

***TESTIMONY PRESENTED BEFORE THE APPROPRIATIONS,
COMMERCE, HOUSING AND PUBLIC HEALTH COMMITTEES
May 7, 2013***

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Department of Housing

***COMMUNITY DEVELOPMENT BLOCK GRANT- DISASTER RECOVERY
(CDBG-DR)
ALLOCATION PLAN FOR HURRICANE SANDY***

Good afternoon honorable chairman and ranking members of the Appropriations, Commerce, Housing and Public Health committees. My name is Evonne Klein and I am the Commissioner of the Department of Housing (DOH). With me are Nick Lundgren, the Director of the Office of Housing and Community Development and Mike Santoro, a Community Development Specialist on his staff at the Department of Economic and Community Development. Nick and Mike will, with the Legislature's approval of HB 6366, be moving over to DOH. Both Nick and Mike have been working with me in the preparation of the document before you.

As you know, we are here today, pursuant to Section 4-28b of the Connecticut General Statutes, to present the State's Allocation Plan for the Community Development Block Grant – Disaster Recovery (CDBG-DR) program, which is being funded by the U.S. Department of Housing and Urban Development (HUD).

As we all remember, on October 29, 2012 Hurricane Sandy struck the East Coast, causing massive destruction to property and loss of life, particularly in New York, New Jersey and Connecticut. Six months later, we continue to pick up the pieces and move forward with our recovery.

In response to this tragic natural disaster, HUD allocated \$71.82 million in disaster recovery assistance to Connecticut under the programmatic requirements of the CDBG-DR program. These funds are intended to address the UNMET NEEDS of our residents, local businesses and communities – the needs that cannot be met by assistance from FEMA, the federal Small Business Administration (SBA), the National Flood Insurance Program, private insurance, private philanthropy and any other disaster recovery program or resources.

In order for the State of Connecticut to access these funds from HUD, there are a number of critical requirements that must be observed, a few of which are especially important to highlight.

First, HUD has made it clear that the primary purpose of this allocation of funding – this \$71.82 million – is to address the immediate housing and economic revitalization needs of our most impacted counties. HUD’s federal notice expressly states that not less than 80% of these funds must be used to provide assistance in Fairfield and New Haven Counties. HUD has explained that this requirement was largely based on where the claims made by people who sought assistance from FEMA and SBA were concentrated. The remaining funds can be expended in Middlesex County, New London County and the Mashantucket Pequot Indian Reservation.

Second, all activities must meet at least one “national objective”. There are three eligible national objectives: Low/Moderate Income Benefit; Elimination of Slum/Blight; and Urgent Need.

Third, at least 50% of all CDBG-DR funds must meet the Low/Moderate Income Benefit objective. This includes both this first allocation of funds and, HUD has indicated, all future allocations. As a result, we must be able to demonstrate that these funds are being expended to assist low or moderate income persons (individuals or families at or below 80% of the area median income).¹

Fourth, no household earning more than 120% of the area median income may be directly assisted using CDBG-DR funds.

Finally, CDBG-DR funds cannot be used to assist second homes or private utilities.

This Allocation Plan is a tool that allows us to define our priorities for the use of these CDBG-DR funds within these federal requirements. Above all, this Allocation Plan reflects the fact that our first priority as a State is to get funding to as many affected residents as possible in order to assist them in repairing their

¹ This assistance must be through either a direct benefit or an indirect benefit. A DIRECT BENEFIT is one that can be documented as directly assisting a low or moderate income family, such as funds to restore a home owned by a low income family. An INDIRECT BENEFIT is one where the activity or project serves a census tract within a community that is occupied by families who are predominantly low or moderate income. An example of such a project is the restoration of a school facility in a low or moderate income neighborhood.

homes and small businesses so they can get their lives back in order and get our local economy back in business.

More specifically, this Allocation Plan explains that the State, acting through DOH, will provide CDBG-DR funds directly to eligible homeowners, public housing authorities and other eligible recipients and sets forth the portion of these funds that the State will allocate to each of the following types of activities: Owner-occupied Rehabilitation; Multi-family Rehabilitation and New Construction; Infrastructure; Public Facilities; Economic Revitalization; Mitigation; Administration; and Planning.

The purpose of this Allocation Plan is not to establish amounts that will be expended in any particular municipality. Within the limits imposed by the federal government, we intend to provide CDBG-DR funding directly to where it is needed and for the purposes that will most directly impact our citizens.

Before turning to the allocation of CDBG-DR funds by type of activity, it is important to note that our allocations are based on our estimate of UNMET NEEDS using data from FEMA, SBA, the National Flood Insurance database, and data that we requested and received directly by municipalities and public housing authorities, among others. All of this information was collected, compiled and analyzed to identify UNMET NEEDS. This data was necessarily preliminary, but we continue to update and improve it as new information becomes available and, to this end, we have worked closely with, and will continue to work closely with, the municipalities in the areas of the State that are eligible for these CDBG-DR funds.

The allocation of CDBG-DR funds by type of activities is most concisely set forth in the table on page 12 of the Allocation Plan.

Our highest and most critical priority is addressing the unmet housing needs in our most affected counties. We intend to do this through two initiatives, one targeted at our homeowners and the other at our multi-family rental properties.

Under our \$30 million single-family program for OWNER-OCCUPIED REHABILITATION, we will target the unmet needs of our eligible homeowners, assisting them with funds for rehabilitation and housing code repairs, as well as adding mitigation features to these homes, including elevation above the new federally-mandated flood levels, where appropriate.

Under our \$26 million MULTI-FAMILY REHABILITATION AND NEW CONSTRUCTION program, we will target multi-family properties, especially those managed by our public housing authorities. To make the most of these funds, we anticipate that these rehabilitation, development or redevelopment projects will be structured to take advantage of all other appropriate financial resources so that, consistent with the State's recent experience, this \$26 million can leverage more than \$100 million in additional financing. Some of these units will be repaired. Others will be demolished and rebuilt in alternative locations.

We also recognize that there is a substantial amount of economic revitalization that is needed. If our small businesses do not recover, then our local economy will not recover. However, we are committed to using our own State resources to supplement the CDBG-DR funding to address these needs. Under our \$4 million ECONOMIC REVITALIZATION program, we intend to leverage the existing processes, funds and program parameters of two existing state programs to turn this into a \$10 million initiative, targeting the small businesses in our eligible communities with matching grants to promote access to the Small Business Express program and our Minority Business Assistance program.

Much of the UNMET NEED that has been identified by our municipal partners is related to INFRASTRUCTURE. Under our \$4 million Infrastructure program, we will solicit competitive applications that prioritize infrastructure projects that provide a tangible benefit that addresses an urgent UNMET NEED that can be commenced with minimal delay, particularly if it impacts a potential health and safety hazard.

Under our \$2.2 million PUBLIC FACILITIES program, we will solicit competitive applications that prioritize public facilities projects that address an urgent UNMET NEED that can be commenced with minimal delay.

Under HUD's guidelines, a state can choose to expend up to 15% of its allocation on PLANNING activities. We believe that it is important for Connecticut to be proactive in anticipation of future natural disasters. Therefore, we intend to expend over \$2 million in PLANNING activities to assist in the planning processes associated with infrastructure, public facilities and mitigation in the areas of the State that are eligible for these CDBG-DR funds. Planning activities might include, for example, the formulation of local long-term recovery plans, plans to address foreseeable mitigation needs, or plans to avoid fuel shortages during future disasters.

For many homeowners, MITIGATION is needed as a result of the new National Flood Insurance Program guidelines. Mitigation is the increase in hardening or resiliency of a building or facility to withstand future disasters. As an example, elevating a home located within the flood zone is a kind of mitigation. The addition of hurricane shutters and roof supports to improve a building's capacity to withstand hurricane force winds is another example. Many of the initiatives I just discussed, including homeowner rehabilitation, have mitigation costs and activities incorporated into them under this Allocation Plan.

There are also "mitigation only" activities that we expect will also need to be addressed. For example, some homes, small businesses, infrastructure and public facilities located within the flood plain were not impacted by Hurricane Sandy but should, in light of the potential for future natural disasters, be hardened or otherwise improved to reduce the chance of substantial and costly damage in the future.

As indicated in the Allocation Plan, no funds are allocated for these kinds of "mitigation only" activities at this time since HUD has indicated that additional CDBG-DR funds will be allocated to Connecticut in order to enable the State to focus on such mitigation activities as well as infrastructure projects and other unmet needs.

HUD has not provided any official announcement regarding such additional funds so we do not at this time know how much additional funding will be allocated to the State or when such an allocation will be made. However, Governor Malloy and I are working closely with our Congressional delegation, HUD and the President's Hurricane Sandy Recovery Task Force to make sure that Connecticut continues to receive funding under this and other initiatives. We have also actively participated as a member of the Hurricane Sandy Recovery Task Force's regional advisory group.

Looking ahead, the State will soon complete the Action Plan that HUD requires and which HUD must approve before any CDBG-DR funds can be available. This Action Plan will be consistent with this Allocation Plan.

Among other things, this Action Plan describes the State's method of administering the CDBG-DR program, including its administration of the funds directly to eligible recipients, generally pursuant to an open application process. We are committed to getting these funds out to assist as many households with UNMET NEEDS as possible, subject to the applicable federal restrictions. We do

not intend to pass any of these funds and their administrative burden onto any of our communities. With a complex public assistance program of this type, it is critically important that everyone receiving assistance be treated consistently, under the same rules and obligations and in a manner that expedites the release of funds and minimizes administrative costs.

We are also keenly aware that the federal government will be carefully scrutinizing the use and implementation of these funds in accordance with all federal requirements. In fact, we have already been contacted by the Inspector General's Office working on behalf of HUD to assure us that they will have a strong presence in Connecticut with regard to the proper use of these funds. We will fully comply with all of the federal obligations concerning the use and implementation of these funds.

Once completed, the Action Plan will be published for public comment prior to submission to HUD.

But public participation has already been at the heart of our planning process. Our CDBG-DR planning process has been coordinated through a collaborative effort of local, state, federal and private sector partners. With the assistance of the Connecticut Department of Emergency Services and Public Protection – Division of Emergency Management & Homeland Security (DEMHS), the Governor's Long Term Recovery Working Group (LTRWG) and the State-led Housing Task Force, we have worked diligently to be as inclusive as possible throughout this process. Prior to HUD's allocation of these CDBG-DR funds, the State asked communities impacted by Hurricane Sandy to describe the scope and nature of the impacts in their communities. Thereafter, we circulated a formal survey requesting specific detailed data from municipalities and, with the assistance of DEMHS and DECD, DOH conducted five informational meetings to provide an overview of the process, answer questions and solicit input into the development of the State's Allocation Plan and Action Plan. These meetings were held in each of the four counties eligible for these CDBG-DR funds, and the fifth meeting, which was specifically designed to address the needs of our public housing authorities, was held in Meriden.

In addition to the invaluable data and input received through these efforts, input for the development of this Allocation Plan was also solicited from HUD's Hartford Field Office, FEMA, the LTRWG and the members of the State-led Housing Task Force, the State Office of Historic Preservation, DOT, DECD, OPM, DEMHS

regional coordinators, and the American Red Cross and other charitable organizations.

In accordance with the federal requirement, the State has a Hurricane Sandy webpage that is accessible from the DECD main webpage and currently provides general information about the CDBG-DR program. As additional information and application materials become available, they will also be added to this webpage.

Finally, in addition to publishing the Allocation Plan, and soliciting input specifically on its contents, we continue to meet with local elected and planning officials about their continuing unmet needs, and expectations relative to the CDBG-DR program. We look forward to continuing an open and meaningful dialogue with our municipal partners as we move from the planning phase to the implementation phase of the CDBG-DR program.

In closing, we intend the CDBG-DR Program to be an extremely effective disaster recovery tool, and to lay the groundwork for the receipt of additional disaster funding to assist Connecticut's communities. The projects and activities that we will fund through CDBG-DR and other resources of DOH will repair infrastructure, rehabilitate homes, create jobs, rebuild community facilities, and address health and welfare issues.

If you have any questions on either my testimony or the Allocation Plan, I would be more than happy to answer them now. Thank you.