

**Community Development Block Grant
Disaster Recovery Program**

**Allocation Plan - Amendment
Second Tranche**



DEPARTMENT OF HOUSING

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I. Overview of the Amendment

A. Background – First Tranche

On Friday, July 19, 2013 the Department of Housing received notification from the U.S. Department of Housing and Urban Development that our Action Plan for the Community Development Block Grant – Disaster Recovery (CDBG-DR) had been approved. Since that time, the Department of Housing (DOH) has worked to implement the programs and activities outlined in that Action Plan, which detailed the priorities and eligible activities for that first tranche of \$71,820,000 in federal assistance (the “First Tranche Funds”).

The approved allocation of these funds is described in the chart below.

Activity	Allocation
Owner-Occupied Rehabilitation	\$30,000,000
Multi-family (Rehabilitation & New Construction)	\$26,000,000
Infrastructure	\$4,000,000
Public Facilities	\$2,200,000
Economic Revitalization	\$4,000,000
Mitigation	0
Administration	\$3,591,000
Planning	\$2,029,000
TOTAL	\$71,820,000

All of these activities are underway, and in accordance with federal requirements, a copy of the Quarterly Performance Report, detailing the status of each of these activities, is available at the Department of Housing website at www.ct.gov/doh.

B. Federal Requirements – Second Tranche

On Monday, November 18, 2013 the Department of Housing received notification from the U.S. Department of Housing and Urban Development that the State of Connecticut was scheduled to receive an additional, or Second Tranche, of federal funds in the amount of \$66,000,000.

To achieve this goal, HUD promulgated regulations that established the regulatory framework for the receipt and expenditure of the Second Tranche of CDBG-DR Program funds, all as set forth in Federal Register Notice (Vol. 78, No. 222; November 8, 2013 Page 69104) titled: "Second Allocation, Waivers, and Alternative Requirements for Grantees Receiving Community Development Block Grant (CDBG) Disaster Recovery Funds in Response to Hurricane Sandy" (the "Federal Register Notice").

The Appropriations Act requires funds to be used only for specific disaster recovery related purposes. Consistent with the Rebuilding Strategy, it is essential to build back stronger and more resilient. This allocation provides additional funds to Sandy-impacted grantees to support investments in mitigation and resilience and directs grantees to undertake comprehensive planning to promote regional resilience as part of the recovery effort. The Appropriations Act requires that prior to the obligation of CDBG-DR funds, a grantee shall submit a plan detailing the proposed use of funds, including criteria for eligibility and how the use of these funds will address disaster relief, long-term recovery, restoration of infrastructure and housing and economic revitalization in the most impacted and distressed areas. In an Action Plan for Disaster Recovery (Action Plan), grantees must describe uses and activities that: (1) Are authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) (HCD Act) or allowed by a waiver or alternative requirement published in this Notice and the prior Notices; and (2) respond to a disaster-related impact. HUD has previously approved an Action Plan for each grantee receiving an allocation of funds in this Notice. Grantees are now directed to submit a substantial Action Plan Amendment in order to access funds provided in this Notice.

To access funds grantees must submit a Substantial Amendment to their approved Action Plan. Any Substantial Amendment submitted is subject to the following requirements:

- DOH consults with affected citizens, stakeholders, local governments and public housing authorities to determine updates to its needs assessment; in addition, grantee prepares a comprehensive risk analysis;
- DOH amends its citizen participation plan to reflect the new requirement for a public hearing;

- DOH publishes a substantial amendment to its previously approved Action Plan for Disaster Recovery on the grantee's official Web site or no less than 30 calendar days and holds at least one public hearing to solicit public comment;
- DOH responds to public comment and submits its Substantial Amendment to HUD no later than 120 days after the effective date (November 23, 2013);
- HUD reviews the Substantial Amendment within 60 days from date of receipt and approves the Amendment according to all published criteria;
- HUD sends a Substantial Amendment approval letter, revised grant conditions (if applicable), and an amended unsigned grant agreement to DOH.

If the substantial Amendment is not approved, a letter will be sent identifying its deficiencies; DOH must then re-submit the Amendment within 45 days of the notification letter;

- DOH ensures that the HUD approved Substantial Amendment is posted on its official Web site.

C. Use of the Second Tranche Funds

The Act provides that funding under the CDBG-DR Program must 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 resulting from a major disaster."

In addition to specifying the amount of funds allocated to Connecticut in the second tranche, the Federal Register Notice also sets forth the areas within Connecticut where the Second Tranche Funds can be expended, the programs or activities for which the Second Tranche Funds can be used, the national objectives that each program or activity must meet and all other critical requirements with which all grantees must comply.

Several specific requirements are especially important.

First, the only areas within Connecticut in which the Second Tranche Funds can be expended are Fairfield County, New Haven County, Middlesex County, New London County

and the Mashantucket Pequot Indian Reservation. The municipalities within these counties are set forth in the table on the following page.

ELIGIBLE CDBG-DR COMMUNITIES IN CONNECTICUT			
Fairfield County	New Haven County	New London County	Middlesex County
Bethel	Ansonia	Bozrah	Chester
Bridgeport	Beacon Falls	Colchester	Clinton
Brookfield	Bethany	East Lyme	Cromwell
Danbury	Branford	Franklin	Deep River
Darien	Cheshire	Griswold	Durham
Easton	Derby	Groton	East Haddam
Fairfield	East Haven	Lebanon	East Hampton
Greenwich	Guilford	Ledyard	Essex
Monroe	Hamden	Lisbon	Haddam
New Canaan	Madison	Lyme	Killingworth
New Fairfield	Meriden	Montville	Middlefield
Newtown	Middlebury	New London	Middletown
Norwalk	Milford	North Stonington	Old Saybrook
Shelton	Naugatuck	Norwich	Portland
Sherman	New Haven	Old Lyme	Westbrook
Stamford	North Branford	Preston	
Stratford	North Haven	Salem	
Redding	Orange	Sprague	
Ridgefield	Oxford	Stonington	
Trumbull	Prospect	Voluntown	
Weston	Seymour	Waterford	
Westport	Southbury		
Wilton	Wallingford		
	Waterbury		
	West Haven		
	Wolcott		
	Woodbridge		

Second, not less than 80% of the Second Tranche Funds must be expended in Fairfield and New Haven Counties.

Third, the State must also ensure that at least 50% of its CDBG-DR grant funds are used for activities that benefit low- and moderate-income (“LMI”) persons. LMI persons are defined for the purposes of the CDBG-DR Program as persons and families whose income does not exceed 80% of the area median income, as determined by HUD. This 50% requirement applies to the CDBG-DR Program as a whole and does not apply to each individual program or activity.

Fourth, the Second Tranche Funds cannot be used to benefit private utilities or second homes.

Finally, while the Second Tranche Funds can be used for any eligible purpose, HUD has indicated that the intended programmatic focus of these funds is infrastructure, and infrastructure-related projects.

Definition of an Infrastructure Project and Related Infrastructure Projects:

(1) Infrastructure Project: For the purposes of this program, an infrastructure project is defined as an activity, or a group of related activities, designed to accomplish, in whole or in part, a specific objective related to critical infrastructure sectors such as energy, communications, water and wastewater systems, and transportation, as well as other support measures such as flood control. This definition is rooted in the implementing regulations of the National Environmental Policy Act (NEPA) at 40 CFR part 1508 and 24 CFR Part 58. Further, consistent with HUD’s NEPA implementing requirements at 24 CFR 58.32(a), DOH must group together and evaluate as a single infrastructure project all individual activities which are related to one another, either on a geographical or functional basis, or are logical parts of a composite of contemplated infrastructure-related actions.

(2) Related Infrastructure Project: Consistent with 40 CFR part 1508, infrastructure projects are “related” if they automatically trigger other projects or actions, cannot or will not proceed unless other projects or actions are taken previously or simultaneously, or are interdependent parts of a larger action and depend on the larger action for their justification.

Activities that can be funded with the First or Second Tranche Funds include, without limitation: acquisition of real property; acquisition, rehabilitation and construction of public works and facilities; buyouts; code enforcement; relocation assistance; new construction, reconstruction and rehabilitation of residential and nonresidential properties; new construction, reconstruction and rehabilitation of public housing; repair or rehabilitation of infrastructure; American Disability Act improvements; rental assistance (limited); storm mitigation measures; special economic development including: grants and loans to SBA defined small business, job training, and the revitalization of business districts; fair housing counseling; homeownership counseling and assistance; and assistance to Community-Based Development Organizations for neighborhood revitalization, community economic development, energy conservation projects, homeownership assistance, fair housing, planning, and administrative costs, including actions to meet the grantee's certification to affirmatively further fair housing.

Broad program categories for CDBG-DR Program eligible activities include: Housing, Infrastructure, Public Facilities, Economic Revitalization, and Planning. A limited portion of these funds may be used for the cost of administering the CDBG-DR Program.

Any activity not listed in the Housing and Community Development Act, as modified by the Federal Register Notice, is ineligible to be assisted with these funds. For example, funds cannot be used for general government expenses or political activities.

II. Proposed Allocation of Disaster Recovery Funds

A. Proposed Re-Allocation of the First Tranche Funds

Based on current application activity to date, as well as anticipated activity based on the data collected identifying unmet need, DOH is proposing to make a minor re-allocation of the First Tranche Funds among the broad eligible activity areas is set forth in the table below:

<u>Activity</u>	<u>Unmet Need in All Eligible Areas</u>	<u>Original Allocation</u>	<u>Revised Allocation</u>
Owner-Occupied Rehabilitation	\$57,137,184	\$30,000,000	\$33,000,000
Multi-family (Rehab & New Construction)	\$147,907,500	\$26,000,000	\$26,000,000
Infrastructure	\$21,407,853	\$4,000,000	\$4,000,000
Public Facilities	\$34,527,307	\$2,200,000	\$2,200,000
Economic Revitalization	\$11,105,000	\$4,000,000	\$1,000,000
Mitigation	\$27,758,056	0	0
Administration	NA	\$3,591,000	\$3,591,000
Planning	NA	\$2,029,000	\$2,029,000
TOTAL	\$299,842,900	\$71,820,000	\$71,820,000

The recommended reallocation is to move \$3,000,000 from Economic Revitalization and reallocate it to Owner-Occupied Rehabilitation. Specifically, the intention is to begin homeowner reimbursements to persons and families in the 0-80% of Area Median Income range.

B. Proposed Allocation of the Second Tranche Funds

Again, based on current application activity to date, as well as anticipated activity information received from our municipal and state partners, DOH is proposing to allocate the Second Tranche Funds among the broad eligible activity areas as set forth in the table below:

<u>Activity</u>	<u>Unmet Need</u>	<u>Proposed Allocation</u>
Owner-Occupied Housing (Unmet Rehabilitation Need and Mitigation)	\$56,000,000	\$4,200,000
Owner-Occupied Reimbursement (Completed Rehab and Mitigation) <ul style="list-style-type: none"> • 0 – 80% AMI – Priority One • 80 – 120 % AMI – Priority Two • 120 - 150% AMI – Priority Three 	\$33,600,000	\$11,200,000
Owner-Occupied Mitigation (Second Homes NOT eligible) <ul style="list-style-type: none"> • 0 – 100% AMI – Grant • 100 – 120 % AMI - \$30k grant/referral to Shoreline RF • 120 - 150% AMI – \$15k grant/referral to Shoreline RF 	\$21,900,000	\$10,000,000
Infrastructure	\$300,000,000	\$30,000,000
Evidence-based strategies, including Pay For Success		\$300,000
Administration		\$3,300,000
Planning for Mitigation/Resiliency		\$7,000,000
TOTAL		\$66,000,000

C. Administration of the Program

DOH will administer the Second Tranche Funds through selective application processes.

The project eligibility requirements contemplated by DOH include the following (though not all requirements will apply to all types of projects):

- Applicants must be “Eligible Applicants” as defined by HUD program regulations as modified by the Federal Register Notice;
- Proposed activity must be an “Eligible Activity” as defined by HUD program regulations as modified by the Federal Register Notice;
- Projects must meet at least one National Objective and such national Objective(s) must be fully supported within the application;

- Consistency with the goals and strategies of the Action Plan must be demonstrated;
- Fair Housing and Equal Opportunity Compliance must be evidenced by a Fair Housing Action Plan that complies with DOH's guidelines/policies; and
- Applicants must be in compliance with all existing assistance agreements with DOH and cannot be in default under any CHFA or HUD-administered program.

Owner-Occupied Housing (Unmet Rehabilitation & Mitigation):

Allocation: \$4,200,000

Based on the current applications received from First Tranche activity, it appears that some additional unmet need associated with rehabilitation and mitigation will remain after full expenditure of the original allocation.

Grant Caps

Grant caps would carry over from the First Tranche.

The total grant minimum including mitigation is \$10,000.

The total grant maximum including mitigation is \$150,000.

Funding Priorities

Funding priorities would carry over from the First Tranche.

Priority 1: Assist those whose income is less than 80% of the AMI.

Priority 2: Assist those whose income is 80% to 120%.

Priority 3: Assist those whose income is above 120% of AMI depending on funding availability.

Owner-Occupied Reimbursement (Completed Rehabilitation including Mitigation, where appropriate):

Allocation: \$11,200,000

Based on the current applications received from First Tranche activity, and supported by additional information gathered as a result of the FEMA Hazard Mitigation Grant Program, it appears that there is significant need for owner-occupied reimbursements, both for completed rehabilitation as well as for completed mitigation.

Grant Caps

Grant caps would carry over from the First Tranche.

The total grant minimum including mitigation is \$10,000.

The total grant maximum including mitigation is \$150,000.

Funding Priorities

Funding priorities are proposed for Second Tranche, as follows:

Priority 1: Reimbursement for completed activity of those whose income is less than 80% of the AMI.

Priority 2: Reimbursement for completed activity of those whose income is 80% to 120%.

Priority 3: Reimbursement for completed activity of those whose income is 120% to 150% of AMI.

Priority 4: Depending on funding availability, reimbursement for completed activity of those whose income is over 150% of AMI.

Owner-Occupied Mitigation (Mitigation Only activities):

Allocation: \$10,000,000

Based on the current applications received from First Tranche activity, and supported by additional information gathered as a result of the FEMA Hazard Mitigation Grant Program, it appears that there is significant need for owner-occupied reimbursements, both for completed rehabilitation as well as for completed mitigation.

Grant Caps

Grant caps would carry over from the First Tranche.

The total grant minimum including mitigation is \$10,000.

The total grant maximum including mitigation is \$150,000.

Funding Priorities

Funding priorities are proposed for Second Tranche, as follows:

Priority 1: 100% assistance to those whose income is less than 100% of the AMI.

Priority 2: Flat reimbursement grant of \$30,000 and a referral to the Shoreline Resiliency Fund to those whose income is 100% to 120%.

Priority 3: Flat reimbursement grant of \$15,000 and a referral to the Shoreline Resiliency Fund to those whose income is 120% to 150%.

Due to federal limitations, second homes are not eligible for assistance. Any individuals identified as requesting assistance for “second homes” will be referred to the Shoreline Resiliency Fund for potential assistance.

Infrastructure/Infrastructure-related Projects:

Allocation \$30,000,000

In response to the DOH request for information regarding infrastructure and infrastructure-related needs, other state agencies and local governments identified more than fifty projects with needs totaling approximately \$300 million.

A competitive selection process will be used to select projects to be funded.

Grant Caps

There are no grant caps associated with this activity. However, local governments will be required to provide a 25% match toward the total development cost of the activity.

Funding Priorities

Funding priorities are proposed for Second Tranche, to include the following:

- Restoration or replacement of infrastructure damaged as a result of Superstorm Sandy, especially for projects that are vital for the redevelopment of properties damaged as a result of Superstorm Sandy.
- Hardening/mitigation activities related to water or wastewater systems.
- Hardening/mitigation activities related to streets and/or drainage systems.
- Hardening/mitigation of transportation systems and controls.
- Hardening/mitigation of energy systems.
- Other mitigation activities.

Evidence-based Strategies:

Allocation \$ 300,000

DOH is interested in pursuing homeless prevention strategies with strong evidence of impact that, if successfully replicated and scaled, could reduce future demand for government funding. DOH will seek assistance in the implementation of a demonstration project that will attempt to address homeless prevention, with the intention to reduce or eliminate recidivism or chronic homelessness.

Planning for Mitigation/Resiliency:

Allocation: \$7,000,000

The State recognizes that future storms may severely damage homes, businesses, infrastructure and public facilities in municipalities throughout Connecticut. It is essential that our infrastructure and public facilities be hardened in anticipation of these events. As indicated in the plan for the First Tranche, a portion of these Planning funds (\$1,800,000) is being used to assist the State, regional planning agencies, and/or local governments to plan resiliency and mitigation investments. Based on input from other state agencies and local governments, DOH intends to support a coordinated effort to promote consistency in resiliency and mitigation planning across State agencies and local governments, training and capacity building initiatives to promote preparedness, hazard mitigation, and future disaster resilience at the local, regional and state level, and specific studies to coordinated, cost effective long-term resiliency and mitigation investments, including the development of "green" initiatives.

Also, in accordance with the federal guidelines, the State will utilize a portion of these Planning funds to offset the costs incurred to develop the proposed programs and activities through which the Funding will be administered. The State may expend approximately \$150,000 for such costs.

Administration:

Allocation: \$3,300,000

Total administrative fees for CDBG-DR are set by HUD at 5% of the total allocation. In part, this is due to HUD's recognition that the potential for fraud, waste and abuse is significant with any large federal program based on past experience nationally. As a result, the financial and programmatic requirements for the use, distribution, and monitoring of these funds are stringent. In order to meet these stringent obligations significant staff and administrative resources are necessary to ensure federal compliance.

In addition, there are long term compliance and monitoring requirements associated with the Funding that will require oversight by the State well beyond the period during which program funds may be expended. Specifically, all program funds must be committed to specific projects on or before June 1, 2018. As required in the Federal Notice, all program funds must be fully expended, with all projects completed before March 19, 2019. However, some projects will require compliance monitoring by the State for up to fifteen years beyond 2019. In order to effectively administer the Funding, consistent with these federal requirements, and to ensure that the necessary safe guards are provided, and monitoring processes and procedures are established and followed, the State intends to utilize the full allotment of

administrative funds allowed under the Federal Register Notice. However, prior to the commitment date noted above, the State can request that a portion of these funds be reallocated to program activity as necessary and DOH intends to use of these funds for such purpose, if appropriate.

