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May 4, 2009

Mr. Kenneth Jones, Executive Director
Lower Rio Grande Valley Development Council
311 N. 15th St.
McAllen, Texas 78501-4705

Re: Hurricane Dolly - Method of Distribution Review

Dear Mr. Jones:

The Office of Rural Community Affairs (ORCA) has completed its review of all materials submitted to date in support of the Lower Rio Grande Valley Development Council's (LRGVDC) proposed Method of Distribution (MOD) for TxCDBG Hurricane Dolly disaster recovery funds. We are happy to inform you that the MOD, as described in the attached summary, has been **conditionally approved** pending approval of methods of distribution for Cameron, Willacy and Hidalgo Counties.

The terms of these approvals are as noted below:

1. The Method of Distribution states a desire to reallocate between housing and non-housing as needed based on damage assessments or other data that may be provided them. While we share your desire for flexibility in spending the federal CDBG funds that will be awarded to LRGVDC the split between housing and non-housing activities was established for the region following public hearings in the region. If that division becomes untenable at some point in the future, the region should determine how it may need to be altered. ORCA will consider such requests on a case by case basis and will seek to amend the Action Plan to accommodate such requests if necessary.
2. TDHCA approves LRGVDC's proposed direct allocation of housing funds to the eligible entities as described in the MOD, but will not comment on housing program design for purposes of MOD approval. Each eligible entity receiving housing funds must now submit an application for approval by TDHCA that demonstrates its capacity to run the housing program and meet performance goals. This application must be accompanied by your proposed Housing Program Guidelines specific to Dolly for CDBG eligible activities.
3. ORCA approves the COG's proposed direct allocation of non-housing infrastructure funds to the eligible cities and counties.
4. Acceptance of the MOD does not indicate the eligibility or approval of funding for any of the proposed projects.

Should you have any questions, please feel free to contact me at 512-936-7890 or Chance Sparks, Senior Disaster Recovery Program Analyst, at 512-463-8731.

Sincerely,

Oralia Cardenas, Director
Disaster Recovery Division

Cc: Marcie Oviedo, LRGVDC; Kelly Crawford, Deputy Executive Director for Disaster Recovery, TDHCA

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Hurricane Ike/Dolly Action Plan
 Council of Governments Method of Distribution

COG: LOWER RIO GRANDE DEVELOPMENT COUNCIL

Number of eligible counties: 3 – Cameron, Willacy, Hidalgo

PROCESS OF ADOPTION

Public hearings	2/17/2009 in Brownsville 2/18/2009 in Weslaco
Attendance	50 individuals (consisting of government representatives, NGOs, citizens and consultants) attended. 265 individuals were individually noticed, and the newspaper announcement appeared in three publications throughout the region. Organizations representing individuals that speak a primary language other than English in the home were included in the individual notice.
Comments	<p>Comments were made by several county, municipal, NGO and consultant representatives. Many comments emphasized a desire to provide direct assistance to housing needs and provide infrastructure to limit the severity of future events. Several complained of confusion in working with HUD, particularly citizens commenting. Many complained specifically of assistance application denials based on the homes being "substandard" and recommended use of LMI to help those with the most need and least ability to help themselves. Others said population should not serve as the only determinant and that perhaps a portion should be done by population, and another portion use damage impact data. Some suggested allowing counties local discretion with a portion to develop separate methods to distribute funds based on their local knowledge. Additional attendees felt coastal proximity should be considered, with one city noting that it was affected by the storm surge and torrential flooding.</p> <p>Discussions indicated a focus on providing funds to those areas most affected by the hurricanes. Population was identified as an effective means to target areas of the county with more intense infrastructure development near the coast.</p>
Adoption of COG Resolution	The proposed MOD was adopted by resolution on February 26, 2009.

REGIONAL DESIGNATION OF HOUSING AND NON-HOUSING FUNDS

	Amounts	Percentage
Housing funds	\$7,479,993	13.6%
Non Housing - Infrastructure funds	\$47,520,007	86.4%
Non Housing - Economic Development Funds	\$0	0%
Non-Housing funds	\$47,520,007	86.5%
Total Funding	\$55,000,000	100%
Discussion	The distribution between all entities for both housing and non-housing is based on the MOD for non-housing discussed below. Each eligible entity identified the split they would need based on public hearing feedback and on the ground experience, taking into account a desire to fund infrastructure that would help protect housing from damage in future storms and protect disaster recovery funds allocated for direct housing assistance.	

DISTRIBUTION OF NON-HOUSING INFRASTRUCTURE FUNDS

Distribution Method	Project Selection	Administration
<p>50% Direct to Counties & Cities</p> <p>50% to County Area to develop county MOD.</p>	<p>The funds were first split between the three counties on the basis of FEMA Public Assistance Reports, Percent of county residents that are LMI, Proportion of regional LMI residents in each county, and coastal proximity.</p> <p>50% of the allocation to each county was then directly allocated to the cities and unincorporated portions of the county based on population.</p> <p>The remaining 50% was allocated to the County area for each county to develop a MOD to account for localized disaster impacts. Counties will be responsible for developing their respective methods of distribution.</p>	<p>The individual eligible entities are responsible for identifying and selecting projects, and applying to and contracting with ORCA as grantee.</p> <p>Counties will be responsible for developing their respective methods of distribution.</p>

Hurricane Ike/Dolly Action Plan
 Council of Governments Method of Distribution

DISTRIBUTION OF NON-HOUSING ECONOMIC DEVELOPMENT FUNDS

Distribution Method	Project Selection	Administration
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>

DISTRIBUTION OF HOUSING FUNDS

Distribution Method	Project Selection	Administration
Direct allocation to cities and county areas	Overall allocation of all \$55,000,000 distributed as described in the Distribution of Non-Housing Infrastructure Funds. During the public hearing process, local officials stated their individual need for housing based on public hearing feedback and on-the-ground experience. The overall allocation to each entity was split based on this local assessment. Those not reporting housing need did not have any of their total allocation split into the housing activity category.	The individual eligible entities are responsible for identifying and selecting projects, and applying to and contracting with ORCA/TDHCA as grantee. Counties will be responsible for developing their respective methods of distribution.

Hurricane Ike/Dolly Action Plan
 Council of Governments Method of Distribution

DISTRIBUTION OF FUNDS BY ENTITY

Entity	Total Funds Allocated	Housing Funds	Non housing Infrastructure funds	% of total	% of Infrastructure	% of COG Housing
Willacy Unincorporated Direct	\$1,046,430	\$0	\$1,046,430			
Lyford	\$320,661	\$0	\$320,661			
Raymondville	\$1,287,874	\$128,787	\$1,159,087			
San Perlita	\$95,035	\$0	\$95,035			
Willacy County Area	\$2,750,000	\$412,500	\$2,337,500			
Willacy County Subtotal	\$5,500,000	\$541,287	\$4,958,713			
Hidalgo Unincorporated Direct	\$3,566,870	\$0	\$3,566,870			
Alamo	\$335,358	\$0	\$335,358			
Alton	\$169,895	\$0	\$169,895			
Donna	\$305,170	\$0	\$305,170			
Edcouch	\$74,882	\$0	\$74,882			
Edinburg	\$1,213,213	\$0	\$1,213,213			
Elsa	\$115,809	\$0	\$115,809			
Granjeno	\$5,523	\$0	\$5,523			
Hidalgo	\$197,424	\$0	\$197,424			
La Joya	\$74,848	\$0	\$74,848			
La Villa	\$23,932	\$0	\$23,932			
McAllen	\$2,196,991	\$0	\$2,196,991			
Mercedes	\$274,931	\$0	\$274,931			
Mission	\$1,143,462	\$209,638	\$933,824			
Palmhurst	\$91,041	\$0	\$91,041			
Palmview	\$91,331	\$0	\$91,331			
Penitas	\$39,325	\$0	\$39,325			
Pharr	\$1,124,286	\$0	\$1,124,286			
Progreso	\$100,740	\$0	\$100,740			
Progreso Lakes	\$4,653	\$0	\$4,653			
San Juan	\$586,902	\$0	\$586,902			
Sullivan City	\$77,729	\$0	\$77,729			
Westaco	\$560,685	\$0	\$560,685			
Hidalgo County Area	\$12,375,000	\$2,000,000	\$10,375,000			
Hidalgo County Subtotal	\$24,750,000	\$2,209,638	\$22,540,362			
Cameron Unincorporated Direct	\$2,543,959	\$0	\$2,543,959			
Bayview	\$13,359	\$0	\$13,359			
Brownsville	\$5,451,061	\$1,635,318	\$3,815,743			
Combes	\$88,362	\$0	\$88,362			
Harlingen	\$2,190,385	\$0	\$2,190,385			
Indian Lake	\$17,369	\$0	\$17,369			
La Feria	\$243,611	\$0	\$243,611			
Laguna Vista	\$121,521	\$0	\$121,521			
Los Fresnos	\$176,408	\$0	\$176,408			
Los Indios	\$42,128	\$0	\$42,128			
Palm Valley	\$41,497	\$0	\$41,497			
Port Isabel	\$166,271	\$0	\$166,271			
Primera	\$127,458	\$0	\$127,458			
Rancho Viejo	\$61,171	\$0	\$61,171			
Rangerville	\$6,474	\$0	\$6,474			
Rio Hondo	\$70,772	\$0	\$70,772			
San Benito	\$819,164	\$0	\$819,164			
Santa Rosa	\$98,594	\$0	\$98,594			
South Padre Island	\$95,436	\$0	\$95,436			
Cameron County Area	\$12,375,000	\$3,093,750	\$9,281,250			
Cameron County Subtotal	\$24,750,000	\$4,729,068	\$20,020,932			
Regional Total	\$55,000,000	\$7,479,993	47,520,007	100%	100%	100%