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STATE OF CONNECTICUT
DEPARTMENT OF HOUSING



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TESTIMONY PRESENTED BEFORE THE APPROPRIATIONS AND HOUSING COMMITTEES
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Evonne M. Klein, Commissioner
Department of Housing

**COMMUNITY DEVELOPMENT BLOCK GRANT- DISASTER RECOVERY (CDBG-DR)
ALLOCATION PLAN FOR TRANCHE 3 - HURRICANE SANDY**

Good afternoon honorable chairs and ranking members of the Appropriations and Housing committees. My name is Evonne Klein and I am the Commissioner of the Department of Housing (DOH). With me is Michael Santoro, the Director of the Office of Policy, Research and Housing Support. The CDBG-DR Program Manager, Hermia Delaire could not be present today because she is attending a conference in preparation for the state's application for the National Disaster Resiliency Competition. Both Mia and Michael have been working with me in implementation of the Community Development Block Grant – Disaster Recovery (CDBG-DR) funding and in the development of the Allocation Plan 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 \$21.459 million under Tranche 3 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) under the federal Disaster Relief Appropriations Act.

As most of you will remember, I have been here before you on two previous occasions to discuss the Allocation Plans for the first two tranches of CDBG-DR funds. These funds have been provided to the State of Connecticut with the intention of addressing 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 \$21.459 million Tranche 3 Allocation Plan, as there are a number of new members on the Committees, I would like to provide a very brief overview of the CDBG-DR program and the federal guidelines, as well as to provide you with an update on the activities to date relative to the First and Second Tranche of funding we received.

In accordance with the published federal regulations, HUD made it clear that the primary purpose of the first round of CDBG-DR funding 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 the second allocation, HUD made it clear that those 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.

HUD has included a number of restrictions on the distribution of these funds.

1. Funds may only be expended in the four eligible “declared” counties (Fairfield, New Haven, New London and Middlesex)
2. Not less than 80% of these funds must be used to provide assistance in Fairfield and New Haven Counties.
3. 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.
4. 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
5. CDBG-DR funds cannot be used to assist second homes or private utilities.

Between Tranche 1 and Tranche 2, the State has received \$137.8 million dollars under CDBG-DR. Since July 23, 2013, the date we first received formal approval for these funds from HUD, staff at the Department of Housing, lead by Mia and her “Team Sandy” staff, have worked to implement and distribute those funds in accordance with the federal requirements associated with the CDBG-DR program. As this plan and our previous Substantial Amendment plans have detailed, the CDBG-DR program has been parsed out to specific activities to better address the specific unmet recovery needs identified by our citizens, businesses and local government partners.

I will be discussing the status of these activities using the broad categories of Housing, Infrastructure, Economic Revitalization, Planning, Evidence-Based Strategies and Administration.

Housing

Unmet housing recovery needs included a range of activities including rehabilitation, with and without elevation, reconstruction, and new construction.

The housing types ranged from single family homes, to small multifamily properties (1-4 units), and up the redevelopment of large scale multifamily properties. Under the two previous allocations, \$84,400,000 of the total CDBG-DR funds available had been allocated to Housing.

The largest unmet recovery need, and the area where a majority of the CDBG-DR funding has been allocated is in owner-occupied housing. Effective December 31, 2014, the Department has stopped accepting new applications for assistance under this component of the program. A detailed summary of the activity under this particular component of the program is available on the Department’s website. With your indulgence, I will provide a short highlight of the current status.

- The Department had received 932 applications from individual homeowners.
- 107 had been notified that they had incomplete applications, and were offered a 30 day window to complete their applications. After that period, all were provided a notification of denial of assistance, but were also offered an opportunity to appeal this notification, should they need it. Of these, four (4) have appealed their denial, and are in the process of completing their applications.
- Of the 825 remaining, all have received a notification letter of eligibility status: 166 were denied and 644 were deemed eligible for assistance
- 15 have chosen to withdraw their applications for assistance. Reasons include:
 - Federal regulatory requirements (insurance, elevation, documentation)

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.

- Completed repairs with private funds
- Insurance proceeds were used for not eligible items resulting in insufficient funds to complete the rehabilitation project
- Intend to sell to cease occupying the home in the next five years
- As a result of limited funding, we are currently serving 357 out of the 644 eligible homeowners with unmet need. These homeowners in the highest priority levels have been assigned to seven (7) highly qualified Architectural and Engineering firms to complete the design development and construction administration.
- 224 of the 357 homeowners have executed the Property Evaluation Access Agreement which gives the architect permission to contact the homeowner and schedule an initial property evaluation appointment.
- As a result of the vigilant work of the Architects and Engineers, 98 (43%) of these homeowners were denied after initial site visits revealed that there were either no damages as a result of Superstorm Sandy or the damages were below the minimum \$10,000 CDBG-DR grant award.
- 177 (80%) properties have been issued a notice to proceed granting approval to complete environmental statutory checklist, hazardous material testing, soil borings and construction documents preparation.
- A total of 85 projects (38%) have been placed out to bid among prequalified general contractors and this number increases on a weekly basis.
- We have executed contracts with 50 homeowners with a construction cost in excess of \$ 8 million.
- There are 9 projects on hold as a result of homeowner delays and staff is currently working with the other homeowners to scheduled closings.
- There are presently 14(6%) rehabilitation projects that have been completed and 28 (13%) projects under construction.

In addition, we are currently working with three local housing authorities (Bridgeport, Norwalk, and Stamford) on large scale projects intended to address needs identified at public housing developments in those communities. These larger multifamily projects require a significant investment of resources other than CDBG-DR, including both state and federal sources. Our Team Sandy staff continues to work closely with our municipal and state partners (DEEP, DESPP/DEMHS, and CHFA) to bring those other sources to bear to address the needs at these properties, ultimately addressing the rehabilitation or redevelopment of over 277 units of public housing.

Our staff is also working with 15 owners of smaller multifamily properties, whose properties need rehabilitation and/or mitigation.

Of the total allocation, we have committed all available funds \$23,230,590 to the three housing authority projects and \$2,769,410 for the 15 rental properties. To date we have expenditures of \$111,413 and anticipate this number to increase significantly as we begin rehabilitation of the Housing authority projects.

Infrastructure

Unmet infrastructure and infrastructure-related recovery needs are limited to repair or replacement of damaged infrastructure and public facilities, but can include additional resiliency associated with this repair or replacement. Under the two previous allocations, \$ 34,507,608 of the total CDBG-DR funds available had been allocated to Infrastructure.

To date, we have committed all available infrastructure funds to 13 municipal partners for the restoration and adding resiliency to their existing infrastructure.

Economic Revitalization

With respect to Economic Revitalization, we had allocated \$1 million to assist businesses in the eligible counties to recover and rebuild. As a reminder, we tied this assistance directly to additional state assistance available from the Department of Economic and Community Development's Small Business Express program, to better leverage and make available the kinds of assistance that would be useful to our small business community. However, requests for these funds have been very limited to date, and we may look to reallocating some of these funds in the near future. To date, we have only received inquiries or applications from 14 small businesses and 3 have received assistance in the amount of \$ 144,000.

Planning

Under HUD's guidelines, a state can choose to expend up to 15% of its allocation on Planning activities. From all of the statistical data available, including the findings under the State's Natural Hazard Mitigation Plan, we believe that it is important for Connecticut to be proactive in anticipation of future natural disasters. Therefore, we allocated \$9,029,000 for 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.

We have awarded \$4,803,700 in planning grants to 7 entities, including nonprofit corporations, municipal partners and state agencies.

Evidence-based Strategies

Consistent with the provisions of the second federal Notice, we have allocated \$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. We intend to apply for a recently announced national competition to supplement these funds in an effort to document the potential effectiveness of Social Impact Bonds and the concept of "pay for success". We are hopeful that the leveraging of the CDBG-DR funds and national grant will provide solid documentation of the potential for effective implementation of evidence-based strategies.

Administration

As I am certain you are aware, administering these federal funds in accordance with the federal regulations requires a significant commitment of time and resources, both logistical and human. HUD allows up to 5% of the allocation to be used for the direct administration of these funds, as well as the preparatory work necessary to access these funds. To this end, we have and continue to use our existing "Team Sandy" staff to implement and disburse these funds as we have received them. To date, we have fifteen "durational" staff dedicated solely to the administration and implementation of these funds. In support of those durational staff, we have leveraged the expertise of other existing staff, like Michael and staff at the Department of Economic and Community Development. 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.

If you have been watching the news, you are likely aware that our neighbors to the south continue to have issues with federal compliance associated with the administration of funds under this program and other federal programs (FEMA). I can assure you that we are keenly aware that the federal government will continue to carefully scrutinize the use and implementation of these funds in accordance with all federal requirements. As I discussed last year, we continue to be regularly monitored by our local HUD field office regarding the proper use of these funds. I am happy to report that we continue to successfully implement these funds, and that there are no issues relative to our federal compliance.

To date, of the \$6,891,000 potentially available for administration, we have only spent \$1,275,074 on the administration of the program, including all of the plan development. We will continue work to keep our administrative costs as responsible as possible, while continuing to ensure that we meet all of our state and federal obligations.

The Allocation Plan we are asking you to consider today details the priorities for the use of these \$11.459M in CDBG-DR funds within the other federal requirements. In addition, it provides information on the intended breakdown of the \$10M that has been designated for use in the City of Bridgeport in support of the Resilient Bridgeport Initiative under the Rebuild by Design process. In order to allow the time necessary for engagement of community stakeholders regarding selection of a Bridgeport pilot project, the pilot project does not need to be identified in the initial Action Plan Amendment and is therefore not identified here. DOH and the City of Bridgeport are committed to working together, along with local partners identified in the initial RBD process, as well as to continue the community engagement process started under RBD to study, analyze, identify and plan for a pilot project that meets the requirements of the Notice. Once the pilot project is identified, DOH must then submit a substantial Action Plan Amendment that incorporates the pilot project in order for project-related funds to be obligated.

The allocation of CDBG-DR funds by type of activities is most concisely set forth in the table on page 14 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.

As is discussed in more detail in The Plan we continue to see a very large and critical need relative to the unmet housing needs in these counties. In addition, there is a continued 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.

I. Housing:

As I mentioned a moment ago, we previously allocated \$84,400,000 to addressing unmet housing recovery needs. With this allocation, we are targeting a majority of these funds to address this unmet housing recovery need. We are doing so in two ways.

First, we are targeting an additional \$6,886,050 to assist owner-occupied housing that requires both rehabilitation and elevation. There are a significant number of homeowners who continue to be displaced from their homes, who we have not yet been able to assist. These funds should allow us to reach all of those displaced households.

Second, we are targeting an additional \$3,000,000 to assist in the redevelopment of public housing units residing within the 100 year flood plain. In order to maximize leveraging of other resources, and achieve the necessary income and residential mix associated with these major redevelopment activities, additional funds are necessary as part of the complex financial package needed to bring these projects to

completion. With this additional allocation, we believe that we will be able to leverage in excess of \$50,000,000 in other funding for these projects.

II. Infrastructure:

Although much of the unmet infrastructure and infrastructure-related need that has been identified by our municipal and state agency partners has been addressed, at least initially, there are a number of critical projects that remain unfunded, or require additional hardening of that infrastructure. These projects require some additional leverage through CDBG-DR in order to be able to access other state and federal funding sources. **Consistent with other state and federal programs, the CDBG-DR funds can be used to cover any match requirement (often 25% of the total development cost) for accessing these other funds. We are targeting an additional \$1,000,000 for this purpose.**

III. Administrative:

As I mentioned earlier, staff at DOH are committed to successfully implementing the CDBG-DR program in full compliance with our federal obligations. With this commitment comes both a current and long term obligation relative to compliance. The requirements associated with compliance related to these funds is currently anticipated to run through the year 2019, which means there must be sufficient administrative funds in place to do so. **With this final allocation of \$572,950 (the federally allowed 5%) it is my belief that there will be sufficient funds to manage our agency's full compliance for the entire grant period.**

One other topic I would like to bring to your attention relative to this allocation is that public participation has been at the heart of our planning process from the very beginning. Going all the way back to our original CDBG-DR planning process for both Tranche 1 and Tranche 2, we have continued to employ a coordinated process 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.

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.

C. Allocation of CDGB-DR Funds

Tranche 1 and Tranche 2 Recap

Table 1 shows the activities and funding levels for Tranche 1 and Tranche 2 of CDBG-DR.

Table 1			
CDBG-DR Tranche 1 and Tranche 2 Activities and Funding			
Activity	Unmet Need in All Eligible Areas	Tranche 1 Allocation	Tranche 2 Allocation
Owner-Occupied Housing (Unmet Rehabilitation Need and Mitigation)	\$111,500,000	\$33,000,000	\$4,200,000
Owner-Occupied Reimbursement (Completed Rehab and Mitigation)		0	\$11,200,000
0 – 80% AMI – Priority One			
80 – 120 % AMI – Priority Two			
120 - 150% AMI – Priority Three			
Owner-Occupied Mitigation	\$147,907,500	0	\$10,000,000
0 – 100% AMI – Grant			
100 – 120 % AMI - \$30k grant/referral to Shoreline RF			
120 - 150% AMI – \$15k grant/referral to Shoreup CT			
Multi-family (Rehab & New Construction)	\$151,600,000	\$26,000,000	0
Infrastructure/Public Facilities	NA	\$6,200,000	\$30,000,000
Evidence-based Strategies	\$10,797,888	0	\$300,000
Economic Revitalization	\$27,758,056	\$1,000,000	0
Mitigation	NA	0	0
Administration	\$25,000,000	\$3,591,000	\$3,300,000
Planning	\$27,758,056	\$2,029,000	\$7,000,000
TOTAL	\$474,563,444	\$71,820,000	\$66,000,000

D. Proposed Allocation of CDGB-DR Funds from Tranche 3

Table 2 shows the activities and funding levels that are being proposed for Tranche 3 of CDBG-DR, as well as the anticipated distribution of funding for the Resilient Bridgeport RBD funds.

Activity	Tranche 3 Allocation	Resilient Bridgeport RBD
Owner-Occupied Housing (Unmet Rehabilitation Need and Mitigation)	\$6,886,050	0
Multi-family (Rehab & New Construction)	\$3,000,000	0
Infrastructure/Infrastructure-related	\$1,000,000	\$8,000,000
Administration (5%)	\$572,950	\$ 500,000
Planning	0	\$1,500,000
TOTAL	\$11,459,000	\$10,000,000

Administration of the Tranche 3 Funds

DOH intends to administer the Tranche 3 Funds through the existing processes and programs adopted and implemented under Tranche 1 and Tranche 2, including the use of selective application processes wherever feasible. The project eligibility requirements proposed to be implemented 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