

***TESTIMONY PRESENTED BEFORE THE APPROPRIATIONS,
COMMERCE, HOUSING AND PUBLIC HEALTH COMMITTEES
March 18, 2014***

Evonne M. Klein, Commissioner
Department of Housing

***COMMUNITY DEVELOPMENT BLOCK GRANT- DISASTER RECOVERY
(CDBG-DR)
ALLOCATION PLAN FOR TRANCHE 2 - SUPERSTORM SANDY***

Good morning honorable chairs 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 Hermia Delaire, the Program Manager for the CDBG-DR program and Michael Santoro, the director of the Office of Policy, Research and Housing Support. Both Mia and Michael have been working with me in implementation of the First Tranche of CDBG-DR and in the development 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 \$66 million under Tranche 2 of 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 most of you will remember, I was here before you on May 7th of last year to discuss the Allocation Plan for the \$71.82 million First Tranche of CDBG-DR funds, 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, which resulted from Superstorm Sandy.

Before I discuss the proposed \$66 million Tranche 2 Allocation Plan, I would like to provide you with an update on the activities to date regarding that First Tranche of funding. Originally, HUD allocated \$71.82 million in disaster recovery assistance to Connecticut under the programmatic requirements of the CDBG-DR program. We received notice of this allocation and the general programmatic rules in March. Although we presented the First Tranche Allocation plan before you in May, we did not receive formal HUD approval of our Action Plan until July 23,

2013. As soon as we received that approval, we began developing the programmatic details necessary to implement those initiatives we identified. In addition, one of the most important things we did was to bring Mia on board to “run the show”, and hire fifteen durational staff dedicated solely to the implementation and the distribution of those funds.

We obtained the assistance of ICF Inc LLC and Stewart Staffing, to act as our Intake Contractor, and we opened five Intake Centers spread throughout the eligible counties (Fairfield, New Haven, Middlesex County and New London County and the Mashantucket Pequot Indian Reservation) to begin taking applications from homeowners and businesses affected by Superstorm Sandy.

With their assistance, more than 7,600 direct marketing calls were made to potential applicants. Those potential applicants were notified of their potential eligibility for assistance under CDBG-DR, and were provided information on application availability and technical assistance at the Intake Centers. In addition, approximately 12,000 individual letters and more than 9,500 emails were sent to potentially eligible homeowners and businesses in those areas, also detailing the availability of these funds. Through a toll free phone number, we have also been able to make available a “mobile intake center”, where trained staff familiar with the program and the application would set up in-home appointments with the elderly or disabled who needed assistance, but were unable to visit one of the Intake Centers. Since we first received information on the availability of these funds, we have worked and continue to work closely with local public officials, including both regional and local emergency management personnel, as well as a host of local nonprofit organizations through the Governor’s Long Term Recovery committee to get information about these funds out to those who may need it.

To date, one thousand and sixty-eight (1,057 owners/ 11 businesses) applications for assistance have been submitted by homeowners and businesses in the affected areas. We have seven highly qualified Architectural and Engineering firms visiting the first 156 of the highest priority applicants to complete the necessary environmental reviews, develop the necessary scopes of work, and prepare the necessary bid documents so that we can get prequalified general contractors on site and begin work in the next month. These activities will include rehabilitation, reconstruction, energy efficiency improvements, home elevation and other forms of resiliency. If any of you are interested, Mia can provide you with a detailed report on where all of the applications have come from, by community, and the general status of these applications.

And this is only one aspect of the CDBG-DR activities. We are working with four local housing authorities (Bridgeport, Norwalk, Stamford and Milford) on specific projects intended to address needs identified at public housing developments in those communities. Also, our staff is reviewing applications for assistance from the owners of more than forty other rental properties, whose properties need rehabilitation and/or mitigation. In addition, we are currently accepting applications from municipalities, regional organizations, and nonprofit organizations, individuals and other state agencies for unmet needs associated with infrastructure, public facilities or planning activities related to the future resiliency of our infrastructure.

You may be aware that our neighbors to the south continue to have issues with federal compliance associated with the administration of funds under this program. I can assure you that we are 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 monitored by our local HUD field office regarding the proper use of these funds. I am happy to report that there are no issues relative to our federal compliance, and we will continue to ensure the state goes above and beyond the monitoring requirements.

As we discussed the last time I was here, HUD made it clear that the primary purpose of the First Tranche of funding – the \$71.82 million – was to address the immediate housing and economic revitalization needs of our most impacted counties. HUD’s federal notice expressly stated that not less than 80% of these funds must be used to provide assistance in Fairfield and New Haven Counties.

For Tranche 2 – the \$66 million – HUD has made it clear that these funds are intended to address the infrastructure and resiliency needs of the affected areas, although these funds can be used for any remaining unmet need for any eligible activity, including housing and economic revitalization.

As with the First Tranche, HUD has included a number of restrictions on the distribution of Tranche 2.

1. Not less than 80% of these funds must be used to provide assistance in Fairfield and New Haven Counties.
2. 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.

3. At least 50% of all CDBG-DR funds must meet the Low/Moderate Income Benefit objective. This includes both Tranches of funding. 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
4. CDBG-DR funds cannot be used to assist second homes or private utilities.

The Allocation Plan we are asking you to consider today is the method we will use to define our priorities for the use of these CDBG-DR funds within these and other federal requirements.

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 need and project specific activities, using data we requested and received directly from municipalities, state agencies (DEEP, DOT, DESPP/DEMHS), public housing authorities, FEMA, SBA, the National Flood Insurance database, and others. All of this information was collected, compiled and analyzed to identify unmet need.

The allocation of CDBG-DR funds by type of activities is most concisely set forth in the table on page 9 of the Allocation Plan. For your reference, I have provided a separate copy of this table, which you should have in front of you now.

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.

As you can see, we continue to see a very large and critical need relative to the unmet housing needs in these counties. In addition, there is a substantial need to address critical infrastructure and the resiliency of that infrastructure. Clearly, we need to balance these needs against the limited funding that we have available. To do so, we intend to leverage other available state and federal resources to achieve the best result possible, while recognizing that not all unmet need will be met.

In the First Tranche, we committed \$30 million to our single-family program for owner-occupied rehabilitation and mitigation activity. I talked about some of the numbers earlier, and believe that we will need to target some additional funds to meet the needs of our more vulnerable 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. **We are targeting an additional \$4,200,000 for this activity.**

Again as part of the First Tranche, we intended to include reimbursements of rehabilitation costs to homeowners from the \$30 million, however at a lower priority than uncompleted rehabilitation and assistance to households not yet able to get back into their homes. Based on the applications we have received to date, we believe that we need to reprioritize the reimbursement of rehabilitation and mitigation costs for families who were able to complete their activities without prior assistance. **To that end, we are targeting \$11,200,000 solely for eligible reimbursements under the federal guidelines.** As I talked about earlier, the State still must address our federal obligation to utilize not less than 50% of our total allocation under both Tranches consistent with the low- and moderate-income national objective. In order to ensure that we reasonably achieve that goal, we are establishing priorities for the distribution of these reimbursements, as shown in the chart. Priority One will be to reimburse low- and moderate income homeowners for eligible rehabilitation/mitigation costs. Priority Two will be to reimburse homeowners that fall between 80% and 120% of Area Median Income (AMI). Priority Three under this allocation will be for homeowners that earn between 120% and 150% of AMI.

For many homeowners, mitigation (or the elevation of their homes) 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. We have received many applications for assistance specifically to elevate homes, and as a result, the State is taking two actions. One I am certain you are aware of is Governor Malloy's Shoreline Resiliency Fund. Through my office at the Department of Housing, and in consultation with the Office of Policy

and Management, the Governor has authorized \$2 million in low interest loans to assist homeowners to elevate their homes and address other resiliency improvements to their homes. The Governor is also seeking the Legislature's approval to authorize an additional \$25 million in funding for this low interest loan program. However, we recognize that there are low- and moderate-income homeowners who cannot afford even a very low interest loan, and **therefore we are targeting \$10,000,000 in Tranche 2 funds** to provide grant funds to cover the full cost of those mitigation activities for our low- and moderate-income homeowners, and to provide grant assistance to help higher income homeowners leverage the Governor's Shoreline Resiliency Fund.

Much of the unmet need that has been identified by our municipal and state agency partners is related to infrastructure and the hardening of that infrastructure. Under our **\$30 million Infrastructure program**, we will solicit competitive applications that prioritize infrastructure projects that provide a tangible resiliency benefit that addresses the priorities identified in the 2014 Connecticut Natural Hazard Mitigation Plan. That plan, which was recently approved by FEMA, serves as guidance for hazard mitigation for the State of Connecticut. Its vision is supported by three central goals, each with an objective, a set of strategies and associated actions for Connecticut state government, stakeholders, and organizations that will reduce or prevent injury from natural hazards to people, property, infrastructure, and critical state facilities. **Consistent with other state and federal programs, we intend to implement a 25% match requirement for these activities.**

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 target \$7 million in planning activities** 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, as well as specific studies to promote coordinated, cost effective long-term resiliency and mitigation investments, including the development of "green" initiatives.

Consistent with the provisions of the federal notice for Tranche 2, **we have targeted \$300,000** to address **evidence-based** homeless prevention **strategies** with strong evidence of impact that, if successfully replicated and scaled, could reduce future demand for government funding. DOH will seek to use this 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.

As indicated in the Allocation Plan for Tranche 2, we will not be targeting funds for Multifamily or Economic Revitalization activities. With respect to Economic Revitalization, we had allocated \$4 million from the First Tranche to assist businesses in the area to recover and rebuild. The funds originally allotted are more than sufficient to fully fund the applications we have received to date. Those applications are currently being reviewed for eligibility by Department of Economic and Community Development staff, in consultation with Mia and her staff. Two of those businesses have executed contracts locally, and are working through the Attorney General's Office. A third is close to contract as well and should be completed before the end of March.

With respect to Multifamily development, based on the information we have received to date, and in conjunction with my Department's CHAMP Initiative as well as the federal Low Income Housing Tax Credit programs being administered by the Connecticut Housing Finance Authority, we believe that sufficient leveraged resources continue to be available to address the known needs of these vital affordable housing developments. We had allocated \$26 million from the First Tranche, and expect that those funds will be sufficient at this time.

Looking ahead, the State will soon complete a Substantial Amendment to the CDBG-DR Action Plan that HUD requires and which HUD must approve before any Tranche 2 CDBG-DR funds can be made available. That Substantial Amendment will be consistent with this Allocation Plan.

Among other things, this Substantial Amendment 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 as quickly as possible, subject to the applicable federal restrictions. To that end, we will be utilizing our existing "Team Sandy" staff to implement and disburse these additional funds. 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.

It is important to note that public participation has been at the heart of our planning process. Our CDBG-DR planning process for both the First Tranche and Tranche 2 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. We continue to be in regular contact with the municipal leaders of our shoreline communities relative to the identification of continuing needs.

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, DESPP/DEMHS regional coordinators, and the American Red Cross and other charitable organizations. Furthermore, DOH invited state residents to provide comment on the DRAFT Substantial Amendment CDBG-DR Action Plan, which includes the Tranche 2 Allocation Plan, from February 14, 2014 through March 16, 2014.

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

Finally, we are aware that HUD continues to hold back approximately \$5 billion in additional funds from the original Congressional allocation. HUD has not provided any official announcement regarding the availability of these additional funds so we do not at this time know if any of that 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 and HUD to make sure that Connecticut continues to receive funding under this and other initiatives.

In closing, the staff at the Department of Housing continues to work diligently to make the CDBG-DR Program an 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 are funding through both CDBG-DR Tranches and other DOH and State resources 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.



Connecticut Recovers

Community Development Block Grant – Disaster Recovery

12 Step Process

Owner-Occupied & Scatter Site Rehabilitation and Rebuilding Programs

1. Homeowner submits an application online/or in person at Intake Center.
2. Application is reviewed for completeness. Intake counselors conduct follow-up calls to all homeowners with incomplete applications.
3. DOH staff reviews application to determine program eligibility and priority.
4. Program determination letters are mailed to homeowners
5. Homeowner signs a Property Evaluation Authorization and Access Agreement so that an Architectural/Engineering (A/E) Firm can be assigned to perform a property evaluation of the damaged property.
6. Homeowner is contacted by A/E firm to set up a property evaluation site visit - *Homeowner (or designated representative) must be present for initial property inspection.*
7. A/E firm prepares preliminary construction scope of work, cost estimate and federally mandated environmental review to ensure that there are no negative impacts on the environment
8. DOH performs Duplication of Benefits Analysis, which evaluates all of the assistance received from other sources (insurance, FEMA, SBA, etc). The purpose of this review is to ensure that, in accordance with HUD guidelines, the assistance received from the OORR program does not fund an activity that other sources have already covered.
9. Meeting with homeowners to discuss final construction scope of work. Homeowner reviews and approves final design, plans, and scope of work. DOH determines if additional homeowner funding is needed.
10. Project is placed for bidding among General Contractors and total development costs to repair or rebuild is finalized.
11. Homeowner, General Contractor & DOH execute Construction Agreement. General Contractor performs required scope of work; Construction Manager monitors progress and quality of work; CDBG-DR and escrowed funds are paid to General Contractor as work is completed; Homeowners will be required to vacate residence if elevating property.
12. Project closeout: Final code inspections by local officials; General Contractor and homeowner complete final walk-through; Homeowner must show proof of homeowner and flood insurance; Homeowner receives warranty binder for new construction; Construction Manager completes final program inspection; Homeowner moves back into home.