevations in order to continue to function properly.

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 and levees are owned by local units of government or not-for-profit organizations and have significant safety deficiencies and/or damage or failure from storm events. 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 either have sustained damage in a disaster or be vital to the economic recovery of the area. 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 a 2008 storm event;
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: $25,235,000
DREF Category: C
DREF Eligible Activities: $10,094,000
Rationale: OCRA believes that at least 40% of this program category will be for activities that meet the criteria for DREF funding.

<u>Waterway Debris Removal Program</u>

In coordination with the Department of Natural Resources (DNR), OCRA intends to make funds available to local communities to address the impact of the 2008 storms on our waterways. Logjam and debris obstructions left unattended within a waterway will continue to grow in size and density over time. As these obstructions grow in size, it takes smaller and smaller storm events to cause upstream flooding. These obstructions restrict or may even totally cut off the flow of water in the channel or they may completely reroute the flow of water in a different direction. Flooding is more frequent, flood depths are higher, and the duration of flooding is longer in those areas located upstream from an obstruction in the waterway. The resulting impacts caused by logjams and debris left within a waterway pose significant threats to public safety and economic development. Due to the significant risk of continual flooding, OCRA has deemed all projects in this program category to meet the criteria for the National Objective of Urgent Need. OCRA will apply the National Objective of LMI Area Benefit whenever possible. Eligible projects will either be a direct effect of one of the three (3) 2008 federally declared disasters or can justify that the project is vital to the economic recovery of the area.

Applications will be evaluated using the following criteria:

1. The extent of damage caused by a 2008 storm event;
2. The importance of the project to post disaster recovery of the applicant;
3. The percentage of low-to-moderate income persons served;
4. 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: $6,380,760

Community Economic Development Program

Eligible projects will be vital to the economic recovery of the area. Eligible projects will create jobs for a minimum of 51% low-to-moderate income persons.

Projects/applications will be evaluated using the following criteria:

1. The importance of the project to post disaster recovery of the applicant;
2. The number of low-to-moderate income jobs to be created/retained;
3. The average hourly wage of the jobs created/retained.

Grant applications will be accepted and awards made until funding is no longer available.
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 Economic Development Program.

Allocation: $22,191,250

Clearance/Demolition Program

There is a significant need for funds to address clearance/demolition of deteriorated buildings around the state. In many instances these unsightly and dangerous buildings are a detriment to economic recovery. Eligible projects will either have sustained damage in a disaster or be vital to the economic recovery of the area.

Projects/applications will be evaluated using the following criteria in a single competitive round.

1. The importance of the project to post disaster recovery of the applicant – 40%;
2. The percentage of low-to-moderate income persons served – 40%;
3. The relative economic distress of the applicant – 10%;
4. The rurality of the applicant – 10%.

Grants will be awarded in 1 competitive funding round. 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 a $500,000 maximum grant award for the Clearance/Demolition Program.

Allocation: $5,150,000

Flexible Fund

The Office of Community and Rural Affairs recognizes that communities may be faced with important local concerns that require project support that does not fit within the parameters of its existing CDBG Disaster Recovery programs, but are nonetheless deserving of funding for long term recovery and/or economic recovery of the disaster affected area.

The Flexible Fund is designed to provide funding for projects that are deemed a priority by the State but do not meet the timeframes of existing programs.

These activities must be eligible for funding under a national objective of the Federal Act and requirements of 24 CFR 570.208 and 24 CFR 570.483 of applicable HUD regulations, or be an eligible planning only activity.

The community must demonstrate that the situation requires immediate attention (i.e., that participation in a CDBG Disaster Appropriation #2 program would not be a feasible funding alternative or poses an immediate or imminent threat to the health or welfare of the community) and that the situation is not the result of negligence on the part of the community. Communities must be able to demonstrate that reasonable efforts have been made to provide or obtain financing from other resources and that such effort where unsuccessful, unwieldy or inadequate. Alternatively, communities must be able to demonstrate that an opportunity to complete a project of significant importance to the community would be lost if required to adhere to the timetables of competitive programs.

Allocation: $24,487,500
DREF Category: A
DREF Eligible Activities: $13,400,171

Flexible Fund Activities to be Carried Out Directly:

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. Completion of the following projects will assist local communities in responding and recovering from future floods, by providing them data and mapping identifying the highest risk areas. Communities can then plan for mitigation of existing flood risks, and avoiding future development in high risk areas. Data gathered from the 2008 flooding will be incorporated into the floodplain mapping project to validate the resulting floodplains.

The National Hydrography Dataset (NHD) is a U.S. Geological Survey (USGS) specification of a GIS layer of high quality water features, such as streams, rivers, lakes, ponds and other relevant features. NHD is also hydrologically connected, allowing for its use in detailed hydrologic modeling. This GIS layer is essential to quality floodplain mapping, and has many uses in the daily business of the Division of Water. Currently, the USGS has completed high resolution NHD, which is compiled at a scale of 1:24,000. The local resolution NHD would be derived from the 2005 orthophotography information, and would be at a scale of 1:2,400 or better. Stream reaches would be captured up to a 6 acre watershed limit, which will provide a much larger density of streams than is currently available. *The State intends to use $1,359,000 for this project.*

One of the most critical pieces of developing quality floodplain mapping is the use of high resolution elevation data to develop hydraulic modeling. According to a National Academy of Science report on the FEMA mapping process, the use of substandard elevation data was identified as the number one reason for poor quality floodplain data. As a result, FEMA has placed great emphasis for future funding for projects that develop high quality topographic information (elevation data). To obtain high quality elevation data over a large area, LiDAR (Light Detection and Ranging) technology is used to create a Digital Elevation Model (DEM), which then can be used in the development of a hydraulic model to support floodplain mapping projects. *The State intends to use $3,570,000 for LiDAR associated with the Indiana Orhtophotography Program.*

Risk MAP is FEMA's new mapping initiative, integrating Mapping, Assessment and Planning to deliver quality data that increases public awareness and leads to action that reduces risk to life and property. Key components to the Risk MAP program include a watershed approach to mapping , elevation data, risk assessments and risk communication, along with the traditional mapping products currently produced. RiskMAP, however, is mainly focused on the enhancement of floodplain information for streams that have already been mapped on the Digital Flood Insurance Rate Maps. There are approximately 12,500 miles of streams that drain greater than one square mile in Indiana that have not had floodplain mapped. Therefore, this project is to map "Approximate" Zone A floodplains for 3,200 miles of previously unmapped streams. In addition, certain areas have been identified as needing further detailed study. Therefore, a portion of this funding would be used to perform detailed studies of four stream reaches, along Osolo Township Ditch and Cobus Creek in Elkhart County, Elliott Ditch in Tippecanoe County, and Otter Creek in Vigo County. *The State intends to use $4,760,965 for floodplain mapping associated with FEMA's Risk MAP initiative.*

The Indiana Floodplain Information Portal (INFIP) operates as a web-based portal that relates IDNR internal applications and databases to enhanced mapping solutions and information repositories. The portal includes a "Google Earth" type map of DFIRM floodplain information, and includes an address finder, automated Base Flood Elevation determinations, and eFARA, an automated application for verification of elevation data. For further development of this tool, this proposal is for four additional functions to be built; enhanced reporting capabilities, a tool to detect floodplain status change; development of a hydrologic and hydraulic model management system, and a module to display and gather high water mark information. *The State intends to use $4,760,965 for enhancements to the Indiana Floodplain Information Portal.*

The State intends to use $290,000 from the Flexible Funds Program for a Hydrologic-Response Model for Flood Mitigation in the Upper Lost River Watershed, Orange County, Indiana. The purpose of this project is to provide flood magnitude and frequency estimates for various rainfall scenarios and to develop a Hydrologic Data Model (HDM) for the upper Lost River watershed. Because the watershed is lacking in historic streamgage data, estimates of flood magnitude and frequency will be developed using new computer model tools; this will necessitate field data collection efforts to characterize the complex hydrology of the watershed. OCRA is partnering with the U.S. Army Corps of Engineers (USACE) and the U.S. Geological Survey Indiana Water Science Center (USGS) for this project.

The State intends to use $1,450,000 to develop flood inundation mapping within the 82 counties eligible for CDBG disaster recovery assistance. This activity proposes two classes of floodplain map products: (1) detailed libraries of flood inundation maps for 23 selected NWS flood forecast or observation points in communities within the 82 eligible counties; and (2) county-wide floodplain extent maps using the Natural Resources Conservation Service (NRCS) National Cartography and Geospatial Center Soil Survey Geographic (SSURGO) Database. The advantage to communities and rural residents in the 82-county area of this approach is that the detailed flood inundation maps, tied to existing streamgage/forecast points, will be a valuable mitigation, response, and recovery tool for densely populated and flood prone communities whereas the SSURGO generated maps will provide flood extents for entire counties very economically.

The State of Indiana recognizes the dangers that Fluvial Erosion Hazard (FEH) represents to life, property, and infrastructure in Indiana are substantial and have the potential to grow in number and severity. It is generally understood that construction and development increases the potential for runoff and often initiates periods of channel instability, thereby triggering an increase of FEH issues. It is therefore imperative that Indiana communities be provided with mapping, planning, and zoning tools to mitigate fluvial erosion hazards. Indiana does not have these tools available, thus the Silver Jackets saw a critical need to begin an FEH component. This forward-thinking mitigation project focusing on the 82 eligible counties will begin an FEH program for Indiana and produce tools to aid low to moderate income communities with FEH mitigation. Using the FEH, local governments will be equipped to carry out their responsibility to protect citizens and their property by mitigating fluvial erosion hazards. The State will contract directly with the U.S. Geological Survey and Indiana University on this planning activity. *The State intends to use $1,660,310 on this project.*

<u>Emergency Services Program</u>

Eligible projects will either have sustained damage in a disaster or be vital to the economic recovery of the area. Projects must meet the National Objective of LMI Area Benefit (51% low-to-moderate income persons).

Projects/applications will be evaluated using the following criteria in a single competitive round.

5. The importance of the project to post disaster recovery of the applicant – 40%;
6. The percentage of low-to-moderate income persons served – 30%;
7. The percentage of grant amount in relation to applicant’s annual budget – 5%;
8. The relative economic distress of the applicant – 10%;
9. The rurality of the applicant – 15%.

Grants were awarded in 1 competitive funding round (awarded September 2009). 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 a $500,000 maximum grant award for the Emergency Services Program.

Allocation: $2,794,520

Downtown Revitalization Program

Eligible projects will be vital to the economic recovery of the area. Projects must meet the National Objective of LMI Area Benefit (51% low-to-moderate income persons). Grants will be available for Downtown Revitalization Plans and Downtown Revitalization Implementation Projects.

Projects/applications will be evaluated using the following criteria in a single competitive round.

1. The importance of the project to post disaster recovery of the applicant – 40%;
2. The percentage of low-to-moderate income persons served – 30%;
3. The percentage of grant amount in relation to applicant's annual budget – 5%;
4. The relative economic distress of the applicant – 10%;
5. The rurality of the applicant – 15%.

Grants were awarded in 1 competitive funding round (awarded September 2009). 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 a $50,000 maximum grant award for Downtown Revitalization Plans and a $500,000 maximum grant award for Downtown Revitalization Implementation.

Allocation: $2,490,340

Administration

The State will set aside $7,418,153 of its CDBG Disaster Recovery Funds for payment of costs associated with administering the Program (Docket No. FR-5337-N-01). This constitutes two percent (2%) of the State's CDBG Disaster Recovery allocation. These funds will be used by the Office of Community and Rural Affairs (OCRA) and the Indiana Housing and Community Development Authority (IHCDA) for expenses associated with administering the State CDBG Program, including direct personal services and fringe benefits of applicable 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: $7,418,153

Indiana Housing and Community Development Authority (IHCDA) Programs:

The Method of Distribution for the Indiana Housing and Community Development Authority (IHCDA) can be found in Appendix C of this document.

Allocation: $90,370,957

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, an 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
- Continued contact with grantees by program representatives.

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. IHCDA 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.

IHCDA 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 IHCDA's monitoring. For those projects determined to need special attention, IHCDA 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 IHCDA, 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, IHCDA staff will need: files, an area to review files, and a staff person available to answer questions.
  - Before leaving, IHCDA 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. IHCDA staff will give approximately 30 days for this information to be submitted.
  - IHCDA 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 IHCDA) 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 be 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: 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.

_________________________ _11/22/2010__

Signature/Authorized Official Date

Executive Director, OCRA____

Title

APPENDIX B: CITIZEN PARTICIPATION AND RESPONSE TO PUBLIC COMMENT

The Draft Supplemental Disaster Action Plan Amendment #5 was released for public comment on Thursday, October 28, 2010. The public comment period for the document ran from October 28, 2010 to November 9, 2010. The Draft plan was posted on the websites for the Office of Community and Rural Affairs (www.in.gov/ocra) and the Indiana Housing and Community Development Authority (www.in.gov/ihcda) on October 28th as well. The Draft plan was also emailed to all Regional Planning Commissions and all cities, towns and counties in Indiana.

METHOD OF DISTRIBUTION

Indiana identified four program areas on which to focus housing related activities: 1) emergency housing plans; 2) rental housing finance; 3) flood plain acquisition and green space development; and 4) owner-occupied repair. Per Federal Register dated February 13, 2009, state's may utilize local units of government or subrecipients to carry out eligible activities. Indiana plans to utilize both partners to ensure that communities are getting the solutions most desired. A description of each of the program areas is provided below.

Emergency Housing Plans

Indiana proposes to use $1.5M ($15k per county) for County Emergency Housing Plans. During the 2008 floods it became apparent that county wide housing disaster plans would provide great assistance in determining potential emergency shelter points, identifying short term and long term rental housing resources including hotels, motels, single family landlords and apartment owners. Establishing upfront relationships with these partners and processes in the event of a future disaster is of vital importance in ensuring a successful and timely response. The Indiana Department of Homeland Security will be the subrecipient under this program and utilize these funds for the creation of emergency housing plans in eligible counties throughout the state.

Allocation: $1,500,000

Eligible Entity: Indiana Department of Homeland Security, Subrecipient

Geography: Eligible counties throughout Indiana

Rental Housing Finance Fund

The state of Indiana plans to invest $45,000,000 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 also be used to finance offsite infrastructure that is requisite for a housing development that is financed by IHCDA as well as to make capital improvements that reduce the energy consumption and operating costs of emergency shelters supported by IHCDA.

The Rental Housing Finance Program has no maximum grant amount. Applications will be awarded on an ongoing basis until all funds are expended.

Allocation: $45,000,000

Eligible Entity: Local units of Government and Subrecipients

Geography: Eligible counties throughout Indiana

<u>Flood Plain Acquisition and Green Space Development</u>

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 federal 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.

This appropriation of Disaster Recovery Funds will not be used for the 25% non-federal match requirement under FEMA's Hazard Mitigation Grant Program. Rather it will be used to fill the mortgage gap that is created by shortfalls in FEMA payout or to purchase state-approved mitigation properties. 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. Communities may also use these funds to repurpose the mitigation area into usable green space for community residents.

In addition, IHCDA, may provide a portion of this funding directly to cities, towns, and counties, independently of FEMA and IDHS, to allow these communities 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.   Communities will apply for these funds through IHCDA and must have a hazard mitigation plan approved by IHCDA.   These funds will be used to fill the mortgage gap that is created by shortfalls in FEMA payout or to purchase state-approved mitigation properties and repurpose the mitigation area into usable green space for community residents. This use will ensure that homeowners have the necessary funds to obtain suitable replacement housing. These applications will be reviewed by IHCDA.

The Flood Plain Acquisition and Green Space Development Program has no maximum grant amount. Applications will be awarded on an ongoing basis until all funds are expended.

Allocation: $5,000,000

Eligible Entity: Local units of government and Subrecipients

Geography: Eligible counties throughout Indiana

DREF Category: B

DREF Eligible Activities: $5,000,000

Owner-Occupied Rehabilitation Fund

The state of Indiana plans to invest $23,000,000 in the rehabilitation of owner-occupied homes in communities devastated by the disasters of 2008. The owner-occupied markets in many of the communities have lagged due to eligibility criteria for and funding caps in federal assistance. Repairs under this program are intended to remediate health and safety issues (e.g., mold), reduce energy consumption, and improve accessibility and visitability.

Utilizing CDBG Disaster Recovery Funds to rehabilitate owner-occupied homes in these communities meets two key objectives: 1) allow existing residents to return or to remain in the community; and 2) assist owner-occupied victims of the disaster that were not made whole or did not receive rehabilitation funds from FEMA.

The Owner-Occupied Rehabilitation Program has no maximum grant amount. Applications will be awarded on an ongoing basis until all funds are expended.

Allocation: $23,000,000

Eligible Entity: Local units of government and Subrecipients

Geography: Eligible counties throughout Indiana

Community Revitalization Fund

The State of Indiana plans to invest $15,000,000 to supplement the States current NSP projects, Stellar Communities, or projects in neighborhoods where comprehensive development opportunities have been identified through a local planning process. Community revitalization funds are used to marshal disparate resources and to deploy comprehensive strategies in a concentrated footprint that will serve as a catalyst for additional investment. Funds will be used for demolition of blighted structures, the rehabilitation of housing units, commercial façade and infrastructure improvements.

The Community Revitalization Program has no maximum grant amount. Applications will be awarded on an ongoing basis until all funds are expended.

Allocation: $15,000,000

Eligible Entity: Local units of government and Subrecipients

Geography: Eligible counties throughout Indiana

Local Grantee General Administration

IHCDA will set aside $870,957 of its CDBG Disaster Recovery funds for payment of local costs associated with administering the Supplemental Disaster grants. These funds will be used by the local grantee for general administrative expenses associated with administering the CDBG funded project.

Allocation: $870,957

OVERVIEW

Federal Register Vol. 74, No. 29 also provided that a state's Plan for Disaster Recovery be consistent with its Consolidated Plan upon updating said plan following the disaster event. As such, housing programs within Indiana Plan for Disaster Recovery will follow the latest Method of Distribution outlined in the state's Consolidated Plan. The sole exception to this provision is the County Emergency Housing Plan initiative. Local Units of Government and Subrecipients interested in obtaining funds for rental housing finance, floodplain acquisition and green space development, and/or owner-occupied repair must follow IHCDA's Solutions Application Process. Applications must meet one or more of the strategic priorities identified in the state's Consolidated Plan when carrying out a proposed activity. Applicants may apply for more than one activity within an application.

IHCDA creates housing opportunity, generates and preserves assets, and revitalizes neighborhoods by investing technical and financial resources into the development efforts of its partners across Indiana. Within this framework, IHCDA seeks partnerships that offer solutions to community challenges. As evidenced from the socio-demographic data and the survey results included in this Consolidated Plan, IHCDA has identified the following strategic priorities for its investment decisions: comprehensive development, aging in place, ending homelessness, and high performance building.

Comprehensive Community Development

While the opportunities and challenges may vary from Adeyville to Angola or Patriot to Peru, every community strives to be a place people choose to live, work, and play. Comprehensive development recognizes that a community's potential lies in the identification and creation of a shared vision, planned by local leadership, and carried out by a wide array of partners. When successful, it yields results beyond what can be achieved by individual organizations or disparate programs because the value they add to each other.

A thriving community is a community with job opportunities, strong schools, safe neighborhoods, diverse housing, and a vibrant culture. Comprehensive development marshals resources and deploys comprehensive strategies in a concentrated footprint to serve as a catalyst for community vitality. The demolition of blighted structures, the rehabilitation of housing units, and the creation of new uses such as recreational amenities, retail services, or employment centers serve as a tipping point for future development by market forces.

Aging in Place

Aging in place refers to adapting our living environment for aging in place involving home modifications which can make it safer, more comfortable, and increases the likelihood of remaining independent and living where you have lived for years by using products, services, and conveniences which allow you to remain in your home as circumstances change.

Ending Homelessness

It is in no one's best interest to manage homelessness. IHCDA and its partners are focused on systematically preventing and ending homelessness for those most vulnerable in our communities. By identifying an individual's or family's barriers to self-sufficiency and targeting the most appropriate housing solution, the number of people that enter and the duration of time they spend in the homeless delivery system can be minimized.

For the chronically homeless, those who cycle through health care institutions and correctional facilities seeking services and shelter, linking services with housing provides them stability and reduces the burden on other community systems. At the end of the day, our collective goal is to ensure that everyone has a place to call home.

High Performance Building

How we create community solutions is equally as important to what solutions are desired. High performance building integrates with and optimizes the surrounding environment through architectural and site design, construction techniques and materials, as well as resource use and recovery. Done right, high performance building while maximizes quality and durability by minimizing environmental impacts and operating costs.

IHCDA's commitment to investing in community solutions meant its method of distributing a variety of resources had to fundamentally change. Traditionally IHCDA was organized around pots of money. Applications were linked to a discrete funding source. The move to funding solutions places the focus on the strategic fit of a proposed activity, the strength of the sponsor and its development team, and the financial feasibility and readiness of the development. As a result, IHCDA has created a single allocation and investment process that bundles a variety of federal and state resources including but not limited to CDBG and HOME Investment Partnerships Program funds. The following pages outline the method of distribution IHCDA will follow regarding eligible, threshold and evaluation criteria, and funding limits.

Submission Process

The Solutions Application will be available on IHCDA's website beginning July 1, 2010. The application replaces IHCDA's old, disparate CDBG, HOME, and Affordable Housing and Community Development Fund applications.

Applications are welcomed on a first-come, first-served basis, beginning July 1, 2010 and ending June 30, 2011. **Faxed or e-mailed applications will not be accepted.**

The applicant must submit the following:

- Via CD-ROM:
    - One (1) completed electronic copy of the application forms
- Via hard copy:

- All forms that require original signatures
- All supporting documents required in the tabs

All applicants must retain a copy of this application package. Applicants that receive funding will be bound by the information contained herein.

Submit application packages to:

Indiana Housing and Community Development Authority
Attn: Community Development Department

30 South Meridian Street, Suite 1000
Indianapolis, IN 46204

IHCDA's office is located on the 1 0th Floor of 30 South Meridian Street. A map showing IHCDA's location, along with directions to the building is available in the Appendices.

Technical Assistance Meeting

The applicant may schedule a technical assistance meeting with their IHCDA Community Development Representative to discuss both the proposed development and IHCDA's application process. A technical assistance meeting can be face-to-face or via an IHCDA webinar. Given that applications will be accepted on a first-come, first-served basis, applicants are urged to contact IHCDA early in the planning process to obtain guidance and technical assistance.

Eligible Activities and Applicants

Applicants are encouraged to engage in an array of activities* necessary to attain the solutions desired by a community.

- Pre-development and seed financing – limited to eligible nonprofits
- Operating capacity grants – limited to eligible nonprofits
- Permanent Supportive Housing – Applicants must participate in the Indiana Permanent Supportive Housing Institute to be considered for an IHCDA investment.
- Rental assistance
- Acquisition, rehabilitation, guarantees, refinance, or (re)construction of rental housing
- Homeownership counseling and down payment assistance
- Acquisition, rehabilitation, guarantees, refinance, or (re)construction of homebuyer housing
- Rehabilitation, modification, and energy improvements to owner-occupied housing.

Eligible applicants include cities, towns, counties, townships, public housing authorities, CHDO's, and not-for-profit 501(c)3 or 501(c)4 corporations, and for-profit developers in good standing with IHCDA.**

Except for permanent supportive housing projects, activities located within a participating jurisdiction or entitlement community must demonstrate equal and comparable financing from the local unit of government to be considered for an IHCDA investment.

Organizations that are religious or faith-based are eligible to participate in IHCDA programs on the same basis as any other organization. Organizations that are directly funded under an IHCDA program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the assistance funded under this part. If an organization conducts such activities, the activities must be offered separately, in time or location, from the assistance funded under this part, and participation must be voluntary for the beneficiaries of the assistance provided.

A religious organization that participates in an IHCDA program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use funds administered by IHCDA to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities, without removing religious art, icons, scriptures, or other religious symbols. In addition, an IHCDA-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents. An organization that participates in an IHCDA program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

Funds administered by IHCDA may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. IHCDA investments may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities. Where a structure is used for both eligible and inherently religious activities, IHCDA investments may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to this part. Sanctuaries, chapels, or other rooms that are used as a principal place of worship, however, are ineligible. Disposition of real property after the term of the award, or any change in use of the property during the term of the award, is subject to government-wide regulations governing real property disposition (*see* 24 CFR parts 84 and 85).

*IHCDA will match eligible funds with eligible activities. **While IHCDA is only permitted to invest CDBG funds into a local unit of government, it expects that LUGs will partner nonprofit organizations, CHDOs, public housing authorities and planning commissions in implementing their community solutions. Disaster Recovery Funds may go to eligible LUGS and Subrecipients.

Threshold and Evaluation Criteria

To be considered for funding, an applicant must meet **all** of the criteria listed below. Applications that fail to meet **any** of these criteria will **not** be considered. All required supporting documentation must be included in the application. Applicants that meet threshold will be assessed for strategic fit of a proposed activity, the strength of the sponsor and its development team, and the financial feasibility and readiness of the development. All criteria are weighted equally.

1. The project sponsor must provide documentation as instructed within the Solutions Application. If the Authority requests additional information from the sponsor, all documents are due before IHCDA staff can proceed with an investment decision.
2. Except for permanent supportive housing projects, activities located within a participating jurisdiction or entitlement community must demonstrate equal and comparable financing from the local unit of government to be considered for an IHCDA investment.
3. The applicant must have resolved all previous monitoring requirements.
4. All open CDBG and HOME awards provided to the award recipient, sub-recipient and/or administrator must have made sufficient progress towards setup and completion.
5. IHCDA reserves the right to disqualify from funding any application where the applicant, sub-recipient, administrator, preparer, or any of their related parties has a history of disregarding the policies, procedures, or staff directives associated with administering any IHCDA program or programs of other State, Federal, or affordable housing entities, such as, but not limited to the Indiana Office of Rural Affairs, U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture - Rural Development, or Federal Home Loan Bank.

Application Review Process

Each application will be reviewed in a four step-step process:

Step One – Strategic Review	Applicants submit information packet summarizing the development concept and the sponsor's qualifications. An IHDCA Review Team evaluates the request for its fit with the Authority's strategic priorities as enumerated above.
Step Two – Project Review	Applicants submit information packet substantiating the credentials of the sponsor, the feasibility project, and the proposed timeline. An

IHCDA Review Team will evaluate the strength of the sponsor and its development team, the financial soundness of the development, and its readiness to proceed.

Step Three – Investment Structure An IHCDA Review Team develops and proposes an investment strategy. Depending on the source of the investment, applicants will submit additional information in accordance with regulatory guidelines as appropriate.

Step Four – Fund Disbursement An IHCDA Review Team executes award and disburses funds.

Preference will be given to applicants that:

1. Demonstrate they are meeting the needs of their specific community.
2. Attempt to reach low and very low-income levels of area median income.
3. Are ready to proceed with the activity upon receipt of the award.
4. Revitalize existing neighborhoods.
5. Propose projects that are energy-efficient and are of the highest quality attainable within a reasonable cost structure.
6. Encourage the use of Indiana contractors, employees, and products when planning their housing activities particularly Minority Business Enterprise and/or Women-Owned Business Enterprise.

IHCDA recognizes that reducing this assessment to a single metric or threshold (e.g., number of findings) ignores the complexity of a deal and its sponsor. Each project assessment is taken in totality based on the expertise of IHCDA staff with a given particular facet. In some instances, deficiency in one area of project assessment may be offset by strengths in another aspect of the review process (e.g., history of proven experience may help mitigate soft cash flows). In other instances, additional supporting documentation may be requested and accepted to mitigate perceived deficiencies in a particular assessment area.

Sponsor Assessment

Underwriting for the capacity of the project sponsor and its development team is done in the context of the applicant and the proposed project given the diverse nature of IHCDA's partners and their activities. Due diligence is based on the expertise of personnel on the project, their performance with IHCDA investments, and the financial position of the sponsor. Expertise is assessed by reviewing qualifications of development team members.

Performance is assessed by reviewing the applicant's ability to take a project from concept to completion including on-going monitoring. Areas of emphasis on performance include funds drawn, project sales or lease-up, compliance with state and federal regulations, and ongoing financial stability through property and asset management. All performance and compliance issues associated with any proposed development team member must be fully satisfied. IHCDA, in its sole discretion, may refuse to consider all or any part of a pending application or a future application until such time as IHCDA decides otherwise when any Development Team member has demonstrated a chronic and/or egregious failure to materially perform or comply with the procedures and requirements of IHCDA or any of its programs.

The financial position of an applicant is assessed by reviewing current and audited financial statements. Focus areas on the financial strength of the project sponsor are cash flow, income sustainability, balance sheet health and internal controls. IHCDA reviews certain ratios, including current and debt-to-equity, over a three year period for trend analysis.

Feasibility Review

Financial feasibility of a project is intended to assess its strength and viability to serve low-income residents and its contribution as a community asset beyond any statutory compliance period. In making this determination, IHCDA shall consider: (i) the market demand for the proposed development activity; (ii) the sources and uses of funds and the total financing planned for the Development; (iii) appraisal (as-is or as-improved as appropriate); (iv) capital needs assessment and energy audit as appropriate; (v) the reasonableness of the developmental and operational costs of the project; and (vi) other factors it may consider applicable. Development and/or operational costs should reflect the nature and true cost of the proposed activity. The underwriting criteria IHCDA will use to determine the reasonableness and feasibility of a project are based on best practices, industry standards, and comparisons to IHCDA's portfolio and other applications of similar activity, size, market, and tenure. Evidence of demand may be demonstrated by a current market study or survey conducted by a disinterested party. The analysis will be assessed based upon the description of intended beneficiaries or target populations, demand for the proposed activity and project scope (e.g., waiting list or pre-qualified buyer list) and reasonable projections of a sustainable market.

IHCDA considers a number of indicators and ratios when assessing the reasonableness and feasibility of development and operational pro formas. The following guidelines are targets and IHCDA, at its sole discretion, will consider underwriting outside of these guidelines on a case-by-case basis:

- Total Operating Expenses: Minimum operating expense of $2,500 per unit per year (net of taxes and reserves);
- Management Fee: 5-7% of "effective gross income" (gross income for all units less vacancy rate);
- Vacancy Rate: Applicants should scrutinize the market analysis of the proposed project when estimating the vacancy rate. IHCDA compares vacancy rates to the performance of similar projects in the market and to similar projects in its portfolio. In general, applicants should expect a vacancy rate between 6%-8%.
- Income and Expense Growth: Given the intent of IHCDA's public investment, income growth projections should take into account the on-going affordability to the beneficiary as well as the differential below market rents. Operating expenses should grow at least 1% higher than income.
- Operating Reserves: four (4) to six (6) months (Operating Expense plus debt service) or $1500 per unit (whichever is greater);
- Replacement Reserves: Replacement reserves are used for substantial capital improvements not general maintenance expenses and should be reflected in the operating budget. Contributions to the reserve account typically start at or before the conversion date of the construction loan to permanent loan and must be funded for the term of the loan. Reserve amounts vary based on unit type and construction. For example, sponsors of a single-site, new construction, rental project should expect to budget $250 per unit whereas sponsors of an historic rehabilitation project should budget at least $420 per unit. Reserve amounts should escalate at a rate of 3% per year.
- Stabilized Debt Coverage Ratio: Although stabilization occurs usually in year two, the debt coverage ratio projection for a project should never go below 1.1. Rural projects typically require a higher stabilized debt coverage ratio in order to remain feasible over the life of the development.
- Developments without hard debt are allowed but will be subject to additional scrutiny from IHCDA. Developments submitted with no debt will not have a debt coverage ratio but will be required to have a cash flow without having an undue profit. This will be determined by a ratio of Effective Gross Income to Total Annual Expenses (including reserve for replacement). A ratio of 1.15 shall be the minimum required to be considered feasible by IHCDA.
- Projects that include "soft" loans (i.e. HOME or HOPE VI loaned to the Development with payments through available cash flow) must demonstrate a reasonable expectation (as determined by IHCDA in its sole and absolute discretion) that the loan will be repaid at a date certain (usually eight (8) to fifteen (15) years). If the loan and any outstanding interest is not expected to be paid by the date certain, there must be reasonable expectation that the fair market value of the property will be sufficient at that time to pay the accrued interest and debt and that the net income of the project will be sufficient to sustain debt service.

Readiness Review

IHCDA review documentation from applicants that demonstrate its readiness to proceed with the proposed project and to complete the project within a reasonable timeframe. Factors demonstrating the applicant's readiness to proceed include site control, architectural and engineering plans, secured financing, pricing commitments, utility availability, and initiation of environmental and historic review process. Site control may be documented by a long-term lease option, a purchase agreement, or an executed and recorded deed with evidence of proper zoning and clear title. Architectural and engineering plans will be reviewed for (i) placement and orientation buildings, infrastructure, amenities, easements and any potential construction deterrants; (ii) elevations for all buildings, (iii) floor plans for all unit types, common areas, or commercial spaces; and (iv) design elements that reflect neighborhood characteristics, encourage accessibility and visitibility, and promote energy conservation. An applicant's ability to obtain financing may be demonstrated by a letter of interest from a lender acknowledging its review of the proposed project and the anticipated terms of the loan.

Unfunded Applications

Unfunded applicants will receive a notice from IHCDA detailing why the application was not funded. Notification will be based upon the notations review committee keeps notations regarding the nature of their reviews and the rationale for rejecting applications. Any application that is not recommended for funding may be resubmitted in another program year at IHCDA's discretion.

Award Manual

The Solutions Award Manual outlines the requirements for administering an IHCDA investment that may include federal sources such as CDBG and HOME funds and state sources such as the Affordable Housing and Community Development Fund. A complete copy of the 2010 Award Manual is available via IHCDA's website.

Award Training

Following the award date, Community Development Representatives will be available to conduct a one-on-one CDBG award training, upon request. This training is required for all applicants, sub-recipients, or administrators who have received fewer than two IHCDA awards. This training will cover various aspects of the regulatory requirements for administering funds, record keeping, and the forms and reports that must be submitted to IHCDA.

Activity Guidelines and Regulatory Requirements

Regulatory Provisions for Recipients of Federal Funds

- Any investment of CDBG funds must meet the requirements set forth in 24 CFR Part 570.
- Any investment of HOME funds must meet the requirements set forth in 24 CFR Part 92.

- Recipients of federal funds are required to perform an environmental and historic review on all assisted properties. For the regulatory requirements of environmental and historic review found in 24 CFR Part 58, see the Environmental Review and Historic Review User Guides or contact your IHCDA Community Development Representative for further guidance.
- All applicants are required to complete the environmental review record (ERR) and submit it to the appropriate Community Development Representative prior to or with application submission. Refer to the **Environmental and Historic Review User Guides** for further explanation of these requirements.
    - Local unit of government applicants must publish a notice requesting a release of funds no later than 7 days following the application due date and submit the publisher's affidavit to IHCDA within 14 days of application due date.
- All applicants must also submit documentation to the IHCDA DNR-SHPO Housing Liaison requesting the initiation of the historic review process on or before the application deadline (single-site projects ONLY). On average, a historic review may take up to 90 days or more to complete. If the development involves an historic structure, approval may take much longer or rehabilitation may be prohibited entirely. Submitted documentation must be deemed sufficient and complete to meet this requirement.

Required documentation includes:

- A description of the Federal involvement – use of any federal funds;
- A description of the undertaking;
- Description of steps to identify historic properties and information pursuant to Sec. 8 00.4(b);
- Determination of affect (Sec. 800.5);
- Map with area of potential effect (APE) and development site clearly identified;
- Clear photographs of all areas that will be affected by the project.

- Applicants may not rehabilitate any property to be assisted with federal funds until the environmental and historic review process has been completed.
- Applicants must demonstrate that it will complete an action to affirmatively further fair housing during the time frame of an award.
- Award recipients will be required to provide proof of adequate builder's risk insurance, property insurance, and/or contractor liability insurance during construction and property insurance following construction for the assisted property throughout the affordability period of the award. Owner-occupied rehabilitation must also stipulate that adequate property insurance be maintained throughout the affordability period in their beneficiary loan documents.
- The applicant must hold one public hearing about the undertaking prior to application submission. Specific requirements must be completed for this meeting, as identified in the Appendices. Additionally, if funded, a second public hearing will be required upon project completion and prior to the submission of the award closeout documents.
- Recipients of federal funds must follow competitive procurement procedures for all costs intended to be reimbursed by the award.
- Recipients of federal funds are subject to the requirements of the Uniform Relocation Act. See the Appendices for guidance on the regulatory requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and Federal regulations at 49 CFR Part 24 and the requirements of Section 1 04(d) of Title I of the Housing and Community Development Act of 1974, as amended.
- The housing must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at 24

CFR 100.201. It must also meet the design and construction requirements at 24 CFR 100.205, which implement the Federal Fair Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See IHCDA's Award Manual for guidance on the regulatory requirements of Section 504 Accessibility Standards.

- Recipients of federal funds are subject to the HUD requirements of dealing with lead-based paint hazards required by 24 CFR Part 35. If a risk assessment is required, then all lead-based paint issues must be addressed within the area of rehabilitation. See IHCDA's Award Manual for guidance on the regulatory requirements of lead-based paint.

Subsidy Limitations

- While there is no cap on a total project request, applicants must adhere to the most current 221(d)3 subsidy limits appropriate for income targets and unit size. IHCDA, at its sole discretion, will only invest an amount it deems necessary to ensure the financial feasibility of a project.
- Funds budgeted for program delivery, administration, and environmental review may not exceed 20%.