

State of Maryland Action Plan for Disaster Recovery Community Development Block Grant Program

Approved by HUD July 25, 2013

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TABLE OF CONTENTS

- I. Executive Summary
- II. Introduction
- III. Statewide Impact of Hurricane
- IV. Impact on Somerset County
- V. Needs Assessment
 - a. Housing
 - b. Economic Recovery
 - c. Infrastructure
- VI. Proposed Use of Funding
- VII. Grant Administration
- VIII. Policies and Procedures
- IX. Certifications

This Plan was prepared by the Maryland Department of Housing and Community Development with assistance and consultation from the following:

City of Crisfield Mayor and Council
County Commissioners of Somerset County
Maryland Department of Business and Economic Development
Maryland Department of the Environment
Maryland Department of Natural Resources
Maryland Department of Planning
Maryland Emergency Management Agency
Somerset County Department of Technical and Community Services
Somerset County Economic Development Commission

EXECUTIVE SUMMARY

On November 20, 2012, the State of Maryland was declared a major disaster area as the result of Hurricane Sandy. All counties in the State were declared eligible for Public Assistance, while only Somerset County was declared eligible for Individual Assistance.

As a result of the storm that impacted Maryland as well as other States on the East Coast, Congress passed the Disaster Relief Appropriations Act of 2013 (the Act) which was signed by the President on January 29, 2013. The Act provided appropriations for recovery efforts to numerous agencies, including the U.S. Department of Housing and Urban Development (HUD) which received \$16 billion in Community Development Block Grant (CDBG) funds to assist impacted communities.

HUD determined that the CDBG funding would be allocated in three tranches, the first for areas declared for Individual Assistance due to Hurricane Sandy, the second for other disasters that occurred in 2011 and 2012, and have or may occur in 2013 (as per the Act), and a third tranche for Public Assistance which will be allocated at a later date. Based on damage assessments conducted by the Federal government and the declaration that Somerset County was eligible for Individual Assistance, the Maryland Department of Housing and Community Development (DHCD) was allocated \$8,640,000 to undertake recovery efforts in the County under the first tranche of funding.

In order to receive this funding, the State is required to submit an Action Plan which is an Amendment to the State's Consolidated Plan. The Consolidated Plan is a five-year planning document required by HUD that sets out overall State wide goals and priorities for housing, community development, and economic development activities. *Special emphasis is given under the Plan to provide assistance for extremely low, low, and moderate income persons.* A substantial amendment is made to the Consolidated Plan when certain conditions are met, including the award of disaster relief funding.

Based on consultation with local government officials in Somerset County, the highly impacted municipality of Crisfield and other local stakeholders, the State has decided to do, as HUD allows, a Partial Action Plan, which will allocate \$4.4 million of the \$8.6 million at this time. This was done partially due to capacity issues (the need for the County to hire staff to operate the disaster program), and partially for flexibility in order to shift funding to the greatest need as recovery efforts take place. The State expects to amend the Action Plan to include the remaining funds that will be allocated toward recovery efforts in the County in early 2014.

The State developed the Action Plan by undertaking a needs assessment which included consultation with FEMA, SBA, HUD, local officials, local nonprofit agencies and State agencies. Information was also obtained through two public meetings and community outreach efforts. DHCD has determined that both the allocation of the \$8.6 million and the initial allocation of \$4.4 million should be used primarily for housing recovery efforts and economic recovery efforts. Based on the State needs assessment,

damage to housing represents the largest unmet need. Therefore, the State anticipates allocating the largest share of the disaster recovery award to housing activities. Overall, the State proposes to use the funding as follows:

ACTIVITY	PROPOSED TOTAL AMOUNT	PROPOSED PARTIAL AMOUNT
Housing Recovery Program	\$7,190,000	\$3,150,000
Economic Recovery	\$1,050,000	\$1,050,000
State Administrative Costs	\$ 400,000	\$ 200,000
Total	\$8,640,000	\$4,400,000

As noted above, the State is accessing \$4.4 million of the \$8.6 million at this time. In order to receive the remaining funding available to the State, DHCD will submit a second amendment by the Spring of 2014 to allocate the remaining funds based on updated assessments of unmet needs. It is the State’s expectation that future funding requests will primarily emphasize housing recovery (repair, rehabilitation, elevation, etc.) efforts.

In reading this Plan, note that the Plan **only applies to CDBG funding**. There are substantial other federal resources available for recovery efforts, which will focus on other activities that will help assist Somerset County and its citizens recover from the storm. These resources include Hazard Mitigation funding from the Federal Emergency Management Agency (FEMA), funding from the Small Business Administration (SBA), and funding from other federal and state agencies. State agencies are coordinating their resources, including the Maryland Emergency Management Agency, and the Departments of Planning, Human Resources, Business and Economic Development among others. In addition, substantial funding for recovery efforts is also available from local groups, including the Somerset County Long Term Recovery Committee and non-profit and faith-based organizations which are chartered to assist recovery efforts.

INTRODUCTION

On October 28, 2012, Hurricane Sandy moved up the eastern seaboard. The effects of the storm were felt for several days throughout the State as it produced heavy rains, high winds, and snow. Significant coastal flooding occurred along the Chesapeake Bay. While every county suffered some level of damage from the storm, by far the most significant impact was felt in Somerset County on Maryland's eastern shore.

On January 29, 2013, the U.S. Congress approved the Disaster Relief Appropriations Act which includes \$16 billion of Community Development Block Grant (CDBG-DR) funds. The funding is to be used for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas from a major disaster declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 (42 U.S.C. 5121 et seq.). The funding is to be used for recovery efforts due to Hurricane Sandy and other eligible events in calendar years 2011, 2012 and 2013. The funding will be awarded by the U.S. Department of Housing and Urban Development (HUD) through several rounds.

The State of Maryland was notified it would receive \$8,640,000 of CDBG-DR funds under the first round of awards to be used specifically for housing and economic recovery activities related to Hurricane Sandy pursuant to the Federal Register Notice FR-5696-N-01 published on March 5, 2013. The funding will be managed by the Maryland Department of Housing and Community Development (DHCD) through its Community Development Block Grant Office. The funding is to be targeted in its entirety to Somerset County which was the most impacted and distressed county in the state.

The Sandy funding allocations were made by HUD using the available data to determine the unmet needs at the time the awards were made. HUD used the following data sources:

- Federal Emergency Management Agency's Individual Assistance program on housing unit damage;
- Small Business Administration's disaster assistance loan program for housing repair and replacement; and
- Small Business Administration's disaster assistance loan program for business real estate repair and replacement as well as content loss.

The CDBG-DR funding is to be used to supplement recovery efforts not funded by the Federal Emergency Management Agency, the Small Business Administration, and the State of Maryland as well as private insurance companies. In other words, CDBG-DR funding is to be used only for otherwise unmet needs and for purposes allowed by regulatory guidelines.

HUD requires recipients of CDBG-DR funding to prepare an Action Plan for Disaster Recovery (the Plan). The Plan is to outline the proposed uses of the HUD CDBG-DR funding in compliance with the Federal Register Notice and overall CDBG regulations and requirements. The Plan must describe the activities to be funded, the methodology for how those activities were determined and the specific policies and procedures that will be followed. The Plan must include a needs assessment which must take into account the costs of incorporating mitigation and resiliency measures to protect against future hazards. The State must also provide a description of how it will promote sound, sustainable, and long-term recovery planning which reflects responsible flood plain management and future sea level rise. The State must describe how the program or activities will protect people and property from future harm.

DHCD developed its plan in consultation with Somerset County officials and staff, City of Crisfield officials, other state agencies, and staff from the Baltimore HUD office. Though not required by HUD, DHCD and Somerset County held two public hearings to discuss proposed activities. Comments received as a result of the hearings were reviewed and considered.

HUD required the State to publish a draft of its action plan for disaster recovery. The availability of the plan and location on the DHCD website were advertised in newspapers of general circulation in Somerset County and the region. The State accepted comments for a seven day period as required by regulations.

At the end of the comment period, DHCD reviewed and considered all comments received. This is the resulting final Plan submitted for HUD's review and approval. HUD has 45 days to complete this review. Upon completion of the review and approval process, HUD will provide the State with a grant agreement obligating the funds.

STATEWIDE IMPACT OF HURRICANE

In preparation for Hurricane Sandy, the Governor executed the State Emergency Plan and declared a State of Emergency for all 23 Maryland counties and Baltimore City. The hurricane produced a wide variety of impacts including severe flooding, heavy rains, high winds, and significant coastal flooding. Maximum wind speeds of 90 mph were recorded. Over 11 inches of rain fell in some areas. Unprecedented storm surges of up to 7 feet occurred in Somerset County. More than 2 feet of snow fell in Garrett County.

Significant damage occurred throughout the state. Damage included downed trees, flooding, and building damage as well as the impact of long term power outages. Citizens in many counties had to evacuate their homes and move to shelters and other community centers.

The Maryland Emergency Management Agency (MEMA) worked with the Federal Emergency Management Agency (FEMA) to assess the impact of the storm across the state. All 23 counties and Baltimore City were declared eligible for federal assistance under the Public Assistance category. Under the PA Declaration, it was estimated that damages throughout Maryland exceeded \$41 million related to infrastructure, utilities, buildings, roads, bridges, emergency debris removal, and emergency protective measures. All counties and Baltimore City are eligible for funding assistance under FEMA's Hazard Mitigation Grant Program.

MEMA and FEMA estimated that 1,068 houses were damaged across the State during the hurricane. Of those, 927 were in Somerset County which is why this county was the only one declared eligible for federal Individual Assistance through FEMA. Many of these houses have been impacted further by the delays related to homeowners waiting for insurance proceeds or other funding assistance. Many homes were also further compromised by the winter weather.

IMPACT ON SOMERSET COUNTY

Somerset County is the southernmost county on the eastern shore of Maryland. It was settled by Quakers who moved there from Virginia for religious freedom in 1661. It was established as a county in 1666. By 1800, the County's population had increased to 17,358 persons. Today, the County is home to a total population of 26,740 according to the 2010 Census.

The County has the lowest median income in the state with 18.1% of its population living below the poverty threshold. The median household income is \$40,731 compared to the state median household income of \$70,647. The pre-disaster unemployment rate was 9.4% which was the second highest in the state.

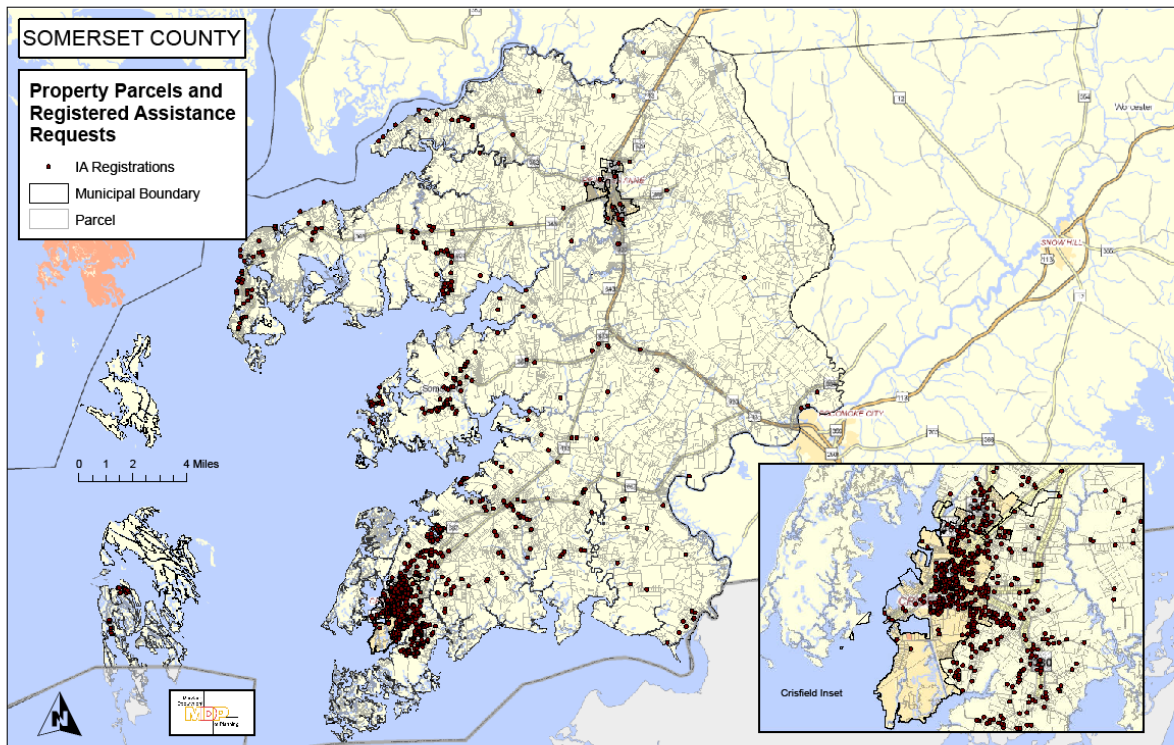
Somerset County consists of 338.4 square miles and 600 miles of shoreline. Much of the County is in the floodplain. During the hurricane, the wind pushed seven foot waves from the Chesapeake Bay through the City of Crisfield and other lower lying areas. Mandatory evacuations were ordered for Crisfield and Smith Island.

The State provided immediate assistance for temporary shelter for displaced families through the Department of Human Resources. DHCD later provided assistance through its MD Disaster Housing Assistance Program. This program provided housing rental vouchers to eligible, displaced families. Overall, more than 200 individuals were assisted by the State with temporary housing. DHCD has also provided housing rehabilitation assistance through the MD Housing Rehabilitation Program and the CDBG Program.

NEEDS ASSESSMENT

In consultation with Somerset County officials and other state and local agencies, the State undertook a needs assessment on the impact of the storm on housing, businesses and infrastructure. This review also uses data provided by FEMA and the SBA.

Map Showing FEMA IA registrations



Map prepared by the MD Department of Planning

HOUSING

Initial assessments of housing damage conducted by MEMA and FEMA estimated that 410 houses in the County had suffered damage. Those estimates were later amended reporting that 927 houses had been impacted. Of this number, 10 were destroyed, 321 suffered major damage, 218 suffered minor damage and another 378 were affected. The number of damaged houses represents 10% of the total occupied 8,788 households in the County.

Further review of the data shows that, by far, the most impacted community was the City of Crisfield, with 593 impacted housing units. It also shows that more owner-occupied units were damaged than renter-occupied units. In addition, of the housing

units impacted, at least one-third of the units were occupied by low income persons/families.

Significantly, many affected homeowners do not have flood insurance due to high deductibles, unaffordable premiums and premiums that are more costly than the actual cost to repair. In fact, per the chart below, for the 889 identified properties, only 92 households had both homeowners and flood insurance, 35 had only homeowners insurance, and 59 had only flood insurance.

IMPACTED HOUSING UNITS IN COUNTY						
AREA	# UNITS	# OWNER OCCUPIED UNITS	# RENTAL UNITS	# UNITS W/HOME INSURANCE	# UNITS W/FLOOD INSURANCE	# LOW INCOME UNITS
Crisfield	593	440	153**	71	88	311
Dames Quarter	2	1	1	1	1	0
Deal Island	23	14	9	7	14	1
Fairmount	124	37	87	10	10	11
Marion Station	36	16	20	15	14	17
Mount Vernon	45	18	27	3	3	6
Oriole	26	19	7	10	9	0
Princess Anne	5	3	2	2	2	6
Smith Island	35	20	15	8	10	3
Totals	889*	568	321	127	151	355
Source: MEMA and FEMA Preliminary Assessment						
*This number reflects a 38 unit decrease in number of units due to elimination of units with no supporting data						
**This number includes public housing units						

The Maryland Insurance Administration reported that a total of \$10.3 million in claims related to Hurricane Sandy from Somerset County were paid as of February 26, 2013. These payments were for homeowners, automobile, commercial and farms claims. The State was not provided a breakdown as to the amounts paid under each insurance category. This figure does not include claims made to the National Flood Insurance Program.

Under HUD guidelines, DHCD is to determine unmet needs as the result of Hurricane Sandy. In its Notice of Funding (NOFA) HUD provided a chart that breaks damages to homes into various categories – minor-low (damages less than \$3,000), minor-high (damages between \$3,000 and \$7,999), major-low (damages between \$8,000 and \$14,999), major-high (damages between \$15,000 and \$28,000) and severe (greater than \$28,000).



In its damage assessment, FEMA classified 10 homes as “destroyed”, 321 as suffering major damage, 218 as suffering minor damage, and 378 “affected”. As the FEMA categories do not match the HUD NOFA categories, and/or the FEMA information did not break down homes affected between “minor-low” and “minor-high”, nor “major-low” or “major-high,” the State developed its Action Plan and assessment of unmet need using mid-range data points, as well as using assumptions that HUD’s “severe” and FEMA’s “destroyed” represented the same level of damage/destruction to affected properties. Based on those assumptions, DHCD made the following calculations to determine the cost of unmet need is at least:

Category	Units		Estimated Repair Costs	Equal Subtotal:
Minor	378	x	\$2,000	\$756,000
Major-Low	218	x	\$5,500	\$1,199,000
Major-High	321	x	\$22,000	\$7,062,000
Severe	10	x	\$60,000	\$600,000
TOTAL				\$9,617,000

These costs are higher than the total amount of funding provided to the State for recovery efforts (\$8,640,000) but it is likely that at least some of the repair costs for housing have been met by insurance or other federal assistance. In addition, some needs may have been met directly by volunteer and service organizations, as well as individual homeowners.

An issue that the damage assessments by FEMA do not take into account, nor do the HUD regulations for funding, is that many of the houses impacted by the storm may need to be elevated to meet updated floodplain assessments and mapping. Based on

our past experience of using CDBG funding for disaster recovery (such as CDBG funding DHCD received under Hurricane Isabel), elevating property above floodplain levels can cost \$20,000 to \$30,000 per house. While damage from Hurricane Sandy may not have been as severe as elsewhere, CDBG regulations require that housing that is being repaired be brought up to livability code. Consequently, a home that only had \$10,000 in damage might actually require another \$10,000 to bring the property to code and another \$20,000 for elevation for long term resilience.

Despite having data, the State is unable to provide a dollar figure related to the remaining unmet need for impacted houses. The State knows the number of houses impacted and the amount of funds received through FEMA and SBA for housing repairs. Additionally, the amounts made available to homeowners for repairs through insurance or sources of funding other than FEMA and SBA are unknown. When activities begin, the State will be diligent in its efforts to ensure that there are no duplication of benefits when determining the calculation of a homeowner's unmet need.

For this plan, HUD requires the State to specifically assess certain types of housing to determine if they were affected by the disaster and have any needs. Using the best available data, the following information responds to this requirement:

Rental Housing – According to the 2010 Census, there are 11,130 housing units in the county. Of those, 8,788 are owner-occupied units and 3,159 are renter-occupied.

There are four properties in the county that were assisted with federal low income housing tax credits and one HUD assisted multi-family property. No needs have been identified.

DHCD administers the Section 8 Housing Choice Voucher program for Somerset County. There are currently 130 vouchers that have been issued to households in the county. There are 120 households on the waiting list. This number has remained consistent for years with no sizeable increase due to the storm.

Special Needs Populations – According to the Somerset County Department of Social Services, there are limited services and housing for persons with special needs or disabilities. This has been an on-going problem due to the small size of the county's population and is not related to Hurricane Sandy.

Homeless Population – Somerset County has experienced an increase in the number of homeless individuals that meet HUD's definition of homeless. As of January 30, 2013, the annual "Point in Time" survey reported that there were 68 homeless individuals. There were 16 identified in the previous year's report. Only 3 of the 68 individuals met the definition of chronically homeless.

The risk of homelessness was compounded immediately after the storm because the only emergency shelter in the county was closed due to water damage. Of the homeless number, 49 were housed in motels/hotels that were being paid for by

government agencies or private organizations. In addition, there were 19 individuals that had been living in houses damaged by the hurricane that were deemed not fit for human habitation. Since the end of January, many have been taken in by families, returned to their homes or were able to find other places to live.

The State and the County are working with the Somerset County Committee for the Homeless to rehabilitate and expand the existing homeless shelter using DHCD's Shelter and Transitional Housing Facilities Grant program and the Maryland Affordable Housing Trust. This will reduce the number of individuals who are not able to find shelter in the County.

Public Housing – The State's Disaster Plan must identify and address the rehabilitation, mitigation, and new construction needs of impacted public housing authorities. The State was required to consult with local housing authorities to identify necessary costs and ensure that adequate funding is dedicated to addressing the unmet needs of damaged public housing.

The Housing Authority of Crisfield is composed of 330 units. Of these, 139 units were deemed uninhabitable due to damage from the hurricane and a number of others sustained a range of damage. Temporary housing for the residents of the uninhabitable units was provided by the MD Department of Human Resources immediately after the storm. When those sources were exhausted, HUD asked the State for assistance with to provide for temporary housing for those residents displaced while the Housing Authority repaired units. DHCD provided Somerset County a grant of \$395,000 of CDBG funds to cover the hotel and motel expenses for approximately 200 persons from November 26, 2012 through the end of March.

The repairs to the damaged PHA units began immediately after the storm. Staff from FEMA evaluated damage on several occasions to determine eligibility for FEMA's Public Assistance funding. They estimated the total amount of damage to be \$8 million.

As of May 21, 2013, there has been no final determination of unmet need with respect to Housing Authority. Per MEMA which is administering the FEMA funds, there can be no final determination of costs until the repairs are completed in their entirety and monitored. MEMA is working off estimated costs which could increase as additional damage is found and other eligible costs are factored into the total. The determination of unmet need will factor in any insurance proceeds or other funds received.

At this time, staff from the Housing Authority, HUD and DHCD are in agreement that we are unable to determine if the Housing Authority has any unmet needs. As DHCD does not want to consider providing reimbursement for any activities already underway, DHCD will commit to working with the Housing Authority to determine costs that could be considered for repairs that have not yet begun. If the State determines there is an unmet need, these funds would be obligated in the amendment to this Action Plan in early 2014.

Impact on Population - Per the 2010 U.S. Census, the population of Somerset County is 54.6% white, 42.4% black or African American and 3% is comprised of other races. The activities proposed under this Action Plan would benefit persons who meet specific eligibility qualifications. The qualifications include but are not limited to: income, proof of storm damage, proof of homeownership, and proof of business ownership. All applications will be received and processed under a first come/first served basis regardless of race, national origin or any other protected class.

ECONOMIC RECOVERY

The major employers in Somerset County are both government entities - the University of Maryland Eastern Shore which employees 865 persons and the Eastern Correction Institution which employees 979 persons. The two largest private employers are SYSCO which employees 750 employees and McCready Memorial Hospital with 275 employees.

Somerset is a rural, water oriented County. Several of its major industries such as the seafood and poultry industries were severally impacted by the storm. There are a significant number of small businesses related to these industries, one of which is the crabbing industry. Many watermen had a significant loss of equipment and building damage. It was reported that several hundred crab pots were lost during the storm.

Many small businesses were damaged by high winds and flooding. There were 217 small businesses located in the Category 1 Storm Surge Area. The majority of those businesses employed four employees or less.

Prior to the storm, 39% of the residents of the county commuted to another county and another 4% work outside the state. Thus, it is very crucial to the County that their economic recovery efforts ensure the growth of existing businesses as well as attraction of new ones. A critical component to these efforts involves stabilizing and strengthening the existing workforce.

The hurricane economic recovery efforts must assist in the revitalization of the community and encourage business owners to re-open or expand their businesses. This would potentially increase the tax base, generate more revenue, and provide jobs for residents.

INFRASTRUCTURE

Though funding is not available under this grant for infrastructure activities, the State is required to provide information as to infrastructure needs due to Hurricane Sandy. There is the possibility that funding could be made available from HUD to assist with the infrastructure needs at a later date. If this occurs, the State will amend this Action Plan to include additional data to justify the unmet needs related to infrastructure across the state.

As stated previously, it was estimated by MEMA and FEMA that there was over \$41 million in damages to infrastructure throughout the state. All 23 counties and the City of Baltimore are eligible for FEMA public assistance funding.

The costs to repair the damage to infrastructure statewide as estimated by FEMA through the Public Assistance Category are as follows:

PUBLIC ASSISTANCE CATEGORY	ESTIMATED AMOUNT OF DAMAGES
A: Emergency Debris Removal	\$10,518,000
B: Emergency Protective Measures	\$18,022,163
C: Roads and Bridges	\$ 1,532,527
D: Water Control Facilities	\$ 133,550
E: Buildings and Equipment	\$ 3,107,579
F: Utilities	\$ 4,271,114
G: Parks, Recreation Facilities, Other	\$ 3,566,812
Totals	\$41,151,766

As of May 8, 2013, MEMA had determined that \$33,298,943 of eligible costs had been approved for recovery assistance. MEMA will be able to fund 75% of these costs with funding from FEMA.

PROPOSED USE OF CDBG-DR FUNDS

Based on the needs assessment, the State has developed an Action Plan to most effectively address the unmet needs of those persons most impacted as well as meet requirements of the federal legislation. As allowed under the regulations, the State will be submitting a *partial action plan* at this time which only obligates a portion of its allocation of CDBG-DR funding. This step is being taken to ensure that we have sufficient time to complete activities and to sufficiently assess all needs related to the storm. Funds obligated through this plan must be expended within two years of the State's receipt of a grant agreement from HUD. The remainder of funds will be obligated under amendments to this plan.

Specifically, the State proposes to utilize CDBG-DR funding for the following activities in the following amounts:

ACTIVITY	PROPOSED TOTAL AMOUNT	PROPOSED PARTIAL AMOUNT
Housing Recovery Program	\$7,190,000	\$3,150,000
Economic Recovery	\$1,050,000	\$1,050,000
State Administrative Costs	\$ 400,000	\$ 200,000
Total	\$8,640,000	\$4,400,000

Every CDBG-DR activity must be an eligible activity under the CDBG program and must meet a CDBG National Objective. For this grant, the State must use at least 50% of the total award - \$4,320,000 – to benefit persons of low and moderate income who are at or below 80% of the area median income for Somerset County using income limits provided annually by HUD.

Title I of the Housing and Community Development Act of 1974 requires that any activity funded with Community Development Block Grant funds must meet one of the three national objectives:

- Benefit to persons of low and moderate income (LMI);
- Prevention or elimination of slum and blight; or
- Meet an urgent need that relates to an immediate threat to community health, safety or welfare.

For this grant, the State will fund activities that will meet one of the following national objectives:

- 1) *Benefit to LMI Persons Through Housing Activities* – Activities must benefit low and moderate income households that are qualified based on data about household size and income.
- 2) *Benefit to LMI Persons Through Job Creation Activities* – Activities must result in the creation of new jobs and at least 51% of the created jobs taken by low and moderate income persons.
- 3) *Benefit to LMI Persons Through Job Retention Activities* – Activities must result in the retention of jobs and at least 51% of the retained jobs are held by low and moderate income persons.

All funds will be available on a first come, first serve basis. In the event, that funds in one category are being used more expeditiously than those in another, consideration will be made to moving funds between categories.

Per the 2010 U.S. Census, only 6.7% or 1,759 people in Somerset County reports that a language other than English is spoken at home. However, the different languages are

not specifically identified. In an attempt to identify the languages, the State has made some assumptions based on the other data. As 3.6% of the population identifies themselves as Hispanic or Latino, it could be assumed that 945 of the total population speaks Spanish. However, this does not mean they are of Limited English Proficiency (LEP), rather that they might speak the Spanish language at home.

Per the LEP Guidance provided by HUD, the State and County are not required to provide a written translation of the Action Plan or program information into another language if the eligible population of LEP is less than 1,000. Given that the estimated total number of Spanish speakers is less than 1,000 and not all are necessarily of LEP, the Action Plan and program information is not translated into Spanish. However, if a request is made or determined to be necessary, Somerset County will work with the applicant/beneficiary to ensure that all appropriate information is translated into another language and that the applicant/beneficiary has a full understanding of program information. In addition, the State (and DHCD) has translator services to persons of LEP in Spanish and numerous other languages available upon request.

HOUSING RECOVERY PROGRAM - \$3,150,000
Estimate: 30 Houses

National Objective: Benefit to Low and Moderate Income Persons through Housing Activities.

The housing recovery component of the Action Plan is composed of two activities – housing rehabilitation and replacement housing. A determination as to which activity will be undertaken will be made based on the amount of damage related to the value of the house as well as the type of damage sustained. The goals under this plan are to improve the housing stock by repairing damage from Sandy and to ensure that all rehabilitated houses are made safer and more resilient - able to withstand future flooding events.

Using data provided by HUD, 54.5% of the residents of Somerset County are of low and moderate income which means that they are at or below 80% of the area median income. CDBG funds will assist the County's low and moderate income households with their unmet needs. The area with the highest number of impacted houses is the City of Crisfield where 70.6% of residents are of low and moderate income.

A compounding issue is that the pre-storm quality and condition of much of the housing in Somerset County was poor, especially because of the age of the housing stock. Of the total 11,154 houses, 4,677 or 41% of them were built prior to 1970.

The State has decided not to require applicants/beneficiaries to prove that they have a demonstrable hardship. As the storm occurred through no fault of their own, the program will work to make people and households whole regardless of affordability. The State will also not establish a maximum amount of housing assistance that can be

provided to each eligible household. Instead, the necessary amount will be utilized to address damage from Hurricane Sandy and to make any other necessary repairs or work to ensure that the houses are safe, energy efficient and in compliance with all codes and requirements. All houses located in the floodplain will be required to be elevated. Thus, the State estimates that the cost per house will be higher which reduces the number of units that can be undertaken.

As stated previously, there are additional resources that will be used in countywide housing recovery efforts from FEMA, SBA, the State, private insurance, and private sources such as the Somerset County Long Term Recovery Committee. This will ensure that a significant number of houses with unmet needs are taken care of.

The priority for housing recovery activities are owner-occupied properties. In the event that this funding is not utilized, the Action Plan will be amended to allow for activities that improve single family rental housing.

Funding will not be utilized for properties: 1) where previous federal assistance was used and the purchase and maintenance of flood insurance was a requirement, and the property owner allowed the flood insurance to lapse; and 2) where previous federal assistance was used and elevation of the house was required but not undertaken.

For purposes of this grant, the State and County will use the preliminary maps provided by FEMA dated March 21, 2013 to determine the required elevation height. These preliminary maps differ significantly from the maps currently used by the County (dated 3/3/2011) in determining the extent of the 100-year floodplain, as the new maps show much more of the County now being in the floodplain. The impact of the proposed maps is significant as it will require more houses to obtain flood insurance. In the majority of cases, most houses will also need to be elevated to a higher level than would be required under the current maps.

These CDBG-DR funds will require homeowners to acquire and maintain flood insurance if their properties are located in a floodplain. This requirement is mandated to protect the investment of the federal dollars. While a number of eligible households may have concerns for the costs of insurance, the elevation height of a house can significantly reduce the cost of the flood insurance premium. An example provided by FEMA based on recent changes to the National Flood Insurance Program shows the impact elevations can have on cost of premiums.

Premium for house 4 feet below Base Flood Elevation	Premium for house at Base Flood Elevation	Premium for house 3 feet above Base Flood Elevation
\$9,500 per year	\$1,410 per year	\$427 per year
\$95,000 over 10 years	\$14,100 over 10 years	\$4,270 over 10 years

As part of the housing recovery program to assist with housing persons that are temporarily displaced, the County will use grant funding to acquire houses that are available for purchase on the real estate market. All acquisitions will be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. When the houses are no longer needed to provide temporary housing, the County will either provide them to the Somerset County Committee for the Homeless to be used as transitional housing or sell them to income qualified persons in accordance with CDBG requirements.

To determine CDBG eligibility, the income of all persons in the household must be verified and documented. The income of the household cannot exceed the maximum income limits determined by HUD based on the number of persons living in the house. The 2013 HUD income limits for Somerset County are:

# Persons In Household	Maximum Income Limit
1	\$42,700
2	\$48,800
3	\$54,900
4	\$60,950
5	\$65,850
6	\$70,750
7	\$75,600
8	\$80,500

Housing Rehabilitation

Eligible costs under this category include construction, lead testing and abatement, temporary housing, Section 106 compliance activities, and all related project administration expenses. The average rehabilitation cost per unit, including costs for elevation, is estimated to be \$60,000.

To determine the rehabilitation activity to be undertaken, an evaluation and work write-ups will be prepared to assess the level of damage and existing building code violations, if any. The costs for repairs will be considered and weighed against the current assessed value of the house. If the costs of the damage are 49% or less than the value, the house will be considered suitable for rehabilitation.

Housing rehabilitation activities will have the following requirements:

- Participants must qualify with total household incomes at or below 80% of the area median income as determined by HUD

- Participants must provide information to ensure there is no duplication of benefits
- Participants must be current on mortgage payments
- Participants must have clear title to property with no liens other than first mortgage
- Participants must be current on payment of property taxes
- Must be owner-occupied houses
- Funding is available for necessary and reasonable costs as determined by inspection
- Funding will be made available as deferred loans payable upon sale or transfer of property
- If located in a floodplain, rehabilitated houses must be elevated to at least 2 feet above base flood elevation level based upon proposed FEMA maps
- If located along a body of water, houses must be elevated to at least 3 feet above base flood elevation level based upon proposed FEMA maps
- All rehabilitated houses will be made compliant with all applicable County, State and Federal building codes and requirements
- All rehabilitation will be in compliance with the guidelines in the HUD CPD Green Building Retrofit Checklist
- Housing rehabilitation is not available for a property which is not the primary residence of the owner(s)
- Homeowners insurance is required for a specified period of time dependent on amount of funding received
- If flood insurance is required it must be acquired for the amount of funding received and for duration of lien
- Mobile homes are not eligible for funding

For purposes of this grant, a “body of water” is defined as the bay, a river, a creek, or a marsh.

Replacement Housing

Eligible costs under this category include construction, temporary housing, Section 106 compliance activities, and all related project administration expenses. The average cost per replacement unit is estimated to be \$130,000.

To determine whether a replacement house is necessary, an evaluation and work write-ups will be prepared to assess the level of damage and existing building code violations, if any. The costs for repairs will be considered and weighed against the current assessed value of the house. If the costs of the damage are 50% or greater than the value, the house will not be considered suitable for rehabilitation and will require it to be replaced.

The following requirements have been established for replacement housing activities:

- Participants must qualify with total household income at or below 80% of the area median income as determined by HUD
- Participants must provide information to ensure there is no duplication of benefits
- Participants must be current on mortgage payments
- Participants must have clear title to property with no liens other than first mortgage
- Participants must be current on payment of property taxes
- Must be owner-occupied houses
- Funding will be made available as deferred loans payable upon sale or transfer of property
- If located in a floodplain, the replacement house must be elevated to at least 2 feet above the base flood elevation level based upon the proposed FEMA maps
- If located along a body of water, houses must be elevated to at least 3 feet above base flood elevation level based on proposed FEMA maps
- All replacement houses must be reconstructed on the same footprint as house to be replaced
- All replacement houses will be constructed in compliance with County, State and Federal building codes and requirements
- All replacement houses will be constructed in compliance with Green Building Standards as defined by HUD in the regulations.
- Replacement houses will be constructed with fire sprinklers if constructed in an area served by public water service
- Replacement housing is not available for a property which is not the primary residence of the owner(s)
- Homeowners insurance is required for a specified period of time dependent on amount of funding received
- If required, flood insurance must be acquired in perpetuity and must transfer with ownership



ECONOMIC RECOVERY PROGRAM - \$1,050,000

Estimate: 30 Grants/Loans

National Objective: Benefit to Low and Moderate Income Persons through Job Creation and Job Retention

The economic recovery component of the Action Plan is targeted to assist small businesses with their unmet needs related to the storm and the impact upon their businesses. It will also address job training needs of businesses and development of the local work force. The goal of these efforts is not to just maintain businesses, but to make them stronger and more successful.

CDBG assistance will be available to:

- 1) sole proprietor businesses where the total household income of the owner is at or below 80% of the area median income established for Somerset County; or
- 2) businesses where at least 51% of the retained employees are at or below 80% of the area median income established for Somerset County; or
- 3) businesses where at least 51% of the new employees to be created are at or below 80% of the area median income established for Somerset County.

For the purposes of CDBG-DR, HUD has determined that an employee is income qualified if the annual wages or salary of the job is at or below the HUD established income limit for a one person family. Thus, significantly, the total household income is not a factor in determining if the employee qualifies as being considered low and moderate income.

Activities include but are not limited to grant and loan assistance to small businesses.

In addition to CDBG specific requirements, all participating businesses must meet the Small Business Administration definition of a small business. Participants must prove need related to the impact of the storm and demonstrate that funding is reasonable and critical to long term recovery. As with other funding under this grant, all assistance is subject to review of information to prevent duplication of benefits.

The following activities have been proposed for economic recovery activities:

- Grants in an amount not to exceed \$2,500 for watermen with commercial fishing licenses for proven equipment loss
- Grants in an amount not to exceed \$5,000 for façade improvements to businesses which provide a match of at least \$10,000
- Conditional loans for a minimum of \$15,000 and a maximum of \$60,000 for working capital and/or construction activities. Loan forgiveness will be considered based on number of jobs created or retained and the length of the retention period.

All building improvement activities are subject to CDBG construction requirements as well as local, county and state code requirements. Participants will be required to ensure that any improvements will be done in such a manner to mitigate any future damage including but not limited to flood proofing and elevating structures. Flood insurance could be required if property is located in a floodplain.

The assessment of business and training needs is still being undertaken. As allowed, the Action Plan can be amended if additional economic activities are identified that will assist the business community more broadly.



The North American Industry Classification Codes for possible businesses that could take advantage of this funding are:

CODE	BUSINESS TYPE
1125	Aquaculture
443142	Consumer Electronic Repair and Maintenance
114112	Crabbing
424460	Fresh Seafood Merchant Wholesale
722511	Full Service Restaurants
452	General Merchandise Store
722513	Limited Service Restaurant
8121	Personal Care Services

GRANT ADMINISTRATION

Since only Somerset County was eligible for assistance with the CDBG-DR funding, the State will subgrant funding to only the County to carry out activities under this grant. The grant will be administered directly by the Somerset County Department of Technical and Community Services. The State and the County will work in partnership to enforce consistency with the Action Plan as drafted. Additionally, the State and County will ensure that the recovery efforts are smart, effective and in compliance with applicable county, state and federal regulations and requirements. This will require joint efforts to ensure that the funding assists as many citizens as possible, the investment is protected, activities are undertaken in a timely manner, and that there is transparency in our actions.

The County will hire sufficient additional and qualified staff to ensure that it can adequately administer the grant. Though the County administers a housing rehabilitation program funded bi-annually with CDBG funding, the additional requirements under this program will require the development of a separate policies and procedures manual for all CDBG-DR activities.

The State will oversee the administration of the grant through monitoring of the County's activities and the submission of the required information to HUD. As required, the State will also develop and maintain a website specifically to advise the public on the undertaken activities and progress.

The State and the County will also monitor and track the leverage of other funds related to eligible activities. This includes any public and private funding received by beneficiaries. The information will be tracked per loan or grant that is awarded. The information will be reported in the HUD DRGR system.

POLICIES AND PROCEDURES

Conflict of Interest – The State and County will ensure that the County complies with its Conflict of Interest policy.

Displacement – No residents will be permanently displaced under the proposed activities contained in this plan.

Duplication of Benefits – The State and the County will work together to ensure that there are no duplication of benefits for beneficiaries of the CDBG-DR funding. For all activities, the County will request documentation and information as to what financial assistance the property/business owner may have received from state, federal or private sources. The County will submit a form to the State requesting confirmation as to whether applicant received financial assistance from the State, the SBA and/or FEMA. The CDBG Program will work with designated contacts at these agencies to obtain information. The County will determine if any funding received would be considered duplicative and what amount of funds are needed. For all activities, assistance will be conditioned upon recipient's agreement that funds will be repaid in the event that any future funding is received for the same activities.

Monitoring - For this grant, the State will work with the County to ensure that there is compliance with all requirements and regulations. CDBG staff will provide technical assistance on a regular basis and assist the County with implementing the grant activities. Additionally, the formal monitoring of expenses and activities will be an on-going process.

The overall monitoring will take the following into account:

- CDBG management structure;
- Internal procedures and controls;
- Capacity to track projects and activities from the planning stage through applicable major milestones to completion;
- Consistency of the implemented project with the approved plan (as reflected in the grant application, Grant Agreement, and any amendments);
- Capacity of the County to ensure compliance with the relevant programmatic and compliance requirements.

The on-site monitoring will involve the following types of activities:

- Interviewing County's management, program, and administrative staff;
- Inspecting project sites, both for completed and on-going CDBG activities
- Auditing of financial records; and
- Conducting a review of the project records.

For this grant, the State and the County will confer each month to evaluate progress and activities. The goal of the meeting is to determine if there are any problems or

issues and to strategize on solutions if necessary. Additionally, the assigned CDBG Program Project Manager will meet with the County once a week to discuss grant activities and planned expenditures. As part of this review, the Project Manager will review the weekly schedule as well as planned activities. The on-going involvement of the Project Manager will be designed to ensure that activities and requests for payment are timely, reasonable and allowable.

At a minimum, the County will be required to submit requests for payments on the last day of each month. The Project Manager will monitor invoices once the requests for payment have been submitted. This financial monitoring of the invoices will include verification against contracts and other documents. Periodically, other CDBG staff will review the financial monitoring completed by the Project Manager as part of a “checks and balances” process.

The State will monitor the County’s progress every six months. In the event that the progress is insufficient, the State and the County will evaluate the activities and determine if funds need to be shifted between funding categories.

DHCD is monitored annually by the State’s Office of Legislative Services and independent auditors hired to perform required Single Audits. This will serve as another form of checks and balances to determine that the State and its subrecipient are expending funds in accordance with federal regulations and requirements.

Prevention Fraud, Abuse and Mismanagement - The State will monitor activities on an on-going basis to ensure that the State and the County are in compliance with all applicable state and federal regulations. By monitoring activities on an on-going basis, it is the goal of the program that any problems or issues will be minimal and dealt with at the early stages.

Program Income – This activities identified under this Action Plan will generate program income.

Recipients will be provided deferred loans for housing activities. These funds will be repaid to the County upon the sale or transfer of properties. In the event that any funds are returned to the County as program income prior to the expiration of the CDBG-DR grant, these funds will be expended in a timely manner in compliance with all program income requirements. The County will re-award funds using procedures specified in their grant agreement with the State for the same activities that generated the program income.

Recipients will be provided conditional loans for economic recovery activities. In the event that any funds are returned to the County as program income prior to the expiration of the CDBG-DR grant, these funds will be expended in a timely manner in compliance with all program income requirements. The County will re-award funds using procedures specified in their grant agreement with the State for the same activities that generated the program income.

After the CDBG-DR grant expires, the County will be required to submit an annual report which reflects the amount of program income received and returned to the State. Additionally, the County will be required to certify that it checked property records to ensure that no properties were sold or transferred without their knowledge. The County will also determine if any program income is owed in the event that a property owner cancelled the required flood and/or homeowners insurance as stipulated in their liens and CDBG agreements.

After the expiration of the grant, any program income generated will be returned to the State by the County. At the beginning of each state fiscal year, the State will consult with Somerset County to determine if they have any housing needs that could be funded with available program income. Any remaining funding will be used to fund activities under the State's CDBG Program.

PUBLIC COMMENT AND RESPONSE

During the 7 day public comment period, DHCD received many comments. Specifically, there were 41 comments received which included one which contained a copy of a petition signed by residents of Smith Island. The comments are summarized and addressed below:

- 1) There were 38 comments (including one with the petition) received regarding the proposed property purchase program for residents of Smith Island that was included in the draft plan. Of those, 34 were opposed to the State offering a voluntary buyout program and 4 were in support of this option.

DHCD RESPONSE: In response to the overwhelming opposition, the State withdrew the proposed property purchase program.

- 2) There was 1 comment which stated that there were not enough resources being set aside for economic recovery. It referenced past attempts to bring economic development to the county that failed or did not materialize.

DHCD RESPONSE: For purposes of this grant, all economic development activities must address an economic impact caused by the disaster. It is not intended for these funds to address non-storm related needs of Somerset County. The State used the best available data to determine the recovery needs based on reported business closings and job losses. That data does not justify using additional grant funds for economic activities at this time. However, the State has other funds to assist businesses through DHCD and through the MD Department of Business and Economic Development.

- 3) There was 1 comment which addressed several issues. Those comments and DHCD's responses are:

A comment related to why the Crisfield Housing Authority was not required to elevate their units but private houses would be required to adhere to this requirement if in the floodplain.

DHCD RESPONSE: The State does not have the authority to regulate the building requirements of the federal government for housing authority properties.

A comment related to the Crisfield Housing Authority and why the State's plan does not stipulate the amount of funding which could be set aside for future expenditures for the Housing Authority and why the Housing Authority does not know what future costs are attributed to Sandy.

DHCD Response: The State does not know at this time if any funds will be required and is, therefore, unable to identify a specific amount that could be spent on repairs to the Housing Authority properties. As stated, the estimated amount of damage is \$8 million. It is anticipated that the costs will increase as they are finding additional damage, costs for repairs are higher than estimated, or if MEMA includes other eligible costs into the total.

A comment related to whether the Crisfield Housing Authority could provide the status of insurance received for each unit and the availability of a copy of the breakout of those expenditures.

DHCD Response: DHCD refers such inquiries to the Crisfield Housing Authority for this detailed information.

A comment related to the Crisfield Housing Authority and whether they considered moving to a location that increases resident opportunities and provides access to the services the residents need.

DHCD Response: DHCD refers this person to the Crisfield Housing Authority for the answer to this question.

A comment concerned about the business community in Crisfield and the need to increase the funds to be set aside for economic development activities.

DHCD Response: As stated previously, for purposes of this grant, all economic development activities must address an economic impact caused by the disaster. It is not intended for these funds to address non-storm related needs of Somerset County. The State used the best available data to determine the recovery needs based on reported business closings and job losses. That data does not justify using additional grant funds for economic activities at this time. However, the State has other funds to assist businesses through DHCD and through the MD Department of Business and Economic Development.

- 4) There was 1 comment which addressed several issues of which one was opposition to the buyout which was addressed above. Those comments and DHCD's responses are:

A comment concerned about the use of all proposed funding for housing for persons at or below the income limits established by HUD (80% of area median income) for housing rehabilitation activities for this county. It also stated that housing funds could be provided to households with incomes up to 120% of area median income) and referenced a section in the Federal Register.

DHCD Response: The State believes that the available data supports the use of the funding for housing rehabilitation assistance to low and moderate income homeowners. In the event that the funding is not utilized, DHCD will consider using funding to assist households that are over the 80% income limit. With reference to assistance to households with incomes up to 120% of area median income, this only applies to homeownership assistance. For CDBG, homeownership assistance are activities that assist homebuyers. These activities are not proposed in this plan.

A comment about why the Plan does not include use of the funds to pay for temporary housing for persons assisted by the Somerset County Long Term Recovery Committee.

DHCD Response: DHCD encourages the Somerset County Long Term Recovery Committee to work with Somerset County on this matter.

A comment concerned about shifting funding in the plan from housing to economic development and concern about the possibility of allowing the use of funding for landlords to improve rental units occupied by low and moderate income persons. Refers to assistance to a landlord as a benefit to a business and are concerned that only one type of business could be getting access to funds.

DHCD Response: The use of CDBG funds to assist with the rehabilitation of rental properties is considered a housing activity as it is based on the income qualification of the tenant. It is not an economic development activity.

A comment concerned about expanding the types of businesses that may qualify for economic development funds and concerns that the requirements would prevent a business from receiving financial assistance.

DHCD Response: Regardless of the business type, all assisted businesses must be qualified based on total household income of owner or the amount of the salary of the employee if there is job creation or retention. HUD has allowed greater flexibility in allowing qualification based on salary of employee rather than

their household income. Consultation with the Somerset County Economic Development Commission and the MD Department of Business and Economic Development have assured us that a salary of \$42,700 (the maximum amount an employee could earn to meet the job requirement) is a good salary in Somerset County.

A comment concerned about whether the North American Industry Classification Codes for the businesses listed in the plan were the only types of businesses that could be assisted.

DHCD Response: The plan refers to the classification codes "... for possible businesses that could take advantage of this funding..." It does not state the funding is limited to these types of businesses. As there are hundreds of codes and business types, the plan just provided a sampling.

A comment concerned about administrative costs exceeding the 5% cap on program administration.

DHCD Response: The 5% cap applies to general administration costs related to the grant. The State has budgeted \$400,000 (4.6%) for State administrative costs which are general administration costs.

A comment concerned about using economic development funding for tourism promotion.

DHCD Response: This is not an allowable expense. Per the Federal Register, only the State of New Jersey is able to use CDBG-DR funding in support of the tourism industry.