



CITY OF IOWA CITY MEMORANDUM

DATE: 5/13/2009
TO: CITY COUNCIL
FROM: DAVID PURDY, FLOOD RECOVERY SPECIALIST *DP/8*
SUSAN DULEK, ASS'T. CITY ATTORNEY *SD*
RE: HMGP PROGRAM UPDATE AND ADMINISTRATIVE PLAN

This memorandum will update Council on the Hazard Mitigation Grant Program (HMGP) application and provide additional information on the HMGP Administrative Plan that is on the agenda for May 19, 2009 for Council approval.

Hazard Mitigation Grant Program Update

Status of Grant

Last week, Representative Loeb's office announced that the City would be awarded \$8,647,191 in HMGP funds to purchase 40 properties in the Parkview Terrace Subdivision and along Taft Speedway for flood mitigation purposes, and the City received FEMA's official grant award letter on May 12. In addition, the state will provide \$1,152,959 and the City will receive \$1,729,438 in CDBG funds for its local match for a total of \$11,529,588. City staff will be meeting with state and FEMA officials on May 15 to discuss the grant administration, and the City Manager will then be able to sign the grant agreement.

Offer

After the agreement is signed, the City will make written offers next week to purchase the properties. If the person owned the property at the time of the flood, the offer will be 112% of the 2008 assessed value less any duplication of benefits. The City is using 112% because that is what it has determined to be the pre-flood market value of the property after reviewing the sales of homes in Parkview Terrace before the flooding and comparing the sales prices to the assessed values.

Duplication of Benefits

When making an offer to buy the property, the City is required by federal law to ensure that there is not a "duplication of benefits" ("DOB") between HMGP and other forms of government assistance. If the owner was awarded FEMA assistance and/or flood insurance for the purpose of making repairs to the home, the City must reduce the purchase offer by this amount unless the property owner can verify that the funds were expended on repairs or clean up. If the owner spent personal funds on the property, that is not a duplication of benefits and thus will not affect the purchase price.

FEMA provides the City with the DOB figure after reviewing the owners' receipts. Staff has been gathering receipts from the owners, but we cannot submit them to FEMA for a DOB review until after the grant agreement is signed. The City will not be able to schedule a closing until staff receives the DOB determination from FEMA. State officials have indicated that it will take FEMA at least one month after it receives the receipts to determine the DOB amount. This is something over which staff has no control and which may cause delays in closing.

Appeal Process

Each owner has the right to appeal the "112% value" listed in the offer, and the City has contracted with a third-party to hear the appeals. The City will be bound by the hearing officer's decision. If the owner does not agree with the hearing officer's decision, then presumably the owner will not accept the City's offer to buy the house.

Demolition

The HMGP requires that the owner have vacated the home at the time of closing and that the City demolish the home within 90 days of closing.

Timing of Closings--Item for Council Consideration

The homeowner at 601 Normandy Drive has submitted a letter to staff requesting that he be allowed to stay in his home for 3 more years. He is anticipating moving out of the area in 3 years. He does not wish to move twice in a 3 year time period. He states that if the house floods in the next 3 years, he will just walk away from the home and the city will not be liable

The HMGP has a 3 year time period in which all homes have to be acquired and demolished. As a result, all final paperwork will need to be submitted to the Iowa Homeland Security office by May 2012. State HMGP officials leave the decision of when to do the final closing up to the local entities.

Staff met to discuss the homeowner's request. Because the maximum time period for the HMGP grant is 3 years, it would not be possible for the homeowner to stay in his home for the 3 year time period. The issue then became what would be a reasonable time period to allow the homeowners to remain in their homes before the City purchases the property.

Staff believes that the primary issue to consider when making this decision should be the possibility of the homes being flooded again, and the properties, homeowners, and rescue personnel being placed at risk. While closings will not happen before the flood season in 2009, they can be completed before the beginning of the 2010 flood season.

Staff recognizes that homeowners will need different amounts of time to prepare for closing on their homes. However, we believe that the avoidance of future potential losses should be the primary decision on which to base the decision of when to do the final closings. We are therefore recommending that the last date on which homes can be closed should be April 30, 2010. Not only will this avoid several more flood seasons, it will also allow the City to develop a demolition contract that will be open for 1 year rather than trying to find a demolition contractor to span several years before the contract is completed. Staff has met with the homeowner to explain our recommendation, and it is our understanding that he subsequently has contacted at least one Council member.

Approximately 15 homeowners wish to close as soon as possible, and staff intends to close on these homes as soon as the DOB figures are received from FEMA. It is beneficial to the City to close by June 30, 2009 in order to avoid having to pay real estate taxes from July 1, 2009 to June 30, 2010. Others wish to close at varying times in the near future, and staff will coordinate with owners to set closing dates at mutually agreeable times.

Staff asks that Council accept staff's recommendation that all closings should occur before April 30, 2010.

Administrative Plan

As part of the HMGP grant process, the City must submit an administrative plan that explains how the program will be implemented and administered in Iowa City. Attached to the resolution is a copy of the proposed Administrative Plan.

Included in the plan is how and why the City has determined the pre-flood value of the homes at 112% of the 2008 assessment. The City reviewed the sales and assessed values of homes in the Parkview Terrace and Taft Speedway areas from January 1, 2007 to June 23, 2008. In some instances, the sales price exceeded the assessed values and in some instances it did not. The resulting median value was 87.90, which is how the City arrived at the figure of 112% of the assessed value as a value of homes at the time of the flood.

The plan details the acquisition process including the offer and the duplication of benefits determination. A copy of the offer is attached to the plan. The owners who wish to close right away will be given 5 days to accept the offer and others 30 days.

The appeals process is described, which provides that the owner has 30 days to appeal the City's determination of fair market value. The City will schedule a date and time for the hearing which is convenient for the home owner. The owner may present information to the hearing officer without respect to the rules of evidence. The owner may be represented by counsel. A third-party will hear the appeals and issue a written decision.

The plan explains "supplemental housing," which is an additional benefit available to a few owners. The plan sets forth the demolition and salvage procedure. It also describes what the City will do to monitor the property after it is acquired to ensure that it remains green space. The grant confirms that the properties do not include any tenants and so no federal relocation assistance will be required to be paid. The plan states that the City will contract with others to provide appeals, abstract updates, and demolition; everything else will be done by City staff. The plans also contains information on the grant close out procedures.

Copy to:

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