

NOTICE FROM THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

The City of Freeport, Illinois, in conjunction with the Illinois Emergency Management Agency (IEMA), has applied for funding through a Federal Emergency Management Agency (FEMA) Pre-Disaster Mitigation grant to acquire and demolish flood prone properties in the floodway of the Pecatonica River in the Eastside community. FEMA is currently reviewing the project application and estimates award by the spring of 2021.

The purpose of this circular is to provide answers to questions asked by the community about the FEMA grant and this project. This publication follows another that was produced by FEMA in November 2020 and a Telephone Town Hall Meeting hosted by FEMA on December 9, 2020. FEMA expects to produce in March 2021 a final public notice to mark the completion of its review of this project under the National Environmental Policy Act (NEPA) and other relevant federal environmental laws and executive orders such as EO 12898 and EO 11988. Questions about this publication may be directed to Duane Castaldi, Regional Environmental Officer, FEMA Region V, Department of Homeland Security, 536 South Clark Street, 6th Floor, Chicago, Illinois 60605. **Phone:** 312.408.5549. **Email:** Duane.Castaldi@fema.dhs.gov.

FREQUENTLY ASKED QUESTIONS

Questions About the Purchase Offer Calculation

1. How is the purchase offer determined?

The purchase offer will be determined using two criteria: the fair market value of the property and the value of a comparable home in a non-hazard-prone area in the same community. If the fair market value of the property is less than the property value of a comparable replacement home, the property owner may be eligible for a supplemental payment up to \$31,000.

Purchase offer = property value (fair market value) + supplemental payment (up to \$31,000)

Property value is the fair market value. Put simply, the fair market value is the price a property would reasonably sell for in a reasonable timeframe on the open competitive market.

The **supplemental payment** up to \$31,000 may be applied to meet the difference between the fair market value of a home within the floodway and the fair market value for a comparable home.

A **comparable home** is a decent, safe, and sanitary housing of comparable size and capacity in Freeport, outside the floodplain in a non-hazard prone area.

Example 1: This example shows how the supplemental payment is calculated based on the current value of a property located in Eastside and a comparable replacement home outside the floodplain in Freeport.

Eastside home property value = \$5,000

Comparable home property value = \$25,000

Supplemental payment = comparable home value \$25,000 – Eastside home value \$5,000 = \$20,000

Purchase offer = Eastside property value \$5,000 + supplemental payment \$20,000 = \$25,000

Example 2: In this example, the supplemental payment does not fully cover the gap between the value of a current property in Eastside and a comparable home outside the floodplain. The homeowner would have to pay \$4,000 out of pocket to purchase the comparable home.

Eastside home property value = \$10,000

Comparable home property value = \$45,000

Supplemental payment = comparable home value \$45,000 – Eastside home value \$10,000 = \$35,000 reduced to the maximum allowed, \$31,000

Purchase offer = Eastside property value \$10,000 + supplemental payment \$31,000 = \$41,000

2. How will the property value of each property be determined?

The City of Freeport would use independent, certified real estate appraisers to establish and document each **property's value** based on fair market value. The fair market value is the price a property would reasonably sell for in a reasonable time frame on the open competitive market.

3. How did the City estimate the property value for the grant application? How does the property value relate to the assessed value?

For the grant application, the City estimated the **property value** (fair market value) as three times the assessed value. This is because the Freeport Township Assessor assessed properties at one-third of the fair market value in an effort to uniformly assess all properties within the county. For the grant application budget, the City multiplied the Freeport Township Assessor's assessed value by three to estimate the fair market value. This was the best estimate for the fair market value prior to getting an independent appraisal of each property during project implementation.

4. How does the purchase offer change if the property is still subject to a loan, a lien, or has unpaid taxes?

The property must have a clear title and be in good financial standing to be acquired. If a property has unpaid taxes, the amount to cover the unpaid taxes would be deducted from the purchase offer on a property. If the property has another form of missing payments resulting in a lien, the property owner must settle this before acquisition. If there is an outstanding loan (mortgage) on the property, the acquisition process would function the same way selling the property on the open market would – the property owner could use the grant payment to pay off the mortgage.

5. Are there any other deductions that may reduce the purchase offer?

Yes, deductions include any duplication of benefits such as:

- Other assistance the property owner received (e.g., insurance, loans, and repair grants when it cannot be documented that they were used for their intended purpose)
- Legal claims or obligations that arise that may provide a benefit to the property owner
- Relocation or rental assistance already received for the same purpose

6. Does the purchase offer made to the homeowners include closing costs or administrative fees, or would the homeowner have to absorb these costs?

Closing costs and legal fees are eligible for reimbursement and included in the project budget. Property owners may be reimbursed for fees associated with the title transfer, contract review, and other costs associated with conducting the real estate settlement, including recording the deed and deed restrictions.

7. Can I negotiate or appeal the purchase offer?

Each property owner will receive—in writing—determination of the fair market value for their property and the method used to determine the final purchase offer. The City of Freeport must ensure that all property owners are treated fairly and are offered an equitable final purchase offer.

Property owners who disagree with the amount of the final purchase offer may appeal by providing documentation to support their argument. They must hire a qualified appraiser at their cost and submit the appraisal to the City, who will send it to the Illinois Emergency Management Agency (IEMA) for a decision. IEMA is responsible for overall grant administration and provides the final approval for completed appraisals.

Questions About the Grant Administration

8. What is the timeline for the award of the grant?

FEMA expects to award the grant in Spring 2021. After award, the City plans to acquire properties in three phases: (1) occupied homes, (2) unoccupied structures, (3) vacant lots. The entire project should be completed within three years of the award date. The City will coordinate with IEMA throughout the project.

The City's estimated time frame for execution of each phase is as follows: 2 months for the City to procure contractors (e.g., certified property appraisers, legal advisor, asbestos inspectors); 1 month to complete appraisals; 1 month for IEMA to review and approve completed appraisals; 1 month for the City to present purchase offers to property owners; 3 months to complete title work, deed restrictions, closing documents, and property inspections; 1 month to complete acquisition and property closing; 3 months for tenants/residents to relocate; and 1 month for site demolition and restoring the land to open space.

9. How are this project's management costs being funded?

The City of Freeport applied to FEMA's 2019 Pre-Disaster Mitigation (PDM) Grant Program through IEMA. PDM is funded through annual appropriations from Congress.

Management costs under PDM are limited to 5 percent of the total award amount and are separate line items from the property purchase costs in the budget. The cost of project management and administration will not impact or reduce the purchase offers made to participating property owners for the acquisition of their property.

10. How will the City of Freeport receive the grant funds?

FEMA must complete an environmental review of this project before approving the City's grant application. If the project is approved, FEMA will send a letter of award to IEMA that details the time period to complete the project and the amount of federal funds for the project. IEMA is the applicant and the City is the subapplicant, meaning the City does not have direct access to grant funds.

Grants funds are not deposited in a bank account for IEMA or the City to use at will. All grant funds are drawn from FEMA in increments. For example, after some expenses have been incurred, such as hiring independent appraisers to assess participating properties, the City would submit invoices and receipts to IEMA for reimbursement. There is a maximum of three days between the date IEMA receives those funds and the date IEMA provides those funds to the City, so no interest is accrued for the profit of the State.

11. What happens if the property owner signed up for the grant and then passed away?

If a property owner signed up for a grant and passed away, the subsequent owner of the property is still eligible to participate.

12. What benefits may be lost if a property owner has already moved, or moves before their property is acquired?

Are they still eligible to receive the supplemental payment or relocation assistance reimbursement? Homeowners who submitted the notice of voluntary interest before October 2019 are eligible to participate and receive the supplemental payment, whether or not they moved after submitting the form. If they received any federal funding or assistance to relocate before the City is awarded the grant, the amount of that assistance would be deducted from the purchase offer for their home.

13. Who would be responsible for addressing any concerns about the acquisition process?

IEMA would work closely with the City throughout the project and provide approvals. The City and IEMA would ensure that all property owners are treated fairly. Property owners who disagree with the offer may appeal by providing documentation to support their argument. They must hire their own qualified certified appraiser at their cost and submit the appraisal to the City. The City would then send it to IEMA for a decision.

14. Where can I find further information about the project and FEMA's requirements?

FEMA program requirements can be found in the FEMA Hazard Mitigation Assistance Guidance available online at www.fema.gov (www.fema.gov/sites/default/files/2020-07/fy15_hma_addendum.pdf). The City will continue to post project updates on its website (<https://cityoffreeport.org/pre-disaster-mitigation-grant-status-and-other-flood-faqs/>) and Facebook page (www.facebook.com/FreeportCityHall).

Questions for Property Owners Who Do Not Participate**15. If property owners decide not to sell, would their homes continue to be serviced by the City? What services to the community would be lost?**

The City would continue to provide all services to homeowners that are still living in the community. If all the homeowners on a given street decide to participate in the program and sell their property, then the City would decommission that street (i.e., remove the road and utilities). However, if there is even one person remaining on the street, services would remain. That is, the City would continue to provide emergency response and would maintain the roads and infrastructure. Utilities would continue to serve remaining residents.

16. If a property owner chooses not to participate, what restrictions would apply to renovations on the property?

Any repair, reconstruction, or other improvement to buildings within the floodplain is restricted to no more than 50 percent of the fair market value of the building, not including the land. If the cost of a renovation is more than 50 percent of the fair market value, permitting requires that the renovations must bring the property up to current floodplain management standards. That means the work on an existing building must bring the entire building up to the requirements for new construction. Certain costs are exempt from the 50 percent calculation. Costs for the following are not included: plans and specifications, surveying, permits, demolition or emergency repairs, and improvements or repairs to items outside the

building, such as the driveway and detached structures. More details are available on FEMA's website (www.fema.gov/pdf/floodplain/nfip_sg_unit_8.pdf).

Within the regulatory floodway, building improvements are not allowed if they result in floodway encroachment that causes any increase to flood elevations. Generally, this means that there should not be any increase in the building footprint or placement of fill or other obstruction below or around the building (for example, a crawl space that currently allows floodwaters to flow through could not be sealed off).

17. How can homeowners elevate their homes? Are there funds available to assist with the cost of elevating homes?

At this time, the City is pursuing funds for acquisition and demolition projects only. If elevating the home would cost more than 50 percent of the fair market value of the building, the renovations would need to bring the property up to current floodplain management standards. That means the work would need to include everything that would need to be done to make the existing building meet the requirements for new construction. While there may be some funding sources that allow for the elevation of homes within the regulatory floodway, the Code of Federal Regulations (44 CFR Part 9) does not allow for federal funding to be used for renovations exceeding 50% of the value of the structure in the floodway.

18. If property owners did not sign up for the PDM grant in time, what other funds are available for acquisition projects?

Recently, FEMA replaced the Pre-Disaster Mitigation (PDM) Grant Program with the Building Resilient Infrastructure and Communities (BRIC) Grant Program. The City just completed and submitted its application under the BRIC Grant Program for the acquisition and demolition of additional flood prone properties in Freeport.

The City is also interested in applying for FEMA's Hazard Mitigation Grant Program (HMGP) for an acquisition and demolition project. Interested persons should contact the City immediately for more information (Community Development Director, Kirstin Hinds, 815-235-8221 or cddirector@cityoffreeport.org). Like PDM, both programs offer a supplemental payment to help meet the difference between the property value and the purchase offer for a comparable home.

Another option is the National Flood Insurance Program (NFIP), which offers individual homeowners Increased Cost of Compliance (ICC) coverage to help cover the costs of meeting building requirements to reduce future flood damage after a home or business is damaged by a flood. Both demolition and relocation are possible with ICC funding. For more information on ICC coverage, call your insurance company or agent, or the NFIP at 1-800-427-4661, TDD# 1-800-427-5593.

19. Are houses of worship eligible for grant funding?

Houses of worship are eligible to participate in BRIC and HMGP acquisition and demolition projects.