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COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY PROGRAM—STAKEHOLDER PERSPECTIVES

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY PROGRAM—STAKEHOLDER PERSPECTIVES

Thursday, May 17, 2018

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Longworth House Office Building, Hon. Ann Wagner [chairwoman of the subcommittee] presiding.

Present: Representatives Wagner, Tipton, Zeldin, Trott, Loudermilk, Kustoff, Tenney, Green, Cleaver, Beatty, and Gonzalez.

Also present: Representative Hill.

Chairwoman WAGNER. The Subcommittee on Oversight and Investigations will come to order.

Today's hearing is entitled, "Community Development Block Grant-Disaster Recovery Program—Stakeholder Perspectives."

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

And, without objection, members of the full committee who are not members of this subcommittee may participate in today's hearing for the purpose of making an opening statement and questioning our witnesses.

The Chair now recognizes herself for 4 minutes for an opening statement.

The Committee Development Block Grant-Disaster Recovery Program, CDBG-DR, provides communities much-needed access to resources in order to rebuild in the wake of natural disasters. Today's hearing, which is appropriately titled "Stakeholder Perspectives," is the second CDBG-DR oversight hearing held by this subcommittee in the 115th Congress.

Members of the subcommittee will hear testimony on the challenges that exist with the CDBG-DR Program in its current form and discuss actions Congress might consider that increase both the accountability of appropriated funds and help to deliver them to affected communities.

While Congress has recently appropriated over $35 billion in CDBG-DR funds for victims of storms primarily in Florida, Texas, and Puerto Rico, members of this subcommittee should demand

that any dollar designated for disaster relief is being effectively spent on victims.

In testimony before the subcommittee last November, the Acting Inspector General for Housing and Urban Development, HUD, noted that, while flexibility is important in the wake of disaster, CDBG-DR funds often go toward programs or recipients for whom they are not originally intended. The Acting IG indicated that HUD faces significant challenges in monitoring CDBG-DR funds provided to various grantees under its purview, in part because HUD, at times, waives certain program requirements, and grantees may have a lack of understanding of disaster assistance.

The Acting IG also testified that victims of disaster may encounter a variety of challenges throughout the disaster assistance process, which include potential duplication of benefits, slow disbursement of the disaster-related funding, and delays in funding for low- and moderate-income citizens.

While HUD has become a primary provider of disaster recovery, the program is not codified in statute. Instead, HUD uses more than 60 Federal Register notices to issue clarifying guidance, waivers, and alternative requirements to both its entitlement and State CDBG-DR programs to oversee at least 113 active disaster recovery grants, which total more than $47 billion. To put it bluntly, the disaster recovery program is a bit of a disaster.

I am eager to hear testimony today that will discuss the value of codifying the program into statute because I strongly believe codifying a single disaster recovery program would provide a template or a framework for future disasters. It would reduce the over-reliance on the plethora of Federal Register notices and other informal forms of guidance for each disaster and speedy delivery of disaster assistance for grantees and, more importantly, for our disaster victims.

Finally, I just want to take a moment to thank Ranking Member Green for his support in legislation that we have been working together on for a number of months. I look forward to furthering those discussions as well as hearing recommendations from our witnesses this morning.

And, with that, I yield back the balance of my time, and I now wish to recognize my friend, the gentleman from Texas, Mr. Green, the Ranking Member for 5 minutes.

Mr. GREEN. Thank you, Madam Chair. It is indeed a privilege to work with you on these projects.

I also, and I think you will concur, think that we should thank our staffs. They have been working tirelessly to make sure that we cover all of our bases, and notwithstanding all of the effort, I am sure that there will be some things that we just won't be able to get to, but I am grateful that you have not only worked with me in a very coordinated fashion, but also you have embraced this hearing with a great degree of alacrity, and that means a lot to me.

To the witnesses, I am grateful that you are here today. This is very important. We need to hear from you because you have had a hands-on experience with these events, these natural disasters, if you will, and it is important that we hear from you about these things.

I think for the people who may be watching us at home, it is important for me to say that this is not, n-o-t, this is not a "how much" hearing. And I am saying this because many times, after hearings, I will have persons who will ask me, "Why didn't you bring up something that was important," as it relates to them. And there are many people who want to know how much money will we allocate, how much can they expect; and this is not a "how much" hearing.

This is more about how shall we; how shall we deliver what the Congress appropriates? Shall there be a paradigm that has reasonable expectations codified within it such that municipalities, counties, States, can have a reasonable expectation as to how to proceed so that they can have an efficacious result.

This is an important hearing. It is exceedingly important that we understand some of the things that victims have had to endure, and I am sure some of you will have anecdotal evidence about the victims and how they have had to cope with certain circumstances over a prolonged period of time. I concur with the Chairwoman when she said that we want to make sure that we take care of the victims. The money should get to them, and it should get to them as expeditiously and efficiently as possible, and that is what she and I would like to see, and I fully support this.

I also want to mention one other thing that is important that won't be a part of this hearing, and that is how HUD will handle things, how HUD handles the dollars. I am saying this to you in this sense. I know that HUD will be understaffed when we have these natural disasters, and there possibly is a need for HUD to staff up to meet the demands that are imposed when we have these circumstances, and that is something that we will have to deal with here in Congress. But I know, and I want people to know that I am concerned about this.

I also want to mention direct funding. This is an issue that I have been grappling with. And in trying to find a way, trying to find a way to get the end beneficiary, those who have been victimized, how to get to them the dollars, the funding, the appropriations as quickly as possible, we have been grappling with the question of direct funding and how do you get that to a municipality, county, that can actually handle the dollars that will be sent.

It is one thing to receive the dollars, and it is another thing to be able to account for them after they have been spent. That accounting process requires much more than a good many small-to medium-size municipalities can cope with. So we want to make sure that we don't impose upon some venues a process that they won't be able to manage effectively.

And finally this: As we proceed with the hearing today, it is going to be very important that I, and others, that we give a good deal of concern, in my opinion, for those who not only live and thrive in the suites of life, but also those who live and survive in the streets of life.

There are people in my city who go home to an overpass. There are people in my city who go home to a bed of bedrock. There are people in my city who are victimized by these disasters, these monsters, that don't have the opportunity to benefit to the extent that I think that they should from the taxpayer-funded aid. So I will be

concerned about how we help those that I consider the least, the last, and the lost.

With this, Madam Chair, I gladly yield to you, and I thank you so much for the time.

Chairwoman WAGNER. The Chair now recognizes the Vice Chair of the Oversight and Investigations Subcommittee, the gentleman from Colorado, Mr. Tipton, for 1 minute for an opening statement.

Mr. TIPTON. Thank you, Chairwoman Wagner, and appreciate you holding a hearing on today's important topic, and appreciate the comments made by the Ranking Member, that it is not only the dollars but the accountability of those dollars.

In my home State of Colorado, Community Development Block Grants for Disaster Recovery have been used for flood and fire recovery programs. These programs address housing, infrastructure, planning, and economic development needs, and have proven to be effective tools in responding to the aftermath of a disaster.

However, as effective as these dollars may have been in helping to meet the needs of post-disaster communities, we must be sure that we must practice the most prudent stewardship of taxpayer dollars. I look forward to the hearing and the witness testimony about how the CDBG-DR dollars have been administered in specific State examples and more generally across the country. I look forward to continuing to work with Chairwoman Wagner and the Ranking Member toward a solution that provides greater accountability. I yield back.

Chairwoman WAGNER. The gentleman yields back. We now welcome our witnesses, some who have come from a great deal of time and distance. The Chair now recognizes the Ranking Member from Texas, Mr. Green, to introduce today's first three witnesses.

Mr. GREEN. Thank you again, Madam Chair. I see this opportunity to introduce the witnesses as a further indication of the bipartisanship that we have engendered. I am honored, Madam Chair, to introduce first Mr. Stephen Costello.

Let me start by indicating that Houston, as you know, has had many unfortunate circumstances with rain, to the extent that he is affectionately known as the Flood Czar. His official title is the Chief Resiliency Officer for the city of Houston. He is a former city council member at-large. In Houston, we have single-member districts, and we have at-large seats. He was a person who represented the entirety of the city in his city council capacity.

He is an engineer, civil. I was a person who attended school to become a mechanical engineer. It is my understanding that a mechanical engineer is a civil engineer with his brains beat out; so it is an honor to be in your company today.

I also further understand that he has done something that can benefit all of us. He has worked with the Army Corps of Engineers, and of course, he is the cofounder of Costello Engineering and Surveying civil engineering firm.

The next witness is someone that I have known for many years. He and I are proteges, if I may say so, of the Honorable Mickey Leland, who represented the 18th Congressional District from the State of Texas.

He has worked with Lieutenant Governor Bill Harvey in the past. He was a law clerk to Chief Justice John Phillips, of the

Third Court of Appeals. He has served on city council, having been elected at a very early age of 29. He has been elected to the Senate of the State of Texas. And he recently left the senate to become a county commissioner, one of the most sought-after positions in Texas. People will leave Congress to become a county commissioner.

And his name is, of course, Rodney Ellis, a very dear friend. Thank you. My chief of staff reminded me that you probably ought to mention his name, Congressman.

Ms. Heather Lagrone, a person that we truly respect and are honored to have with us today because she is the person who works with the CDBG-DR, a slight tongue-twister for some of us, not all, but, in any event, the DR funds. And she works as a Deputy Director for the Community Development and Revitalization for the Texas Land Commission Office. This is a pretty important office in my life right now because they are, of course, dealing with the DR funds. And I must tell you, I think that they are going to do a great job. And I would like for her boss to know that we appreciate his efforts and what he is doing in this endeavor.

She has a degree in urban geography from Texas A&M University. We are both Aggies in the sense that I went to Florida A&M University in Tallahassee. She has 15 years of experience with CDBG and the CDBG-DR programs. She manages the day-to-day operations—you can't have any more hands-on experience than that—of the program totaling over $3 billion.

We are honored to have all three.

And, Madam Chair, I yield back to you.

Chairwoman WAGNER. The gentleman yields back.

Our final two witnesses for today's hearing are Carlos Martin and Marion McFadden.

Dr. Martin is a Senior Fellow at the Urban Institute, where he leads research on the physical quality of housing and communities. As a trained architect and engineer, his area of expertise includes greenhousing, disaster mitigation, substandard housing, and construction work force.

Ms. McFadden is Vice President of Public Policy at Enterprise Community Partners. Before her current position, she served as Deputy Assistant Secretary for Grant Programs at the U.S. Department of Housing and Urban Development from 2014 through 2016, and oversaw affordable housing and community development programs, including the Neighborhood Stabilization Program, NSP, and the CDBG Disaster Recovery funds.

The witnesses will now be recognized for 5 minutes to give an oral presentation of their testimony.

And, without objection, the witnesses' written statements will be made part of the record following their oral remarks. Once the witnesses have finished presenting their testimony, each member of the subcommittee will have 5 minutes within which to ask questions.

With that, Mr. Costello, you are now recognized for 5 minutes.

STATEMENT OF STEPHEN COSTELLO

Mr. COSTELLO. Good morning, Madam Chair, and honorable committee members.

My name, for the record, is Stephen Costello, and I am the Chief Resilience Officer for the city of Houston, and I am here today on behalf of our mayor, Sylvester Turner. Thank you for the opportunity to share my perspective regarding the Community Development Block Grant-Disaster Recovery Program.

Before I address the specific topic, I do want to expand a little bit upon my resume that Congressman Green put forth. I have been in this business for over 40 years, starting in 1977 as a civilian working for the Army Corps of Engineers. I come from private practice. I served on council for 6 years. I was the budget chairman for 5 of those 6 years, and I advocated for investment in infrastructure and was instrumental in the passage of Renew Houston, an $8 billion, 20-year infrastructure funding investment for drainage improvements.

In 2015, facing term limits, I unsuccessfully ran for mayor against my current mayor, Mayor Turner. During the early months of Mayor Turner's tenure, I was honored for his consideration for the possibility of my return to the city. During this time, the city experienced what we commonly call the Tax Day Flood, April 2016, the third massive flood in less than 18 months. As a result, I decided to join the mayor's staff as the chief resiliency officer, and he tasked me with the role of working primarily on flooding and drainage. Even though my title is chief resilience officer, publicly he gave me the term Flood Czar, which everybody currently uses.

Currently, my main duties are to interface with external agencies, county, State, and Federal agencies, as well as internal city departments on flooding and drainage projects.

With respect to the topic under consideration by the subcommittee, I respectfully offer these comments based on recent experiences with Hurricane Ike and 2015 flood recovery funds. Upon assuming my current position, I was asked to assist in completing several infrastructure projects identified in the 2008 Hurricane Ike Disaster Relief Action Plan. These projects are still ongoing and are expected to be completed in June 2019, 12 years post the hurricane.

Several reasons can be attributed to the delay. However, the primary issue is associated with the establishment flow of recovery funds from HUD to the State or the local metropolitan planning organization and, ultimately, down to the city.

A more positive experience has demonstrated the success of direct allocation. In 2016, the city received $66.5 million, a direct allocation from HUD, for assistance in 2015 flood recovery. The approved action plan distributed the funds among infrastructure, home repair, housing buyout, and planning and administrative activities.

In May 2017, Congress allocated an additional $20.5 million directly to the city for infrastructure and administrative expenses. Having the direct allocation of $87 million afforded the city the opportunity to expedite—and I want to repeat that—expedite projects in affected areas. For example, by working closely with our sister agency, Harris County Flood Control District, we have been able to leverage a housing buyout dollars and provide those funds to our sister agency to expedite the buyout in the city of Houston.

Additionally, the city has leveraged funds by collaborating with another sister agency, Harris County Engineering Department, on drainage infrastructure projects in the Spring Branch area of the city of Houston, where both agencies will share in the cost of construction.

Finally, two residential areas impacted by the 2015 flood where we had ongoing drainage projects, we were able to leverage additional HUD funds to increase the scope of the project and the size of the impacted area, which really was a tremendous impact to the project. This process, as of today, we anticipate expending all of the 2015 dollars within 3 to 5 years; 3 to 5 years, as compared to 12 years for our Hurricane Ike recovery.

The comparison of Ike recovery in 2015, flood recovery demonstrates how direct allocation has been more efficient for project delivery and completion as it removes multiple layers of involvement in the management of recovery funds. Still, it is important to recognize that the success of implementation of an action plan may also be attributed to the expertise of the recipient.

The city of Houston is the fourth largest city in the United States, with a Public Works Department alone of over 4,000 people with expertise related to disaster recovery and action plan implementation and project delivery. We understand, though, that there are much smaller municipalities that are impacted by floods where technical expertise is not readily available and could continue to benefit from the important role that the State or the local MPO plays.

I want to thank you for the opportunity to testify before the Subcommittee on Oversight and Investigations this morning, and I look forward to future questions from Madam Chair and the committee members. Thank you.

[The prepared statement of Mr. Costello can be found on page 30 of the Appendix.]

Chairwoman WAGNER. Thank you, Mr. Costello.

Commissioner Ellis, you are now recognized for 5 minutes.

STATEMENT OF THE HONORABLE RODNEY ELLIS

Mr. ELLIS. Thank you, Chairwoman Wagner, Ranking Member Green, and other members of the committee.

My name is Rodney Ellis, and I am one of the five people on the governing board for Harris County. Our base city is Houston. It is the third largest county in the country.

I learned years ago in the State legislature, if somebody said something that you want to say, you don't have to say it again. So I just want to reiterate three basic points.

One, it will be helpful to extend the deadline for expediting funds to speed up delivery dollars. After Hurricane Ike, it took 2 years to begin repairing homes.

Second, the Secretary may directly allocate funding to cities and counties. We want you to find a way to do anything you can to further remove bureaucratic hurdles that the committee considers a problem with direct allocation to entities that can handle the administrative workload. One suggestion, this is just from me, would be maybe entities that are above 2 million people, if they can handle the administrative workload—that is just an arbitrary number

of 2 million; at least I am not just trying to cover my county because we are approaching 5 million.

Third, the 70 percent low-to-moderate income requirement has ensured that these dollars go to the communities most in need. I hope that you will consider leaving the discretion with the Secretary to lower that threshold to 50 percent. And I would encourage the committee to preserve that provision with the discretion of the Secretary.

Within my precinct, from the latest event, disaster event, there were 24,000 structures that were flooded; tens of thousands of cars were lost; and many of my constituents are still struggling to get back on their feet.

Across our entire region, including Houston and other communities, we were impacted severely. We had 80 deaths. More than a million people were displaced, and roughly 200,000 homes in the path were damaged stretching for more than 300 miles.

CDBG-DR dollars are a vital aspect of bringing our region around, in the long term as well as the short term. State and local governments know what is best for them after a community has been impacted, and the CDBG-DR dollars will allow us to have a great deal of discretion in determining how to effectively respond to crises.

After Hurricane Ike, Harris County received its housing contract on September 1, 2009, almost a year after Hurricane Ike. But we did not receive approval from the State of Texas to proceed with the program guidelines until September 1, 2010. Harris County's post-Ike home repair program took an average of 3 years to complete all construction, and multifamily programs averaged 6 to 8 years. Infrastructure projects averaged 6 years, including 6 months just to close out projects with the State of Texas. In fact, due to issues beyond the County's control, we still have two Hurricane Ike CDBG-DR projects under consideration nearly 10 years later, issues like lawsuits and other issues that will come up.

I would encourage the committee to look at a direct allocation from the Secretary for disaster recovery funding for local governments with a population of a certain amount and administrative capability of a certain amount because it makes it easier for us to respond in a speedy fashion to people. And I think, at least privately, many of my colleagues with the State, who I worked with when I was a State Senator, and even now in county government, would agree, if a local community has the administrative capacity, it works better for both sides.

Finally, I want to reiterate that 70 percent versus 50 percent issue gently one more time. I know oftentimes it is easier for us to respond to the people who are loudest, and they tend to not be the people who are most in need.

Last, I want to thank you again for that $35 billion on behalf of my community and all the communities in this country that were impacted. Thank you.

[The prepared statement of Mr. Ellis can be found on page 32 of the Appendix.]

Mr. TIPTON [presiding]. Thank you for your testimony, Mr. Ellis.

Ms. Lagrone, you are now recognized for your 5 minutes.

STATEMENT OF HEATHER LAGRONE

Ms. LAGRONE. Good morning. Thank you for having me. Just for the record, I am Heather Lagrone. I am the Deputy Director for Community Development and Revitalization for the Texas General Land Office.

Just as a reminder, on August 25, 2017, a strengthening category 4 Hurricane Harvey made landfall in Nueces County, Texas, between Port Aransas and Port O'Connor, with sustained winds of over 135 miles per hour. During this period, as much as 60 inches of rain fell over the 49-county impact area. Harvey slowly meandered its way north by northeast and finally dissipated on September 3.

The Texas General Land Office (GLO) estimates the cost of the damages for Hurricane Harvey at over $120 billion, making it the costliest event in U.S. history. The hurricane shut down ports, trade, tourism, oil and gas production, agricultural production, and general business across the State's coast for almost a week and, in some cases, for significantly longer.

The impact of these interruptions is difficult to quantify, but the effects of this disaster were felt across the Nation, with commodities such as gas, increasing in price by 33 cents a gallon in the weeks following Hurricane Harvey. The GLO estimates that over 1 million homes were impacted by Hurricane Harvey.

On September 14, 2017, Governor Abbott designated Commissioner George P. Bush and his agency, the Texas General Land Office, to be the State's lead for short-term housing recovery with FEMA (Federal Emergency Management Agency) and long-term infrastructure and housing rebuilding through HUD. We continue this mission today. The short-term housing activities are wrapping up, and we are preparing to transition into long-term recovery.

On February 9, 2018, HUD allocated just over $5 billion in CDBG-DR funds to the State of Texas in response to Hurricane Harvey. That $5 billion allocation is from a $15 billion allocation that was appropriated by Congress on September 8, 2017.

The GLO has completed the action plan defining the uses of just over $2.7 billion from this allocation, and it is with HUD for their review and approval.

First, I would like to thank Congress for how quickly the first funds were allocated for Hurricane Harvey's recovery. Two short weeks after Hurricane Harvey made landfall, over $7.4 billion in CDBG funds had been allocated, but long-term recovery is a process that takes too long. There are some things that could be done that would shorten the process and allow impacted States to at least begin their recovery sooner, and I would like to share those with you now.

States need to be allowed the maximum level of flexibility possible for disaster recovery efforts. Hurricane Harvey impacted 49 counties in an area larger than the State of Indiana in at least three different types of events. In the Coastal Bend area, Harvey was a true hurricane with wind speeds in excess of 130 miles per hour. In Houston, it was a rain event that created flooding that had never been seen. In southeast Texas, it dropped many feet of rain that did not drain for weeks to follow.

The recovery needs to be tailored to the needs of each impact area and locally driven through a State oversight. HUD's formula allocated funds to population centers, and then the Federal Register all but required direct housing activities be considered over any other kind of need nearly 6 months after landfall.

Requiring HUD to allocate funds from any appropriation within 60 days, as was done with the more recent allocation, would be encouraged to continue. This would allow States the funds to start their recovery, while data commonly used by HUD to allocate those funds can be finalized.

Disasters do not discriminate, and HUD-defined higher income but still working class families are often equally impacted. HUD's recent shift away from waiving the LMI aggregate from 70 percent to 50 percent for disaster events will prevent communities from being able to recover in a holistic way. It has also made large-scale infrastructure projects that could mitigate large areas for future events very difficult.

Historically, CDBG funds have provided grantees with 5 percent in administrative costs. This value is generally adequate. However, HUD has continued to increase the level of oversight, reporting, and IT requirements on these awards. This is especially evident in allocations resulting in smaller, localized events.

In this recent allocation, HUD limited the support of families who reside in a flood plain who made 120 percent of the area median income if they did not maintain flood insurance. The State is concerned that this could progress beyond just families located in the flood plain. As I said, disaster events do not discriminate, nor do they consider income.

In Texas, we have many families residing outside the flood plain who thought they had all the appropriate insurance coverage necessary be impacted by flooding and lose everything. For a family of four living in Beaumont, Texas, 120 percent of the area median income would be $66,600, which is hardly enough income to recover from the complete loss of your home.

Last, disaster recovery could be greatly expedited if HUD had written regulations that governed the supplemental CDBG-DR allocations. States would not have to guess at what regulations would be applicable from event to event, nor would they wait for the Federal Register to be published to begin a program and design of their action plans. At the GLO, we are currently managing seven CDBG-DR grants that have different rules and regulations.

I have been involved in discovery recovery for the State of Texas since Hurricanes Katrina and Rita in 2005. I have to say, HUD has been a strong partner who has been very supportive of our recovery efforts, and we are offering these suggestions for improvement on the program that we have benefited greatly from in Texas. We believe that making these adjustments to the program could expedite recovery and utilize limited funding more efficiently.

At this time, I would be glad to answer any questions.

[The prepared statement of Ms. Lagrone can be found on page 36 of the Appendix.]

Chairwoman WAGNER [presiding]. Thank you, Ms. Lagrone.

Dr. Martin, you are now recognized for 5 minutes.

STATEMENT OF CARLOS MARTIN

Dr. MARTIN. Good morning, Chairwoman Wagner, Ranking Member Green, and members of the subcommittee. Thank you for the opportunity to highlight the evidence base regarding stakeholders perspectives on CDBG-DR.

My name is Carlos Martin, and I am a Senior Fellow at the Urban Institute. The views I express today are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

CDBG-DR has increased in importance within U.S. disaster response since its first use in 1993. This was demonstrated the by its inscription in the 2011 National Disaster Recovery Framework. The program also plays a unique role in that response by contextualizing recovery within longer term planning and housing needs.

My research focuses on the State and local governments that receive program grants and, in turn, on their outcomes across households and communities. My colleagues and I have examined the many challenges State and local governments face. Among local factors that pose challenges are the predisaster capacity of the grantee staff, the severity of the disaster, and the clarity of a community's postdisaster goals.

We have also looked at the nature of the program's authorized activities and regulations, separate from how HUD administers them. Two characteristics pose consistent challenges: One, the program's final position in the sequence of Federal postdisaster response; and, two, the program's lack of permanent statutory authority.

Snapshots from this year's devastations echo what our research shows. Communities that have just experienced a disaster, like those in Texas, Florida, Puerto Rico, and California, are tasked with piecing together resources to put their residents, economies, and cultures back on their collective feet. Each set of those resources brings with it a slew of different requirements, regulations, and stakeholders that can test even the most sophisticated and well-resourced State and municipal officials.

This is happening while jurisdictions have ongoing questions about the Federal assistance they have received so far, while they grapple with long-term goals, land use decisions, and infrastructure plans.

The burden on State and local governments' capacity is particularly heavy at this point in their recovery. However, it is made heavier by the fact that they may not know the full regulatory parameters or the magnitude of the assistance that CDBG-DR provides. In some cases, after a disaster, they may not know whether Congress will appropriate that assistance and how to allocate it.

As the Federal backstop for recovery, the program accommodates all previous programs' constraints, after many response and rebuilding decisions have already occurred and when communities' expectations are fraying.

At its best, CDBG-DR is a bridge from the shock and chaos of disaster back to the path of prosperity and development on which all communities in the U.S. travel. Yet that bridge has always been temporary. Future disasters are certain. Equal certainty in the

Federal response to these disasters will improve how our communities recover qualitatively and quantitatively.

Thanks again for the opportunity to share my research. I look forward to the subcommittee's questions.

[The prepared statement of Dr. Martin can be found on page 40 of the Appendix.]

Chairwoman WAGNER. Thank you, Dr. Martin.

Ms. McFadden, you are now recognized for 5 minutes.

STATEMENT OF MARION MOLLEGEN MCFADDEN

Ms. MCFADDEN. Chairwoman Wagner, Ranking Member Green, and members of the subcommittee, thank you for the opportunity to testify in the CDBG-DR Program.

I am Marion McFadden. I serve as the Vice President for Public Policy at Enterprise Community Partners, a nonprofit organization committed to making well-designed homes affordable. For more than 35 years, Enterprise has helped to build organizational capacity in both the public and private sectors. Last year, we harnessed $7.2 billion in capital to help create or preserve more than 60,000 homes.

Enterprise has worked with communities to help rebuild from disasters since Hurricane Katrina, when we established an office on the Gulf Coast to assist in Louisiana and Mississippi's recovery. We assisted New Jersey and New York after Hurricane Sandy; supported the State of Colorado after severe flooding in 2013; and we are currently working on recovery initiatives in Texas, Florida, California, Puerto Rico, and the United States Virgin Islands.

Personally, I worked on disaster recovery at HUD, dating all the way back to 9/11, including as legal counsel for the CDBG program and Deputy Assistant Secretary for Grant Programs, where I was directly responsible for administration of the CDBG-DR Program.

Today, I would like to highlight three things: The importance of CDBG-DR to urban, suburban, and rural communities; the benefits of mitigating future risks; and opportunities to strengthen the CDBG-DR Program, making it more efficient and, thus, faster and less expensive for communities to recover.

As the frequency and intensity of natural disasters have increased, CDBG-DR has become an essential component of long-term recovery. After a major catastrophe, CDBG-DR is the difference-maker for families and small businesses. For property owners whose insurance proceeds, FEMA grants, and small business homeowner loans have been insufficient to repair their homes or get them to stable housing, CDBG-DR pays for repairs and rebuilding of apartment buildings. It allows small businesses to retool to meet the needs of a changed economy. CDBG-DR dollars repair damaged infrastructure and reopen hospitals, schools, and shopping centers.

CDBG-DR is often used as leverage for private capital, as well as other public funds. For example, after Hurricane Katrina, Enterprise and our partners combined HUD grants with significant private capital to redevelop public housing through the use of the low-income housing tax credit.

CDBG-DR is particularly valuable because it allows States and localities to rebuild in a forward-facing manner, rebuilding stronger

and safer so that Federal dollars do not put people back in harm's way or throw good money after bad. Mitigation measures have been proven to more than pay for themselves, yielding an average of $6 in future disaster recovery costs for every dollar spent on mitigation.

At Enterprise, we saw those savings firsthand last summer when a very heavy rainfall flooded New Orleans and residents found their streets waist-deep in water. Our CDBG-DR-funded Faubourg-Lafitte development escaped harm because homes were built an additional 2 feet above the base flood elevation. Water didn't breach the first floor, so there was no need to make a claim on the National Flood Insurance Program policy.

While building 2 feet above the base flood elevation was not required at the time, HUD now wisely requires that level of elevation, and we recommend that Congress codify these standards for both CDBG-DR and for nondisaster funds.

Finally, I would like to take a moment to highlight one major challenge with the CDBG-DR Program, which is the amount of time it takes for HUD funds to reach communities after a disaster. As you well know, after each unique CDBG-DR appropriation, there is a delay in the flow of funds because HUD must write a new set of waivers and requirements to guide grantees, in addition to assessing the damage and identifying unmet needs. Grantees then need to learn the new rules, make policy choices, and stand up their own disaster recovery programs before projects can even begin.

The permanent authorization of CDBG-DR would allow HUD to write regulations, create pre-approved model housing programs, and develop systems that grantees could quickly customize and adopt to shorten the amount of time it takes to get people home again while increasing necessary protections against fraud, waste, and abuse.

Permanent authorization could also solidify policies in areas that have previously been treated inconsistently. Enterprise recommends that Congress take the following steps in permanently authorizing the CDBG-DR Program: Better prepare communities to administer taxpayer dollars by expanding HUD's ability to support that administration. This can be accomplished by authorizing additional permanent career HUD staff dedicated full-time to disaster recovery work and through a set-aside for capacity building and technical assistance in all CDBG-DR appropriations.

We ask that you also require HUD to allocate a portion of assistance within 60 days; direct HUD to design pre-approved model programs and systems that grantees can take off the shelf and implement wholesale; and ensure that grant funds reach those who need them most. More detail is provided in my written testimony.

In closing, the Federal Government-impacted communities have learned important lessons from recent major recovery efforts, but change has been incremental. It needs to be swifter and more comprehensive. I look forward to working with you to accomplish that. Thank you.

[The prepared statement of Ms. McFadden can be found on page 52 of the Appendix.]

Chairwoman WAGNER. Thank you, Ms. McFadden.

The Chair now thanks all the witnesses for their opening statements, and I would like to recognize myself for 5 minutes.

Ms. McFadden, I am going to jump around here a little bit, so please bear with me as I want to cover a few different topics. In my opening remarks, I mentioned that HUD primarily uses Federal Register notices to issue clarifying guidance and waivers and alternative requirements for the CDBG-DR Program. Given this statement, can you elaborate a little bit for the subcommittee about some of examples of how not having a law in statute has hurt potential grantees of CDBG-DR funds?

Ms. MCFADDEN. As Congress has passed laws over time, they have changed, so HUD has not made any efforts to do a guiding set of regulations because it hasn't had a single starting point. So, as each disaster appropriation is passed, HUD takes a look at the last set of rules but makes changes. Those changes may be influenced by a change in leadership or change in administration, or they may be influenced by lessons learned from previous disasters. But at no moment can a jurisdiction know what the next set of rules is going to include.

Chairwoman WAGNER. Moving on to duplication of benefits, how do the various agencies providing Federal assistance coordinate their efforts so that their funding isn't duplicated?

For instance, how does HUD know whether SBA (Small Business Administration) provided assistance so that it does not duplicate funding?

Ms. MCFADDEN. So HUD primarily puts the responsibility on the grantees of funds, or the States, cities, and—

Chairwoman WAGNER. I am sorry. On whom?

Ms. MCFADDEN. The States, cities, and counties that are receiving the dollars then have a responsibility to coordinate with the SBA, with FEMA, potentially with insurance, philanthropic funds, and other places. There is no streamlined system available, and finding a way to share data more efficiently would absolutely speed up the delivery of assistance.

Chairwoman WAGNER. Delivery to victims.

Ms. MCFADDEN. Yes, ma'am.

Chairwoman WAGNER. Is there any hierarchical list of funding sources that allows agencies distributing disaster aid to know whether to provide money and when not to duplicate others' efforts?

Ms. MCFADDEN. The Stafford Act contains a hierarchy of assistance, but because the CDBG Disaster Recovery Program is essentially a one-off every time, it is not included in that hierarchy. Permanently authorizing CDBG would allow it to take a permanent place in that order of assistance.

Chairwoman WAGNER. Do you know if there is any statutory authority that describes the funding or delivery sequence at all?

Ms. MCFADDEN. Only in the Stafford Act, ma'am.

Chairwoman WAGNER. In the staff guide?

Ms. MCFADDEN. Excuse me. In the Stafford Act.

Chairwoman WAGNER. Stafford Act. I am sorry.

Ms. MCFADDEN. Which governs permanent disaster recovery authority.

Chairwoman WAGNER. One of the major themes that came out of our hearing with the Acting HUD IG was the lack of funding and the lack of staff at both HUD and the Inspector General's Office to conduct proper oversight. Can you quickly talk about how these additional resources can help to prevent the waste, fraud, and abuse?

Ms. MCFADDEN. In my many years at HUD, I heard from many disaster recovery grantees, so those units that were receiving Government. We want more HUD staff time. But the reality is that the HUD disaster recovery unit has far less than 20 people in it at any given moment. They are stretched very thin, and so they only can devote a limited amount of time. Allowing more permanent staff and additional resources for technical assistance and capacity building so that they can rely on experts to assist communities would absolutely strengthen the program.

Chairwoman WAGNER. Last, Ms. Lagrone, in your testimony, you noted the importance of making sure States knew what the regulations were for CDBG-DR allocations in order to begin work on their action plans. If the CDBG-DR Program was codified in law, how would that have changed your response to the most recent storms, for example? How long after Harvey did HUD publish Federal Register notices? How can the process be improved overall?

Ms. LAGRONE. Absolutely. Thank you, ma'am. The Federal Register for the appropriation that came out on September 8 didn't come out until February, so, from September to February, we were looking at previous Federal Registers that we had.

Chairwoman WAGNER. That is 6 months.

Ms. LAGRONE. Yes, ma'am. We were looking to previous Federal Registers to try to guess at what that program was going to look like. We had an action plan developed. We were ready to go when that Federal Register came out, but there were some changes in the Federal Register that we weren't expecting, so we had to go back to the drawing board in a couple of places and rewrite language into our action plan. So that did delay us being able to publish the action plan and get it out.

HUD can't allocate the funds until they have the data that they need to determine who needs how much money, and they were trying to compare us to Maria and Irma's events, and so they were waiting for data to become available. The most recent allocation and appropriation that you all have voted on had a 60-day window that required HUD to at least start initiating awards. We are definitely in favor of that because, even if they had just given us $1 billion, $2 billion of the $5 billion we ultimately got, we could have started our programs months sooner, knowing full well that our event was a big enough event to qualify for at least that much money.

Chairwoman WAGNER. Thank you. My time has expired.

The Chair now recognizes the gentleman from Missouri, our great State of Missouri, for 5 minutes, Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chair.

Thank you, Ranking Member Green.

I would like to get a couple of you to respond to this. Mr. Costello, and Councilman, Senator, Commissioner Ellis, and Ms. McFadden.

Fourteen years ago, or almost, when I was sworn in here, along with our Ranking Member, my wife and I went all over this area trying to find a place we could buy. One of our former members of this committee had said: Don't rent; why don't you buy?

Foolishly, we didn't. I ended up moving over to the Methodist building across the street, and now I can't afford to live here. The areas where we looked at that time were, for Washington standards, very affordable. But now the Nationals have a baseball stadium there. There are restaurants I can't afford to eat in all over in that area, new apartments. Congresswoman Beatty lives there, and others.

But the problem is that it is happening all over the country, and it is hard to argue against, but the gentrification is occurring.

When we were first elected, Capitol Hill was quite different than it is today, and I find myself wondering, as I walk 333 steps from my apartment to the Capitol every day, where did those people go? Where are they living today?

When I was mayor, we had two 500-year floods in 3 years in Kansas City. And as Ranking Member, as the Chair, Congresswoman Wagner will recall, it hit St. Louis and Kansas City. We are 200 miles apart, but it devastated both cities. And one of the problems was in the areas where the flood hit, we didn't have the HUD policy, Ms. McFadden, that we have as it relates to one-for-one replacement, which is a HUD policy, has been a policy since maybe the 90's or—and that is, if you eliminate a HUD property, you have to rebuild. Every one you eliminate or rebuild, you have to rebuild another because when the storm hit New Orleans, we had that policy in place.

Well, the point is we had—the problem is exacerbated when it is a flood. Even without a flood, it is a problem. So I wonder what is going on and what do we need to do as it relates to people who are messed over, first, by the flood, and then by the fact that, after it is over, they can't even find housing. Please, somebody help us.

Mr. COSTELLO. Well, Congressman, I will start. And our mayor has identified, when he came into office, what he calls a Complete Communities Program, where some of these communities that are possibly threatened from gentrification, that he wants to make sure that we provide services to that complete community and to help buildup that community, to make sure that those residents that live there will stay there, whether it is preflood or postflood. So that is what we are doing now. In particular, with some of these disaster relief funds, we are allocating projects into these communities.

But it is not only infrastructure, which I am the engineer—I am builder; that is what I am going to be focusing on—but it is all those social services as well, even in terms of job creation, even in terms of food deserts; we are trying to make sure that these communities have all the services available to them anywhere throughout the city.

But we do have, we continue to have the challenge of gentrification, and that is why the mayor said: Let's identify these six communities. Let's see if we can provide all the services we can to them, both public health, all the way through to infrastructure, and see if we can maintain the viability of that neighborhood.

Mr. ELLIS. I would just add, Congressman, it is a big challenge. Over our careers, on one hand, people will say: We want our neighborhoods to look like the more affluent neighborhoods.

And then when we invest the resources and people come in who are more affluent, that leads to gentrification issues that some people have problems with.

As it relates to disaster recovery, it is a particular problem because some people, when they—if they have an option of selling their home, where will they move? And for a place as big as Houston or Harris County, as you know, having gone to Prairie View, it is so spread out; that is a real challenge.

I am encouraging my colleagues now that I am in county government, as I did when I was in city government, to think outside the box. On one hand, obviously, we look to the Federal Government for help. But on the other hand, sometimes in local communities, we have to be willing to put some skin in the game.

So, as opposed to being a traditional County Commissioner, where I am just asking for money for roads, I am trying to convince my colleagues that we ought to use some of our money for affordable housing and some of the nontraditional things, instead of just looking to you all. And I did that when I was a council member, and each mayor has continued. They use about $20 million of local bond money. I think the last mayor on your watch cut it down to $18 million for affordable housing. So that is a big part of it.

But, look, it is a clear dichotomy. On one hand, people want to enable it to be better. They want investments in those neighborhoods. And then when we do, they are upset because other people want to come.

Chairwoman WAGNER. The gentleman's time has expired.

The Chair now recognizes the gentleman from Colorado, the Vice Chair of the Oversight and Investigations Subcommittee, Mr. Tipton, for 5 minutes.

Mr. TIPTON. I thank Chairwoman Wagner.

And I thank the panelists for all of your testimony here today.

Ms. McFadden, I would like to be able to start with you. It is clear that the Department of Housing and Urban Development has less restrictive rules for States in its CDBG-DR distribution because the States are going to be the passthrough entity for those funds. And because of this structure, States are given, obviously, the maximum feasible deference for their interpretation for distributing those funds. Do you believe that HUD can responsibly provide for the CDBG-DR grantees with guidance and technical assistance with the maximum feasible deference standard in place?

Ms. MCFADDEN. Thank you for the question. And in the annual CDBG program, that goes out every year, not for disasters, that maximum feasible deference is strong and respected throughout the program.

Generally, after disasters, if the States are going to be administering funds directly, HUD puts in place a very different standard for the administration, which is much more like the rules that cities and counties have to observe. I think that the program has done a great job of ensuring fiscal accountability in the administration. However, as the other panelists have said, and I think many members of the public would agree, it is absolutely time to consider

these issues through notice and comment rulemaking and giving the public an opportunity to weigh in.

Doing a permanent authorization of the program would allow notice and comment rulemaking which, for example, would go through clearance with the Office of the Inspector General, which could ensure that all the appropriate mechanisms are in place for the program.

Mr. TIPTON. Is it your sense HUD can monitor the CDBG-DR grantees to be able to ensure performance and compliance?

Ms. MCFADDEN. Yes, sir. Both the HUD Office of Community Planning and Development and the Office of the Inspector General monitor recipients of the funds.

Mr. TIPTON. OK. So you are comfortable with that. Might have a little issue, I think we might want to make sure that we are getting some of that accountability in place, but I would like to be able to maybe follow up with you on that just for a little more sense.

And to your knowledge, has HUD ever overruled or otherwise told a grantee that its interpretation of the CDBG-DR statutory requirement is incorrect?

Ms. MCFADDEN. I think that there have absolutely been moments where interpretations of policy have been different, and HUD, ultimately, has ruled against the initial interpretation of the statute, if that is what you are asking sir, yes.

Mr. TIPTON. So we do have some examples. And do you think that more structure is needed from HUD and/or from Congress on the distribution of the CDBG-DR grants?

Ms. MCFADDEN. Yes, I absolutely do. I think communities would be served better and taxpayer dollars would be used more efficiently if more were done to formalize the program.

Mr. TIPTON. OK. Great. And just finally, do you have any suggestions on exactly how we might be able to bring some greater accountability to the block grant model after the funds have been distributed out to the grantees?

Ms. MCFADDEN. So, at this moment, HUD's greatest influence is in setting the rules and putting and approving the plans as they come in because HUD has limited resources to do the monitoring that I mentioned, and the Inspector General has limited resources do that monitoring. I think an investment in HUD's own administration could prove a real strengthening of the program because they would be able to look much more closely at the way the programs are being implemented.

Mr. TIPTON. Great. That is something again I think we would like to be able to follow up on, as we were talking just a couple of minutes ago in terms of that accountability and how the dollars are going to be spent. I think it is important that we do get that aid back.

I think you noted in your testimony that you had assisted in Colorado. We aren't exactly an incredibly flood-prone State. Our water runs off pretty quick. It is steep out there, but the importance of being able to get that help but also to make sure that we are having the accountability, that the dollars are going where they need to go to the people that they need to help is something I think that is going to be important.

So, again, Chairwoman, I thank you for holding this hearing and yield back my time.

Chairwoman WAGNER. The gentleman yields back.

The Chair now recognizes my dear friend, the gentlelady from Ohio, Mrs. Beatty, for 5 minutes.

Mrs. BEATTY. Thank you to the Chairwoman and to our Ranking Member and to all of those who came as witnesses today. Let me just say, thank you for your written and your oral presentations. I found them very helpful.

But let me just say—join my colleagues in thanking you. And I don't know to call you commissioner, State senator, and I am going to add another one, chief of staff, to our late and former good friend Congressman Mickey Leland. He would be very proud today with you going from chief to sitting here where he fought so hard for those who were in need, whether it was for food or housing. So thank you for the work you did then and what you are doing now.

History certainly does repeat itself. Just for a little clarification to my Congressman to my left's statement about where I live, I am going to also include the Chairwoman because we live in the same building. And history does really repeat itself. Coming some 7 years later after Congressman Cleaver was here, we did the exact same thing. The only difference is where we live now is the most affordable to live now. And as we want to buy in that same vicinity, it is not affordable.

So 7 years has made a huge difference to those. So, when I think about those who are in need and I think about those who have been displaced, certainly I know when you think about what happened in Katrina.

And according to the National Low Income Housing Coalition, the United States has a shortage of some 7.2 million rental homes, affordable and available to extremely low-income renters.

In my district, in the 3rd Congressional District in our capital of Ohio, Columbus, there are some 30,000 people currently on the waiting list for rental assistance with our city's public housing authority.

So, when I think about Hurricane Katrina, and I visited New Orleans during that time and years afterward—so your point—7 years later after Ike, we are still fighting for those folks to have housing. I didn't get to Texas or to Houston, but more recently, I was in Puerto Rico.

So, when I think about all your statements, I guess I would like to ask each of you, if I could do one thing for this legislation that would help those in need, what would it be? So think about that.

And then, to Ms. McFadden, I found it very interesting, in one of your statements in your testimony when you talked about that those residents should—that are—120 percent of the median should apply first for the small business loan before the CDBG. I don't have the exact quote from it here, but you are nodding so I assume you know what that reference is. How does that work for someone in Puerto Rico when you think about the poverty that is there? If you can quickly give me that, then I will go to Mr. Ellis and the other witnesses for the one thing.

Ms. MCFADDEN. Thank you, Congresswoman. And I think you went immediately to the caveat I would put on that recommendation.

So, for the other members of the subcommittee, my recommendation would be that before grant dollars could flow to a family at 120 percent of area median income or higher for the need that they have left after any insurance or other assistance, that they apply for a below-market homeowner loan from the Small Business Administration.

And in most communities, that means that the Small Business Administration will make a decision about whether that family can afford to repay because I believe, as a matter of good public policy, that the taxpayer dollars should go first to those who are unable to use other resources that they can repay on their own before assisting the general public.

The challenge in Puerto Rico is that the area median income is so low that you may still find people below the poverty level. So I would look forward to some discussion about how to make it workable there.

Mrs. BEATTY. OK. Thank you.

Others?

Mr. Ellis.

Mr. ELLIS. I became Congressman Leland's AA in 1981. It was a long time ago when you called a chief of staff AA. Things were—we were so poor, and he was so poor; I was his AA and his roommate. If we had bought a place in Waterside Towers back then, I would be a wealthy county commissioner now.

Mrs. BEATTY. Yes.

Mr. ELLIS. I think the most important thing you can do is preserve that 70 low- and moderate-income standard with the discretion being given to the Secretary to reduce it to the 50 percent, but it would be transparent to have to make the case. I just want to stress that point.

My years in city and State and county government, folks who need stuff the most generally are not the best organized to advocate for themselves. And I think we would be best pressed to go ahead and take it at 50 percent every time if we had that discretion.

Mrs. BEATTY. Thank you.

My time is over. So I am sorry, but I yield back.

Chairwoman WAGNER. The gentlelady yields back.

And we do, in our legislation, currently keep that 70 percent.

So the Chair now recognizes the gentleman from Georgia, Mr. Loudermilk, for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chair.

And I appreciate the panel for being here.

This is an important issue. It isn't probably one that is going to make the headlines of the New York Times today, unless the Chairwoman decides to tweet it out, then maybe we would get—

Chairwoman WAGNER. I am all over that.

Mr. LOUDERMILK. But this is very important, especially in the time that we are in. We have—I think it is time for us as a Congressional body to relook at the way we do a lot of things, because

some things that we have done in the past have not worked very well.

And we have driven ourselves to a $21 trillion debt, so we can no longer look at just funding our way out of problems without making significant changes. And one of the things I think we have to do is look at how we can make the dollars that we spend more effective and make them go further.

And I remember something that my parents used to tell me and my grandparents, and I think they had a lot of wisdom, that if we went back to those old sayings, they can help us out a lot. And one of those is, "An ounce of prevention is worth a pound of cure."

And, Ms. McFadden, you brought up in your testimony the idea of mitigation, which is something we even looked at the National Flood Insurance Program of mitigation. And that is intriguing because—I would like to know your thoughts on implementing mitigation standards such as elevation and construction standards because, to me, you can—I would think you can spend a whole lot less money preventing a disaster than actually rebuilding after a disaster. So I would like to get your thoughts on that.

Ms. MCFADDEN. Elevation and construction standards, absolutely a critical piece at the individual property level. And I would also encourage, in thinking about any permanent authorization or future appropriations, some guidance to HUD on how to think about the balance between individual properties and communitywide infrastructure projects.

There is a tension in how to protect the entire community and how to go building by building. So the elevation standards do keep people in properties safer from harm when the next storm comes, but sometimes doing a communitywide solution may be more effective over—across the board.

Mr. LOUDERMILK. So is it your understanding or your belief that we could save a substantial amount of money by investing a little bit of money on the front end?

Ms. MCFADDEN. Absolutely. And I applaud Congress in the most recent CDBG-DR allocation for dedicating funds for mitigation and making a true investment in doing that so that we are not paying again for the same places.

Mr. LOUDERMILK. I appreciate that.

And another area that I think that we can make the money that we have go further, especially in certain communities, comes to the environmental standards. We had a recent event back home where there was a development going in, but it was something the entire community wanted to bring in.

And I went to those who were doing this. It was several private and nonprofit organizations coming in, and I said, "What can we do to help," because there was going to have to be a lot of infrastructure changes, including road modifications, building roads. I said, "What can I do in Congress to help?" And they came to me and said, "Please, don't do anything," and I said, "Why?" They said, "We can't afford to receive Federal funding for these road projects because they would take too long and cost us too much money," and I said, "Why?" They said, "We can build these roads for 60 percent less money and 60 percent faster if we just use State funds

because we avoid the onerous reporting requirements and study requirements of these environmental standards."

Do you see that we can save some money by streamlining some of these processes that we go through right now regarding disaster response and recovery?

Ms. MCFADDEN. That is a frustration that has been shared by many communities around the country as they have tried to put State dollars together with Federal dollars, where even across the Federal Government, agencies may have different or conflicting standards in implementing the same environmental protection laws and historic preservation and related laws.

So, absolutely, there are opportunities for streamlining. And over time, through the appropriation of CDBG-DR dollars, Congress has made a little bit more flexibility available so that if, for example, HUD dollars follow a FEMA environmental review, then there is some streamlining there.

But there still is much opportunity to make it faster, particularly in the realm of large-scale infrastructure projects, as you mentioned, and in single-family home renovations.

Mr. LOUDERMILK. Thank you.

I yield back.

Chairwoman WAGNER. The gentleman yields back.

The Chair now recognizes the gentleman from Texas, Mr. Gonzalez, for 5 minutes.

Mr. GONZALEZ. I am yielding to Mr. Green, I think.

Mr. GREEN. I thank the gentleman very much.

I would like to, if I may, just compliment you, Mr. Gonzalez, on your outstanding work on the committee. We greatly appreciate what you have done to benefit not only your constituents in your Congressional district but also the State of Texas. You have truly been one of the outstanding assets.

Madam Chair, if I may, I would like to introduce into the record, without objection, of course, a letter that is dated to The Honorable Director Mick Mulvaney, Office of Management and Budget.

And if I may, I would like to also read one sentence of the six-paragraph letter that captures the essence of what the letter is all about. It reads, "We write today urging you to approve the direct allocation of the appropriated share of Community Development Block Grant-Disaster Relief Funds."

That is an important sentence. It is an important sentence directed to the Director of the Office of Management and Budget because of who has signed the letter. The letter is signed by, of course, The Honorable Kevin Brady, who is a Member from Texas; by The Honorable Greg Abbott, the Governor of the State of Texas; The Honorable John Cornyn, United States Senator from Texas, The Honorable Ted Cruz, United States Senator from Texas; The Honorable George P. Bush, land commissioner, State of Texas; Harris County Judge Ed Emmett—The Honorable Harris County Judge Ed Emmett; The Honorable Mayor Sylvester Turner; and those of us who are from the Houston delegation, including Mr. Culberson, Mr. Gene Green, Ms. Jackson Lee, and Mr. McCaul, Mr. Olson, Mr. Poe. And I am honored to be a person who has signed it as well.

May I so enter?

Chairwoman WAGNER. Without objection.

Mr. GREEN. Thank you, Madam Chair.

Madam Chair, just as a matter of housekeeping, I would like to let people know that, earlier, when I spoke about my having had a degree—well, not degree. That is what I want to clear up—having had an association with engineering, I did attend engineering school, but I want people to know that I am a dropout. I really don't want to have to deal with tomorrow the press accosting me about, "I thought you said you didn't finish college."

Chairwoman WAGNER. So noted in the record.

Mr. GREEN. Thank you.

Now, I am also pleased that Texas Southern University at the Thurgood Marshall School of Law saw something in me that I didn't see in myself and gave me the opportunity to attend law school. So I do have what we say—we call a juris doctorate, which is really a juris doctor. I am honored to have such a degree.

Moving along, Mr. Martin and Ms. McFadden, when I mentioned earlier the prowess of the people who had the hands-on experience, I in no way wanted to minimize the intellectual prowess that you bring to this forum that is exceedingly important, and you have both given me much to consider.

So let me go to you, if I may, Ms. McFadden. You mentioned something that I am fascinated with this concept of an off-the-shelf—regulations that could benefit smaller venues. Could you elaborate, please?

Ms. MCFADDEN. Thank you. I would be pleased to.

The flexibility of the regular CDBG program allows the 1,200 jurisdictions that receive the funds to design programs the way they want to as long as they fit within the guardrails. But this means that there are many, many choices and challenges they have to face in trying to scale up their existing programs when they move from CDBG to CDBG disaster recovery.

And then they have to question whether HUD will approve the choices they are making. If HUD were to do the design upfront and pre-approve programs after a disaster when the elected officials and others administering Government programs are facing very difficult choices, they could have certainty in a safe harbor in knowing that they have the best program available to them and adopt that wholesale.

Mr. GREEN. Have you had any experience in crafting such a paradigm?

Ms. MCFADDEN. After Hurricane Sandy, HUD made some model programs available but without doing any notice and comment about how to improve them and I think got them available a little bit too late for communities to really adopt because they were already off and running with their own programs. There is something to build on, but I think it needs some further improvement before it can really be ready to go.

Mr. GREEN. Thank you.

Now, as a good Ranking Member, I have to do something that is very important to one of the members from my side. Mrs. Beatty asked about that one thing that you would have us focus on, and a couple of you didn't—perhaps as many as three—didn't have the

opportunity to respond to that question. So it is my duty now to make sure that that gets taken care of.

So we will start with Mr. Costello, the one thing, please. And by the way, you have about 19 seconds, over 19 seconds.

Mr. COSTELLO. Thank you, Congressman.

And so, to highlight community expectation, the one thing would be to expedite funding directly to the recipient so that we can deliver the services that we need to deliver, whether it is housing, to get people back into housing, or whether it is infrastructure to mitigate for future floods.

Mr. GREEN. So as not to abuse my time, Madam Chair, I will yield back because I will have 5 additional minutes later.

Chairwoman WAGNER. The gentleman yields back.

The Chair now recognizes the gentleman from Arkansas, Mr. Hill, for 5 minutes.

Mr. HILL. I thank the Chairman and the Ranking Member to allow an interloper on your committee today to come and hear this very interesting presentation. And thanks for holding this oversight hearing.

This is such important work. And the need for flexibility and speed in the cities, which you have all talked about, and the counties is so important, and that has sort of been one of the positive things over many, many years of the CDBG program.

But in this disaster arena, we have—sometimes it is not shaped according to standard policy, and, therefore, there are a lot of things that get missed between the goals of the program and the success of the program.

So I am here today on behalf of the taxpayers to ask, how do we safeguard these funds and not have GAO reports that tell us that we are still looking for $750 million of CDBG disaster funds after Katrina that cannot be accounted for?

So let's—Mr. Costello, maybe talk from the city of Houston's point of view, Mr. Ellis, too: How do we get the money to a public entity that has public accountability to the taxpayer and then out—but out in an effective way where it is not used for an unintended purpose or it is just not handled right? $750 million is a lot of money, and I think taxpayers really—we owe it to them to not let that happen again. Mr. Costello.

Mr. COSTELLO. And that is a very valid question, Congressman. And I think it really—it depends upon the expertise of the recipient. As Commissioner Ellis had described—and I did as well—the city is a very large organization. We are the fourth largest city. We have 22,000 employees. Combined, public works and housing, we have over 4,500 employees. We have the ability and the expertise to make sure that we are in full compliance, assuming we give direct allocation.

The issue that I am concerned about as an engineer in providing the mitigation dollars for infrastructure is the community expectations on—and how long it is taking us to get to a particular project and to implement that project.

Personally, I am not looking forward to August 2018 when the public and the media say to the city and the county, what have you done post-Hurricane Harvey? And we really haven't been able to show very much, other than maybe modifying some of our building

standards for future construction, elevating them above the base flood elevation so they protect those future houses. We still have to address the houses that were flooded themselves.

But to get back specifically to your question, it is really a function of the expertise of the recipient.

Mr. HILL. Well, I saw it. I was a volunteer in helping rebuild houses in Lacombe, Louisiana, after Katrina. And people were going back in. They didn't have a mortgage, so they weren't in the flood program, but they just went right back in their same house that were built below the floodplain.

And a lot of the misallocated money, I think, in CDBG, in that time period, DF, were moneys that were extended to people for raising above the base floodplain, but it wasn't spent for that purpose. And, yet, we know that that—for taxpayers in the flood program and for city, county taxes, property taxes, and family livelihood, that that is an important feature.

So I just am interested, from an auditor point of view, how do we—Mr. Ellis, maybe you could take a shot at—how do we maintain—Houston, Harris County—I am a former Harris County resident. Thank you very much. I lived there during Hurricane Allen, long time ago. But how do we maintain that audit trail? How do we convince the American taxpayers that we will get it out and we will make a lasting improvement and not see the money squandered?

Mr. ELLIS. Congressman, it is a very good question.

I am a former resident of Louisiana, by the way. I attended Xavier, my freshman year. But I think the key is the clawback provisions, is transparency, is, when you see a problem, do just what you are doing now: Raise it.

Look, when I was running for city council in 1983, the city had to give back some CDBG money. And I ran on it. And then, when I got there, I did realize how difficult it is to spend money and spend it the right way.

So, if there is a direct allocation, all of the strings should be on a city or on a county that would be there if it went through the State. But it is that transparency. If I could figure out how we could end corruption in public life, I would be over there in the White House. I would run myself. But you have to stay on us. It is that transparency, regardless of who gets the money.

Mr. HILL. Well, I think that is important for OMB and for HUD and for our State and local officials. And we look forward to partnering with you, and we thank you for being here today.

Thank you, Madam Chair.

Chairwoman WAGNER. The gentleman yields back.

I now want to recognize, to close us out, the Ranking Member, Mr. Green, for 5 minutes.

And I want to, in advance, give my apologies. I have a markup in Foreign Affairs, a very important genocide and atrocities piece of legislation that I have been working on for some time. So I am going to dash to Foreign Affairs. I will leave it to the Vice Chair, Mr. Tipton, to close things out.

But I want to yield to the gentleman, the Ranking Member from Texas, Mr. Green, for 5 minutes and thank him for his collaboration on this endeavor.

Mr. GREEN. Thank you, Madam Chair. And I greatly respect the fact that you have multiple assignments today, which is not unusual for you. You seem to have a multiplicity of things that you are doing quite constantly. So I appreciate greatly what you have allowed us to accomplish today and hope that things will go well with you in your next venue.

With reference to the one question, let me now go to, I believe there may be one or two others. If you have not answered that one question—all right. Would you kindly do so?

And I think, Mr. Martin, did you have an opportunity to respond to it?

Dr. MARTIN. I have not. I am happy to answer first.

Mr. GREEN. OK. We will start—

Dr. MARTIN. So Congresswoman Beatty's earlier comments regarding the experiences of community development and community change speak directly to CDBG-DR's role as being this bridge between disasters and what is actually happening in the communities before a disaster occurs and long after.

So I would encourage the move toward thinking of the eligible activities in CDBG-DR, if it were to reach a permanent statutory—be given permanent statutory authority to include those multifamily rental housing activities that are currently eligible in CDBG-DR and focus on those as much as the other single-family recovery programs.

Mr. GREEN. Thank you.

The lady.

Ms. LAGRONE. So I definitely agree with my colleagues here. The flexibility of the CDBG program is what makes it really, really the program to put these disaster recovery funds into. The flexibility in the program allows us to tailor our recovery to the needs that we suffered, and it allows us to do exactly what a city needs to be done versus a rural area versus someone who is impacted directly by a hurricane or someone who sat underwater for months.

So the CDBG program is the right program for this. But the CDBG regulations right now do not define disaster recovery. So I think a permanent regulation, keeping all of the flexibility possible for the CDBG-DR Program would be the absolute answer to this ongoing funding that we are going to continue to need, particularly in the State of Texas.

Mr. GREEN. Thank you very much.

I have had the opportunity to give testimony in my lifetime, and at the end of the hearing, there was something that I really wish that I had said that I did not say because I thought it was exceedingly important.

So what I would like to do now is give each of you an opportunity, if there is something that you think that you didn't say that you really would like to say so that you won't leave and have that afterthought, if you will kindly make mention of it at this time. And if you can be terse and laconic, I will get through so that everybody will have an opportunity, if you would.

Mr. COSTELLO. Thank you, Congressman.

I think when we talk about HUD and we talk about disaster relief, we have to look at it both in terms of housing and also in terms of mitigating infrastructure. And I do appreciate what the

Federal Government is doing of focusing on both those issues. But thank you.

Mr. GREEN. Thank you.

Mr. ELLIS. Thank you, Congressman. Two words: More money.

I will yield back the balance of my time.

Mr. GREEN. Yes.

Ms. LAGRONE. I agree as well. Mitigation is very important in these programs. As we have been improving homes, we have seen the need to not have to go back to those homes again. As we have improved infrastructure, we have seen that homes don't flood any longer because of the infrastructure that we were able to put in place with these funds.

Dr. MARTIN. I would recommend better integration across the Federal agencies that deal with disaster and response assistance. It is certainly clear between HUD, CDBG-DR, and the FEMA programs, and particularly relating to the increase of resources and funding going to mitigation at HUD, coordination with FEMA's mitigation programs would also be helpful.

Ms. MCFADDEN. And I recommend that Congress act with urgency. 2017 was a particularly bad year for disasters, but we know that bad years will come again. So act now to make these changes to the program and ensure that, as the last source in line, that CDBG-DR dollars are available to reach the people who need them the most.

Mr. GREEN. Thank you.

And with my last 30 seconds, I will thank all of you for appearing today, want you to know that you have been exceedingly helpful. My staff has taken copious notes, and we will be visiting about some of the things that we can integrate into legislation such that it won't just be an appearance. It will be an opportunity for you to have made a difference.

Again, I thank the Ranking Member—excuse me. I thank the Chairwoman.

And I also want to thank Mayor Turner. When I approached him about attending and giving his testimony, he said, "I am going to send the best person and that would be my czar here." Those were his words. So, Mayor Turner, thank you very much for sending the czar, and thank all of you for your attendance.

And, again, to the Chairlady, I thank you for the cooperation that we have received. I am looking forward to bringing this to fruition. Thank you, everybody.

Mr. TIPTON [presiding]. Thank you, Ranking Member.

And I would like to thank all of our witnesses again for your testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 11:32 a.m., the subcommittee was adjourned.]

A P P E N D I X

May 17, 2018

United States House of Representatives
Committee on Financial Services
Subcommittee on Oversights and Investigations

Testimony from Stephen C. Costello, P.E
Subject: Community Development Block Grant – Disaster Relief Program, Stakeholder Perspectives

Good morning Mr. Chairman and Honorable Committee Members:

My name is Stephen Costello and I am the Chief Resilience Officer for the City of Houston. I am here today on behalf of our Mayor Sylvester Turner and I thank you for the opportunity to share my perspective regarding the Community Development Block Grant – Disaster Relief Program.

My work in the storm water and floodplain management fields began in 1977, when I was employed as a civilian by the U.S. Army Corps of Engineers. Several years later, I entered the private consulting industry which led to the start of my engineering firm in 1991. In 2009, I was elected to serve in Houston's City Council as an At-Large Council Member. I served for 6 years where I advocated for infrastructure investments and was instrumental in the passage of Renew Houston, a dedicated fund for storm water drainage investment. In 2015, facing term limits, I unsuccessfully ran for Mayor and subsequently returned to private practice.

During the early months of Mayor Turner's tenure, I was honored for his consideration for the possibility of my return to the city. During this time, the city had experienced the Tax Day Flood on April 16th, 2016, its third massive flood event in less than 18 months. As a result, I joined the Mayor's staff as the Chief Resilience Officer and was tasked to focus on flooding and drainage issues. Publicly, the Mayor gave me the title Flood Czar. Currently, my main duties are to be the interface between external agencies - County, State and Federal - and internal city departments for flooding and drainage projects.

With respect to the topic under consideration by this Subcommittee, I respectfully offer these comments based on recent experiences with Hurricane Ike and 2015 flood recovery funds. Upon assuming my current position, I was asked to assist in completing several infrastructure projects identified in the 2008 Hurricane Ike Disaster Relief Action Plan. These projects are still ongoing and are expected to be completed by June 2019, 12 years after the hurricane. Several reasons can be attributed to the delay; however, the primary issue is associated with the established flow of recovery funds from HUD to the State or local Metropolitan Planning Organization (MPO), and ultimately to the city.

A more positive experience has demonstrated the success of direct allocation. In 2016, the city received a $66.5 million-dollar direct allocation from HUD for assistance in the 2015 floods recovery. The approved action plan distributed the funds among infrastructure, home repair, housing buyout, and planning and administration activities. In May 2017, Congress allocated an additional $20.5m directly to the city for infrastructure and administrative expenses. Having the direct allocation of $87.0m afforded the city the opportunity to expediate projects in affected areas. For example, by working closely with Harris County Flood Control District, we have been able to leverage the housing buyout dollars with the existing Harris County buyout program. Additionally, the city has leveraged funding by collaborating with Harris County on drainage infrastructure projects in Spring Branch, where both agencies share the cost of construction. Finally, two residential areas, where the city planned SWAT projects, were expanded further utilizing HUD funds to increase the service area and provide greater drainage relief. The SWAT, or Storm Water Action Team, is structured to complement major capital improvement projects to address localized urban drainage challenges in a shorter timeframe. Through this process, our office anticipates these projects will be completed within 3 - 5 years.

The comparison of the Ike recovery and 2015 flood recovery demonstrates how direct allocation has been more efficient for project delivery and completion as it removes multiple layers of involvement in the management of recovery funds. Still, it is important to recognize that the success of the action plan implementation may also be attributed to the level of expertise of the recipient. While smaller municipalities could continue to benefit from the important role the State and/or local MPO play, the City of Houston, as the 4th largest city in the United States, has a Public Works staff exceeding 4000 people with proven disaster recovery-related expertise for action plan implementation and project delivery.

Thank you for the opportunity to testify before the Subcommittee on Oversights and Investigations this morning and I look forward to any questions from the Chair or Committee Members.

Stephen C. Costello
Chief Resilience Officer
City of Houston

Harris County Precinct One

RODNEY ELLIS
COMMISSIONER

May 27, 2018

United States House of Representatives
Subcommittee on Oversight and Investigations
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Written Testimony
Rodney Ellis, Commissioner, Harris County, Texas Precinct 1
Statement before the Subcommittee on Oversight and Investigations Committee
"Community Development Block Grant-Disaster Relief Program – Stakeholder Perspectives"
May 17, 2018, 10:00 a.m.
Room 2128 Rayburn House Office Building.

Introduction
Good morning Chair Wagner, Ranking Member Green, and members of the subcommittee. I am Rodney Ellis, and I serve as a commissioner of Harris County Precinct 1 in Texas.

Thank you for the opportunity to appear before you to provide perspective on the Community Development Block Grant Disaster Relief Program. I'd like to begin by first expressing my gratitude to members of the committee for their work ensuring disaster relief for my constituents in the wake of Hurricane Harvey.

Harris County, Texas is the third most populous county in the United States and is home to the city of Houston. As one of four elected commissioners, I have over 1.1 million constituents and Hurricane Harvey took an especially heavy toll on my precinct.

There were 24,000 structures in my precinct that flooded. Tens of thousands of cars were lost, and many of my constituents are still struggling to get back on their feet. The hurricane caused extensive damage and destruction to housing in certain impacted areas, as well as to critical infrastructure and community services. Harvey resulted in the deaths of over 80 people, displaced more than 1 million people, and damaged roughly 200,000 homes in a path stretching for more than 300 miles.

CDBG-DR
Texas has shifted into long-term recovery mode and recently submitted its proposal to HUD for the use of $2.7 billion in CDBG-DR funds, with an amendment on an additional $2.3 billion for Houston and Harris County.

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As the committee considers future changes to the CDBG-DR program, I would encourage Congress to ensure that any reform package does not hinder what works. There are areas for improvement, but CDBG-DR remains an extremely useful program in providing federal resources to local authorities in a flexible manner.

States and local governments know what is best for their affected communities, and CDBG-DR allows them to have a great deal of discretion in determining how to effectively respond to those disaster recovery needs. Congress should ensure that any reforms to CDBG-DR are ones that continue to maximize local flexibility while more adequately meeting the needs of disaster-affected communities.

It should be noted that Congress has never appropriated enough CDBG-DR funding to meet the full estimates of need from past disasters. It is no longer simply enough to recover, we must do a better job of building to protect ourselves against future disasters.

Harris County and CDBG-DR
While FEMA is the lead agency in the immediate aftermath of disasters, HUD's role has typically been to aid states and local governments in longer-term recovery and rebuilding efforts, in large part through CDBG-DR appropriations. Harris County and Texas have suffered from significant natural disasters in the past, and CDBG-DR funding has helped us to recover and rebuild.

- Past CDBG-DR Appropriations for Texas and Houston:
  - 2017 Hurricane Harvey- State of Texas: $2.7 Billion
  - 2017 Hurricane Harvey – Houston and Harris County: $2.3 Billion
  - 2016 Floods – State of Texas:$238.8 Million
  - 2015 Floods – State of Texas: $74.5 Million
  - 2015 Floods – City of Houston: $87 Million
  - 2013 Disasters – State of Texas: $5 Million
  - 2011 Disasters – State of Texas: $31.3 Million
  - 2008 Hurricane Ike – State of Texas: $3.1 Billion
  - 2005 Hurricanes – State of Texas: $503 Million
  - 1998 Disasters – State of Texas: $4.8 Million
  - 1997 Disasters – State of Texas: $2.2 Million
  - **Total – State of Texas: $9.04 Billion**

Following Hurricane Ike, Harris County stood up the Harris County Homeowner Disaster Recovery Program (HDRP). HDRP processed nearly 2000 applications, served more than 500 homeowners with home repair and reconstruction throughout the County, and expended more than $56M. Additionally, Harris County implemented a Local Infrastructure Recovery program that includes road and drainage improvements, public facility improvements, and resiliency improvements which included the installation of more than 28 generators and hurricane proof shutters in public and non-profit facilities.

Timelines
The committee is considering legislation that would allow a 3 year extension beyond the 6 year expenditure deadline for CDBG-DR. This is important because it has historically taken a significant amount of time to receive funding and put it to work.

After Hurricane Ike, Harris County received its housing contract on September 1, 2009 (almost a year to the date of the impact of Hurricane Ike), but did not receive approval (from the state of Texas) to proceed with its program guidelines until September 1, 2010.

Thus, Harris County could not begin providing needed home repair assistance until two years after Hurricane Ike, due to the administratively burdensome process of receiving funding approval through the State. Despite this delay, Harris County did start taking applications and processing approvals in November 2009 so that by the time the program guidelines were approved the County was ready to issue the first construction contract in Fall 2010. Even within the single-family program, some projects were delayed by other issues that may delay project approval and construction time frames.

For Housing programs it took on average three years to complete all construction for the HDRP program, however, the timetable for multifamily housing projects averaged six to eight years. To date, we have two projects currently under construction with Hurricane Ike funding—due to issues beyond the County's control. As an example, one project was delayed for more than a year for a Right of Way issue with the Texas Department of Transportation. Another project is currently under a lawsuit due to a permitting issue with the City of Houston that involves a near-by property owner.

For Infrastructure programs, it took an average of 6 years to complete all construction; about 6 months to complete project closeout with the state of Texas.

Flexibility Needs
In general, while the regular CDBG program is known to be quite flexible, the CDBG-DR program is considered even more flexible in large part due to the broad waiver authority noted above, in order to allow states and local governments to quickly and effectively respond to the disaster recovery needs of their communities.

However, given the issues highlighted above with timeliness, it is important to explore options to expedite the recovery process. Previous legislation has provided the Secretary of HUD with the discretion to make direction allocations to local governments. Harris County, home to over 4 million residents, has not been awarded such an allocation, but must continue to operate as a subgrantee of the State.

As a subgrantee, Harris County must await the State's publication of its plan, and following the approval of the State's plan must await approval of our own local plan for use of funds. While the County is steadfastly developing its recovery activities and

preparing its local plan, the subgrantee process inherently delays the distribution of needed recovery resources to our communities simply due to the administrative process.

As a direct grantee, Harris County may submit its plan and receive its grant agreement directly from HUD removing the estimated three to six month delay in receipt of its funds. Harris County is a HUD entitlement community, and has capacity to implement its own programs, and administer grant agreements directly under HUD.

Finally, members of the Committee are considering adding a key improvement to a Grantee's ability to administer its programs by increasing the administrative percentage of funding to ten percent from five percent. While this increase is welcomed, it should be noted that as a subgrantee Harris County has been limited to a two percent share of this administrative funding for housing programs only, and has been allowed no administrative funding to carry out its infrastructure recovery programs. Review of other similar State Recovery Plans, such as the State of New York Hurricane Sandy Recovery Plan allows for the sharing of administrative funding with subgrantees.

I would encourage the committee to direct the Secretary of HUD to allocate disaster recovery funding to local governments with populations over 2 million persons to expedite recovery.

It is my hope that any reform of CDBG-DR or limit on the funding must consider these facts and allow recipients the flexibility they need to deal with events as they occur.

I appreciate the opportunity to appear before this committee and thank you for the support that you have shown to Harris County, Texas in the aftermath of one of the costliest natural disasters in U.S. history. I welcome any questions you may have.

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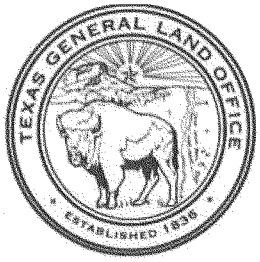

Texas General Land Office
George P. Bush, Commissioner

Hearing Testimony – House Financial Services Oversight and Investigations Subcommittee
17 May 2018 Washington, D.C.

Good morning Chairman Wagner, Vice-Chairman Green, distinguished Representatives and guests. Thank you for inviting me here today. For the record, my name is Heather Lagrone, I am the Deputy Director for Community Development and Revitalization, for the Texas General Land Office.

On August 25, 2017 a strengthening Category 4 Hurricane Harvey made landfall in Nueces County, Texas between Port Aransas and Port O'Connor with sustained winds of over 130 mph. During this period, as much as 60 inches of rain fell over the 49-county impact area. Harvey slowly meandered its way north by northeast and finally dissipated on September 3, 2017.

The General Land Office (GLO) estimates the cost of damages from Hurricane Harvey at $120 billion, making it the costliest event in U.S. history. The hurricane shut down ports, trade, tourism, oil and gas production, agricultural production, and general businesses across most of the Texas coast, for almost a week and, in some cases, significantly longer. The impact of these interruptions is difficult to quantify, but the effects of this disaster were felt across the nation, with commodities such as gas increasing in price by $0.33 a gallon in the weeks following Hurricane Harvey. The GLO estimates over 1 million homes were impacted by Hurricane Harvey.

To further illustrate the scope of this disaster, the Harris County Flood Control District reported that 1.5 feet of water covered 70 percent of the 1,800 square miles that comprise Harris county. The weight of that water depressed the Earth's crust enough to temporarily drop the elevation of Houston by 2 centimeters.

On September 14, 2017, Governor Abbott designated Commissioner George P. Bush and his agency the Texas General Land Office to be the state's lead for short term housing recovery with the Federal Emergency Management Agency (FEMA) and long-term infrastructure and housing rebuilding though the Department of Housing and Urban Development (HUD). We continue this mission today. The short-term housing activities are wrapping up and we are preparing to transition to the long-term recovery.

On February 9, 2018, HUD allocated just over $5 billion in CDBG-DR funds to the State of Texas in response to Hurricane Harvey. The $5 billion allocated is from $15 billion appropriated by Congress on September 8, 2017;

According to HUD regulations:

- 80% of funds must be spent in the most impacted areas defined by HUD;
- At least 70% of the CDBG-DR program funds must be used to support activities benefitting low to moderate income persons;
- This allocation must primarily address unmet housing need. Before infrastructure and economic revitalization activities may be funded the State must identify how any remaining unmet housing needs will be addressed or how the selected activities contribute to long-term recovery of housing;
- CDBG-DR funds may be used as the match for any other federal program;
- Any project constructed or substantially improved must be elevated to 2 feet over base flood elevation;
- Affordable rental units must maintain a 51% LMI tenant occupancy for at least 20 years;
- Homeowners making over 120% of the area median income with homes in floodplains that did not have flood insurance will not be eligible.

The GLO has completed the Action Plan defining the uses of just over $2.7 billion from this allocation and it is with HUD for their review and approval.

First, we would like to thank the Congress for how quickly the first funds were allocated for Hurricane Harvey recovery. Two short weeks after Hurricane Harvey made landfall over $7.4 billion dollars had been allocated for long-term recovery. Long-term recovery is a process that takes too long. There are however some things that could be done that would shorten the process and allow impacted States to at least begin on their recovery sooner. Now, I would like to share some of the lessons we have learned and believe would greatly benefit CDBG-DR funded and guided disaster recovery in the future.

- States need to be allowed the maximum level of flexibility possible for disaster recovery efforts. Hurricane Harvey impacted 49 counties or an area larger than the state of Indiana as at least 3 different types of events. In the Coastal Bend area Harvey was a true hurricane that had wind speeds in excess of 130 mph, in the Houston area it was a rain event that created flooding that has never been seen, and in Southeast Texas Hurricane Harvey dropped many feet of rain on areas that did not drain for weeks to follow. The recovery needs to be tailored to the needs of each impact area and locally driven with State oversight. HUD's formula allocated funds to population centers. And the Federal Register all but required direct housing activities be considered over any other kind of need nearly six months after landfall.
- Requiring HUD to allocate some portion of any appropriation within 60 days as was done on the more recent allocation of recovery funds would be encouraged to conitinue. This would allow States in need of funds to at least begin their recovery efforts while data commonly used by HUD to allocate funds can be finalized.
- Disasters do not discriminate, and HUD defined, higher income but still working-class families are often equally impacted. HUD's recent shift away from waiving the LMI aggregate from 70% to 50% for disaster events will prevent communities from being able to recover in a holistic way. It has also made large scale infrastructure projects that could mitigate large areas for future events very difficult.
- As in every event access to data is always an issue. Any support that can be provided toward data sharing would be welcome. With every administration in each federal agency access to data is handled differently from event to event and takes negotiation of data sharing agreements each time by every grantee separately. As the last federal program funds to be made available, CDBG-DR is often the program that must enforce Duplication of Benefit requirements and access to this data is necessary for that role.
- Historically CDBG-DR funds have provided grantees with 5% in administrative costs. This value is generally adequate however, HUD has continued to increase the level of oversight, reporting, and IT requirements for these awards. This is especially evident in allocations resulting from smaller localized events.
- Relief from environmental compliance where the same use is being reconstructed in place would cut down on program cost, red tape, save time, and just makes common sense.
- In this recent allocation, HUD limited support for families who reside in a flood plain who made 120% of the area median income if they did not maintain flood insurance. The State has concerns this could progress beyond just families located in a flood plain. Disaster events do not discriminate nor do they consider income. In Texas, we have seen many families residing outside the flood plain who thought they had all the appropriate insurance coverage necessary be impacted by flooding and loose everything. For a family of 4 living in Beaumont Texas 120% of the area median income would be $66,600 which is hardly enough income to recover from a complete loss of a home.
- Lastly disaster recovery could be greatly expedited if HUD had written regulations that governed supplemental CDBG-DR allocations. States would not have to guess at what regulations would be applicable from event to event nor would they have to wait for the Federal Register to be published to begin program design and development of Action Plans.

I have been involved in disaster recovery for the State of Texas since Hurricane Katrina and Rita in 2005, I have to say HUD has been a very strong partner who has been supportive of our recovery efforts and we are offering these suggestions for improvements on a program that we have benefited from in Texas for many events. We believe

that making these adjustments to the program could expedite recovery efforts and utilize limited funding more efficiently.

At this time, I am happy to answer any questions the committee may have.

THE EVIDENCE BASE ON HOW CDBG-DR WORKS FOR STATE AND LOCAL STAKEHOLDERS

Statement of

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before the

Subcommittee on Oversight and Investigations

Committee on Financial Services,

United States House of Representatives

COMMUNITY DEVELOPMENT BLOCK GRANT-DISASTER RECOVERY PROGRAM: STAKEHOLDER PERSPECTIVES

May 17, 2018

*The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders. I thank my colleagues at Urban Institute who have been involved in some of the studies referenced here, particularly Brett Theodos and Brandi Gilbert, who also commented on this testimony.

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Summary

Chairwoman Wagner, Ranking Member Green, and Members of the Subcommittee, thank you for the opportunity to highlight the evidence base regarding stakeholders' perspectives on the US Department of Housing and Urban Development's (HUD) Community Development Block Grants for Disaster Recovery (CDBG-DR) program. My name is Carlos Martín, and I am a senior fellow in the Metropolitan Housing and Communities Policy Center at the Urban Institute, a nonpartisan research organization based in Washington DC. The views I express today are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

My research focuses on the recipients of CDBG-DR grants—both the state and local government entities implementing the grants and the households and communities using the grants to rebuild after disasters. My colleagues and I have examined the many challenges in administering the program and its benefits. The pre-disaster capacity of the grantee's staff, the severity of the disaster, and the clarity of community post-disaster recovery goals are all local factors that pose challenges.

Yet, two characteristics of the CDBG-DR program itself also pose consistent challenges: CDBG-DR's final position in the sequence of federal post-disaster response, and CDBG-DR's lack of permanent statutory authority.

Snapshots from this year's devastations reflect what our research suggests. This month, HUD has approved, is reviewing, or is awaiting the submission of Action Plans—a CDBG-DR requirement of eligible grantees before awards—worth billions of dollars for recovery from disasters including Hurricanes Harvey and Maria. Recovery activities are transpiring amid ongoing questions regarding federal assistance and unresolved decisions about jurisdictions' long-term goals, land use decisions, and infrastructure plans.

CDBG-DR has increased in importance within US disaster response since its first use in 1993, as demonstrated by its inscription into the 2011 National Disaster Recovery Framework. CDBG-DR plays a unique role in that response by contextualizing recovery within longer-term planning and housing needs. At its best, CDBG-DR is a bridge from the shock and chaos of disaster back to the path of prosperity and development on which all communities across the US travel. Yet, that bridge has always been temporary.

Communities that have just experienced a disaster are tasked with piecing together resources to put their residents, economies, and cultures back on their collective feet as their residents do the same for their families and neighbors. Each set of federal resources brings with it a slew of different requirements, regulations, and stakeholders that can test even the most sophisticated and well-resourced state and municipal officials. As the federal backstop for recovery, CDBG-DR accommodates all previous programs' constraints after many response and rebuilding decisions have already occurred and when communities' expectations are fraying. The burden on state and local governments' capacities at this point in their recovery is particularly heavy. However, it is made heavier by the fact that they did not necessarily know the full regulatory parameters and magnitude of the assistance that CDBG-DR provides, nor whether Congress will appropriate and HUD will approve that assistance in the days after disaster struck.

Future disasters are certain. Equal certainty in the federal response to these disasters will improve how our communities recover, quantitatively and qualitatively.

Context

CDBG-DR has played a critical role in federal disaster management since its first use in 1993.[1] This role is unique, and it stands in contrast to other roles filled by the Federal Emergency Management Administration (FEMA), the Small Business Administration (SBA), the US Army Corps of Engineers, and several other agencies with longer histories of disaster-related functions. CDBG-DR is a backstop for any remaining unmet needs in the most severely impacted communities, and a bridge between acute disaster relief and long-term community planning and housing needs.

On the whole, CDBG-DR assumes the regulatory framework of the broader CDBG program, itself a product of bipartisan authorization in 1975.[2] Over two-dozen activities are eligible through that authority, though most grant funds are spent on housing repairs, rebuilding, and acquisitions. There are four research observations in particular that I would like to note.

CDBG-DR's Role as the Federal Disaster Recovery Backstop Has Increased

CDBG-DR has become a critical and indispensable component of federal disaster response: in the 2017 appropriations cycle, over a quarter of all disaster-related funds was designated to CDBG-DR.[3]

Over time and owing to precedents like Hurricane Katrina, the total dollars appropriated to CDBG-DR have approached the size of its parent CDBG program—making CDBG-DR as important in the housing and community development arena as it is in disaster management. At the same time, CDBG-DR staff size and other administrative resources remain smaller proportional to regular CDBG within HUD's operations. For grantees, CDBG-DR's growth has been marked by grants that have increasingly moved from small allocations for local governments to larger recovery programs typically funded and administered at the state level.

The Timing of CDBG-DR Appropriations from Disaster to Appropriation Varies Widely

Congress generally provides funds for CDBG-DR though special appropriations following major, presidentially declared disasters. On occasion, Congress has funded groups of disasters (such as those for an entire fiscal year) through a single appropriation. As a result, the time from any one disaster event to the ensuing special appropriation has varied from a few days to a year (figure 1)—time that adds to executing CDBG-DR grants and helping communities recover.

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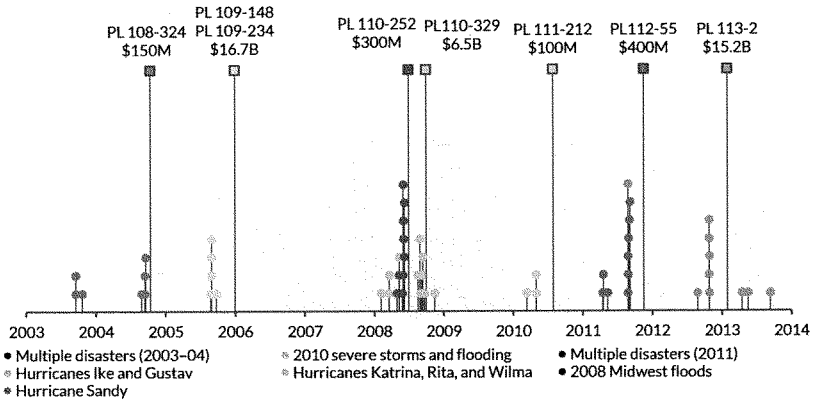
[1] Mary Comerio, *Disaster Hits Home: New Policy for Urban Housing Recovery* (Oakland: University of California Press, 1998).

[2] Charles J. Orlebeke, and John C. Weicher, "How CDBG Came to Pass," *Housing Policy Debate* 24, no. 1 (2014): 14–45.

[3] William L. Painter, "2017 Disaster Supplemental Appropriations: Overview," R45084 (Washington, DC: Congressional Research Service, 2018).

FIGURE 1

Timeline of Disasters and CDBG-DR Special Appropriations for Grants Awarded in Fiscal Years 2005–15



Sources: Urban Institute tabulation of FEMA declaration data and HUD CDBG-DR grantee Action Plans.
Note: Squares represent appropriations; circles represent disasters covered by similarly colored appropriations.

CDBG-DR Grant Activities' Outcomes Vary Widely

The outcomes from the execution of these activities has varied widely and are difficult to assess even in relation to the original definition of unmet needs. Differences in grant values, in grantees' selected activities, and in the regulatory frameworks and guidance provided by HUD challenge comparisons across grants as well.[4] Though HUD maintains the Disaster Recovery Grant Reporting system and provides training for its use, grantees choose the classifications for activities they report on, and the quality of reporting fluctuates.

In fact, only a handful of studies have documented the breadth of factors that likely contribute to the quality, speed, and costs of CDBG-DR implementation. Factors related to the specific disaster include the disaster severity and type and magnitude of damage, the preexisting state of housing quality and land use planning, and the quality of immediate relief and response efforts before longer-term recovery activity. Factors associated with the CDBG-DR grantees include the organizational and staff capacity of local jurisdictions and the pre-disaster coordination between its emergency management and housing and community development functions (the latter typically understanding regular CDBG regulations more).[5] Grantee priorities for activities and designs for recovery programs also shape outcomes.[6]

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[4] Jennifer Turnham, Kimberly Burnett, Carlos Martín, Thomas McCall, Randall Juras, and Jonathan Spader, *Housing Recovery in the Gulf Coast Phase II: Results of Property Owner Survey in Louisiana, Mississippi, and Texas* (Washington, DC: US Department of Housing and Urban Development, 2011).

[5] Laurie A. Johnson and Robert B. Olshansky, "The Road to Recovery: Governing Post-Disaster Reconstruction," *Land Lines* 25, no. 3 (2013): 14–21.

[6] Jonathan Spader and Jennifer Turnham, "CDBG Disaster Recovery Assistance and Homeowners' Rebuilding Outcomes following Hurricanes Katrina and Rita," *Housing Policy Debate* 24, no. 1 (2014): 213–37.

Despite these obstacles, the time for completing CDBG-DR grant activities has improved over time. Our research suggest that HUD has shortened the time between appropriations and allocations significantly over the past decade, and the time between funding allocation and completion has declined by an average of 7.2 percent per year from 2005 to 2015.[7]

Within the same sample of grants, housing activities on average take 4.7 years to complete from the time a disaster is declared, and overall grants (including non-housing activities) on average take 5.1 years. Grantees typically take 9–12 months after an Action Plan is approved (which typically occurs within months of HUD allocation notice) to hire staff, procure contractors and consultants, and develop management and information systems.

Elected officials have called to shorten these recovery times, spurred by attention from media and households' frustrations with delays. However, the time frame for certain CDBG-DR activities, such as large-scale infrastructure projects, cannot be reduced easily. Grantees also disagree about whether the start-up period for other activities, like housing recovery, can be shortened; several grantees report that attempts to decrease the start-up time may increase the intensity of the start-up and reduce program performance later. As reported by grantee stakeholders, a more paced ramping up might reduce staff turnover and allow the program to better process applicants. Having some certainty about unmet damage needs and federal resources could also lead to a more ideal recovery time.

CDBG-DR Authority Is Pieced Together from Other Statutes through Supplemental Appropriation

A core reason for the above three phenomena is CDBG-DR's lack of permanent statutory authority. The program's authority comes from dozens of *Federal Register* notices that HUD issues with clarifying guidance, waivers, and alternative requirements for state and local grantees after Congress's special supplemental appropriations to CDBG (authorized by the underlying Housing and Community Development Act) that defines eligible activities.

Under that authority, the eligible activities that a state, entitlement community, or other unit of general local government undertakes with its CDBG-DR grant funds typically satisfy CDBG's national objective of meeting particularly urgent community development needs where conditions pose a serious and immediate threat to the public. Other national objectives of CDBG, specifically the focus on low- and moderate-income people, are also integrated into CDBG-DR, often by allocating a share of the funds to activities that primarily benefit these households (often 70 percent). In practice, however, regulatory provisions are often waived under the belief that recovery scenarios require flexibility.[8] The opportunity to waive provisions is more pronounced because of the supplemental authorization and varying allocations.

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[7] Carlos Martín, Brett Theodos, Brandi Gilbert, Dan Teles, and Christina Plerhoples Stacy. *Improving the Speed of Housing Recovery after Severe Disaster: A Mixed-Methods Analysis of HUD's Community Development Block Grant Disaster Recovery Program* (Washington, DC: US Department of Housing and Urban Development, forthcoming).

[8] Eugene Boyd, *Community Development Block Grant Funds in Disaster Relief and Recovery*, RL33330 (Washington, DC: Congressional Research Service, 2011).

What the Research Says about CDBG-DR Challenges

The program's ability to effectively and cost-efficiently produce outcomes among its state and local grantees is partially determined by two characteristics:

1. the chain of federal and local governmental entities that precedes CDBG-DR in the recovery time frame; and
2. the supplemental nature of CDBG-DR statutory authority, combined with the regulatory framework inherited from CDBG.

I focus my testimony on the program's critical role in the federal disaster response *despite* its supplemental authority, and how these characteristics shape stakeholder's capacity and outcomes.

1. *As the Federal Backstop, CDBG-DR Inherits Other Agencies' Decisions and Outcomes; State and Local CDBG-DR Stakeholders Must Reconcile Them*

The National Disaster Recovery Framework sets forth the primary federal, state, and local functions associated with disaster management, from mitigation and preparedness to response and relief to recovery.[9] Response efforts start in the first days of a disaster, and relief efforts support communities in the weeks beyond. By design, programs and assistance for recovery functions are meant to occur months or even years after a disaster occurs.

CDBG-DR is one of the largest, if not the largest, long-term recovery programs in the federal government as measured only by appropriations. But CDBG-DR staff within HUD and, later, among grantees' designated coordinating offices are often unable to become involved in early federal and local decisions and information sharing soon after disasters.

In many cases, this inability is caused by the fact that CDBG-DR may not have received congressional appropriation for a given disaster at the time that the other disaster response functions are activated. Even when this has not been the case, HUD must wait until the dust settles and unmet needs are estimated before it can allocate funds accordingly. In all cases, however, this staging of functions leaves little room to integrate CDBG-DR applicants, rules, and regulations early enough to streamline state and local stakeholders' interaction with the federal government.

CDBG-DR grantees inherit the regulatory frameworks from previous assistance and must reconcile them with HUD and CDBG regulations.

There are competing regulatory frameworks that require coordinated understanding and in some cases multiple compliance requirements by the CDBG-DR grantee. Some regulations and requirements—for example, mitigation standards for housing—provide benefits that outweigh the costs of compliance. However, variations in environmental regulations, labor laws, procurement standards, and other conditions unique to each federal agency complicate grantees' implementation and may increase compliance costs and time without the purported benefit. The last agency to interact with the jurisdiction is seen as the culprit.

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[9] US Department of Homeland Security, *National Disaster Recovery Framework—Second Edition* (Washington, DC: GPO, 2016).

CDBG-DR allocations are based on other agencies' data collections and damage estimates, which are not necessarily aligned with other HUD planning resources (such as Consolidated Plans) and desirable community conditions (such as inclusive communities, increased rental housing needs, and so on).

In most disaster scenarios, FEMA and local emergency management come in after first responders to assemble data on damages and assess the needs and characteristics of applicants for FEMA Individual Assistance. FEMA's damage assessments, Individual Assistance application decisions and records, and verified loss assessment drive much other federal decision-making. This information is essential for recovery officials at HUD and CDBG-DR grantees, and could serve as the basis for many subsequent eligibility and aid determinations. However, the information in FEMA's assessments and records is often limited and does not include information that HUD might need later to monitor program efficiency and to evaluate programs against federal laws (such as fair housing and related civil rights and environmental justice laws).

Combining FEMA information with complicated data from other sources, including private insurance claims payments and possibly charitable assistance, HUD must make tough decisions about remaining unmet needs for the most impacted areas. CDBG-DR grantees must produce Action Plans with data that are often inaccurate or insufficient, whose collection is dynamic, and whose collection methods vary substantially between disasters and disaster-affected places.

Of the dozens of Action Plans that I have reviewed in my research, in virtually none has a grantee explicitly tied recovery activities to the long-term visions and needs a community had before the disaster. The flexibility provided by CDBG-DR due to the urgency of the community's condition could lead to misguided decisions that subject recovery programs to the same local politics and priorities that have driven non-emergency CDBG activities.[10] For example, post-Katrina grantees allocated funds disproportionately to homeowner properties than rental properties.[11]

Ultimately, all grantees in our studies have noted the need for both better data coordination and centralization of disaster damage data and assistance receipt and for additional data collection related to possibly eligible households' individual case needs. Congress is acknowledging this need by proposing further study in the 2018 Disaster Recovery Reform Act, (H.R. 4660) and in the FAA Reauthorization Act of 2018 (H.R. 4). Almost as much as FEMA's damage information, these data are critical for effective program design and successful launch. They could improve case management preparation, minimize the burden on households for information requests, and produce better designed recovery activities.

CDBG-DR grantees are tasked with extensive documentation of benefits to prevent duplication of all previous assistance sources.

Though FEMA, SBA, and other sources may provide HUD with information about assistance they have provided to individual households, CDBG-DR grantees must ensure that the program's benefits do not

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[10] Brian K. Collins and Brian J. Gerber, "Redistributive Policy and Devolution: Is State Administration a Road Block (Grant) to Equitable Access to Federal Funds?" *Journal of Public Administration Research and Theory* 16, no. 4 (2006): 613–32.

[11] GAO, *Federal Assistance for Permanent Housing Primarily Benefited Homeowners; Opportunities Exist to Better Target Rental Needs*, GAO-10-17 (Washington, DC: GAO, 2010).

duplicate the other assistance programs that preceded it—putting an additional burden on HUD and its grantees to receive documentation from households, to document benefits, and to coordinate repayments where applicable while they are often pressed by local expectations to expedite plans and programs. CDBG-DR grantees' administrative costs are more constrained than CDBG's grantees are, despite an intensive amount of management that is necessary after a disaster.

There has been no research to my knowledge regarding the comparative costs and benefits of one type of assistance over others in household recovery outcomes or examining the administrative burdens associated with one or another program. To date, the research only sheds light on the confusion for property owners regarding the types of assistance and the application and regulations associated with them, on the lack of guidance by federal entities regarding eligibility, and on the burden on grantee governments to make sense of the various assistance programs and demonstrate to HUD that they are not duplicative.

CDBG-DR grantees often must have eligible recipient households (including low-income and other limited-resource families) undergo duplicative information requests and produce extensive paperwork in support of the assessment of benefits duplication—likely leading to increased attrition, inequitable assistance delivery, and delayed recovery.

In some cases, there have been reported inconsistencies in interpreting duplication and precedent. However, the critical problem related to this issue is the effect on beneficiaries. All study grantees (as well as much local media coverage) have noted that people affected by disasters are not aware of where and when different sources of federal assistance will arrive. Households also are often not made aware of options for future assistance programs with federal funding for which they might be eligible. For example, a household applying to FEMA Individual Assistance is not fully aware of the SBA loan and CDBG-DR housing recovery programs that may follow. Again, in some cases, this absence of information is intentional: Congress may not have appropriated funds for CDBG-DR at the time that a household is interacting with FEMA, so descriptions of possible assistance may be premature. In other cases, though, the lack of full household information is mere oversight.

Households seeking assistance are caught in the middle. They often grow frustrated by perceived delays, by the volume of documentation required (often repeatedly), and by resulting assistance values. These effects are likely most felt by the low- and moderate-income households that CDBG-DR is intended to assist, and whose verified losses have proportionally more impact on their livelihoods and well-being than other households. Low- and moderate-income households require special assistance and funding that many grantees are often not prepared to handle. Thus, some households could be slipping through the gaps in federal coordination. These gaps are most apparent by the time CDBG-DR is able to assist.

2. *The Supplemental Nature of CDBG-DR Statutory Authority Constrains Its Sustained Integration into the Federal Emergency Response and, in Turn, State and Local Stakeholders' Incentives and Capacity to Build a Permanent Capacity to Implement CDBG-DR Grants*

Without a permanent authority, HUD is limited in its ability to produce and standardize permanent regulations and guidance on CDBG-DR. In one known case, this caused confusion and poor interpretation

on a grantee's part, leading it to design a housing recovery program HUD later rejected.[12] This delayed the implementation of a revised program by almost 12 months.[13]

Numerous state and local grantees—including those whose communities have suffered from several disasters that received multiple CDBG-DR grants—have described interacting with CDBG-DR as "reinventing the wheel" after each disaster.

The variable timing of supplemental appropriations after a disaster declaration likely affects the ensuing speed and quality of CDBG-DR programs.

The full timing of post-disaster assistance and programming significantly influences the speed and quality of recovery.[14] This is true for the timing between the disaster and the ensuing appropriation of funds noted earlier as much as for the period from the appropriation of funds to the start of assistance delivery.[15] This is particularly a challenge when an appropriation is issued for several disaster declarations including those that occurred up to a year before the appropriation, and when a declaration receives multiple appropriations over time (typically, the more severe disasters where needs are the largest).

These variations in appropriation timing are exacerbated by fluctuations in the appropriation value, which is not necessarily tied to a specific damage assessment estimate or monetized recovery need. The inability to plan around a specific dollar value of federal assistance at a specific time typically causes a significant amount of uncertainty and confusion for grantees and suboptimal housing recovery program designs.

Supplemental appropriations produce inconsistent waiver issuances and varying regulatory frameworks across grants.

CDBG-DR applies the regulatory framework of regular CDBG (24 CFR 570), plus any special waivers as allowed by the appropriation, original allocation, and subsequent notices. Whole and partial waivers are commonplace due partly to the supplemental nature of the program's authority and ensuring allocations. Particularly notable are waivers of low- and moderate-income beneficiary requirements, waivers allowing compensation versus rehabilitation programs, and waivers on the application of environmental regulations.

In some cases, waivers are reasonable because disaster recovery requires different functions and fill different needs that non-disaster community development. Waivers have often led to undesired outcomes for specific CDBG-DR grants.[16] Across grants, though, the inconsistent use of waivers has led to confusion

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[12] Timothy F. Green and Robert B. Olshansky, "Rebuilding Housing in New Orleans: The Road Home Program after the Hurricane Katrina Disaster," *Housing Policy Debate* 22, no. 1 (2012): 75–99.

[13] GAO, *Gulf Coast Disaster Recovery: Community Development Block Grant Program Guidance to States Needs to Be Improved*, GAO-09-541 (Washington, DC: GAO, 2009).

[14] Gavin Smith, *Planning for Post-Disaster Recovery: A Review of the United States Disaster Assistance Framework* (City: Island Press, 2012); Robert Olshansky and Stephanie Chang. "Planning for Disaster Recovery: Emerging Research Needs and Challenges," *Progress in Planning* 72, no. 4 (2009): 200–09.

[15] Martín et al., *Improving the Speed of Housing Recovery after Severe Disaster*.

[16] Kevin Fox Gotham, "Reinforcing Inequalities: The Impact of the CDBG Program on Post-Katrina Rebuilding," *Housing Policy Debate* 24, no. 1 (2014): 192–212.

and unintentional violations. Codifying a single disaster recovery program in regulations would ensure that a permanent formal framework is in place for future disasters, reduce the volume of *Federal Register* notices used and other informal forms of guidance for each disaster, and mitigate time delays in implementing assistance for future disasters—important for HUD, but just as important for recipient grantees and, in turn, eligible households. A permanent authority with clear and consistent regulatory framework could motivate grantees to prepare and respond accordingly (for example, adopting federal procurement standards).

CDBG-DR's special authority constrains ongoing, comprehensive capacity building among state and local grantees in practical ways.

State and local governments' capacity to plan, prepare, and mitigate before disasters and their operational ability to implement programs after disasters link directly to recovery speed and quality.[17] The grantee office staff's levels of expertise and program management were repeatedly identified in studies as potential sources of program challenges and time delays. Grantee capacity can be constrained for numerous reasons, including the availability of skilled staff or financial resources. Repeated experience with post-disaster recovery programs, however, is often overlooked as a source of capacity building. Yet, few state and local grantees have developed internal expertise and experience on CDBG-DR due in no small part to the sporadic nature of its funding and variations in its regulatory framework across supplemental appropriations.

A consequence of HUD's lack of consistent authority is that grantees do not sustain capacity to design and implement CDBG-DR funds efficiently and with substantial program experience, like other Community Planning and Development programs in HUD. Grantees tend to ramp up with numerous consultants and contractors and rely on local development corporations and regional planning authorities to manage the one-time CDBG-DR grant—even if the grantee has been subjected to multiple disasters and received multiple grants over time. This implementation is likely not efficient or cost-effective.

Many grantees noted the help they received directly from HUD staff starting from congressional appropriation has dramatically improved in just the last five years, but that there is still much more room for improvement with regard to when they can access it. However, they noted that HUD staff with extensive familiarity with CDBG-DR are often spread too thinly. This scenario is exacerbated when there are multiple disasters in an appropriation at a given time.

Another key, early decision that happens among CDBG-DR grantees is determining the coordination agency in the jurisdiction. Our work notes four organizational types. In some cases, the agency that typically handles CDBG (if an entitlement community) is charged with coordinating the CDBG-DR effort. In others, an emergency management or planning entity designs and implements the effort. Some grantees, like states or cities with very large grants, create a single recovery office charged with the program's activities. Others choose to distribute grant funds to regional, county, and municipal governments for administering. In different ways for each organizational type, the lack of experience with CDBG-DR and its roles for both disaster recovery and community development force grantees to go up the learning curve after each event.

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[17] Thomas A. Birkland, *Lessons of Disaster: Policy Change after Catastrophic Events* (Washington, DC: Georgetown University Press, 2006).

Ironically, the lack of consistent statutory authority has increased CDBG-DR's federal influence in the eyes of some federal disaster stakeholders.

CDBG-DR's flexibility has been harnessed for many recovery ends. In numerous cases, CDBG-DR has encouraged higher standards for recovery beyond rebuilding.[18] HUD has also set aside special funds for resilience efforts.[19] Just last month, HUD set aside $12 of the $28 billion in CDBG-DR allocations from PL 115-123 for mitigation activities among eligible grantees for disasters that occurred between fiscal years 2015 and 2017.[20]

Though far from covering the full monetized costs of the nation's hazard mitigation needs, CDBG-DR's funding in this area supplements FEMA's Pre-Disaster and Hazard Mitigation Grant Programs. The proposed Disaster Recovery Reform Act has also reinforced and expanded the importance of mitigation programs within FEMA. With permanent authority, CDBG-DR's programs for mitigation could duplicate those in FEMA, but with fewer staff that are less versed in the engineering of these activities. [21]

No studies have compared the delivery of similar assistance to local governments and households across these agencies (and there are many methodological challenges in doing so), so there is limited evidence about differences in agency outcomes.

Conclusion

Coordination across agencies as described in this testimony has been a noted challenge by scholars, practitioners, and policy stakeholders for some time.[22] Clarity about HUD's role in this area will help reduce conflicts regarding cost-shares and implementation differences between HUD and FEMA.[23] More broadly, it could also clarify how CDBG-DR's housing and infrastructure recovery programs should be better integrated into FEMA's Individual and Public Assistance programs, respectively; how CDBG-DR's economic development programs could be better integrated with disaster programs in the US Department of Commerce's Economic Development Administration; and how all disaster recovery assistance should work with FEMA's National Flood Insurance Program and state insurance commissioners to have consistent incentives for hazard, property, and casualty insurance.

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[18] Justin Gundlach and Channing Jones, "Integrating Climate Change Resilience into HUD's Disaster Recovery Program," *Environmental News Reporter* 46 (2016): 10282–90.

[19] Carlos Martín et al., *Evaluation: Rebuild by Design Phase 1* (New York: Rockefeller Foundation, 2014); and Carlos Martín et al., *Preliminary Outcome Evaluation: The National Disaster Resilience Competition's Resilience Academies* (New York: Rockefeller Foundation, 2017).

[20] "HUD Awards $28 Billion in CDBG-DR Funds," US Department of Housing and Urban Development, April 11, 2018, accessed May 12, 2018, https://www.hudexchange.info/news/hud-awards-28-billion-in-cdbg-dr-funds/.

[21] Smith, "Disaster Recovery Funding: Achieving a Resilient Future?" White paper prepared for the National Academy of Sciences, Institute of Medicine Committee on Post-Disaster Recovery of a Community's Public Health, Medical, and Social Services. Institute of Medicine, *Healthy, Resilient, and Sustainable Communities after Disasters: Strategies, Opportunities, and Planning for Recovery* (Washington, DC: National Academies Press, 2015).

[22] GAO, *Disaster Recovery: Selected Themes for Effective Long-Term Recovery*, GAO-12-813T (Washington, DC: GAO, 2012).

[23] GAO, *Gulf Coast Disaster Recovery*.

Any discussion about CDBG-DR's statutory authority should consider its specific role, its order within the funding priorities of recipient grantees and within the menu of benefit options for eligible households, and the resources that HUD needs to accomplish CDBG-DR's designated role. The regularizing of CDBG-DR allows for decisions to be made that require trade-offs. Grantee and household stakeholders in CDBG-DR need a consistent national approach to disaster management that is "clear, concise, and consistent to help minimize misunderstandings, confusion, and program delays."[24]

CDBG-DR permanent authority could also help define the program's role vis-à-vis regular CDBG and other CPD programs. With or without a permanent long-term disaster recovery function in government, some centralization, consistency, and the perception of a seamless transition across the relevant federal programs is in order—at least from the disaster-affected citizen's perspective—whether it be through a single new federal entity charged with the disaster emergency continuum or the better coordination described earlier. Acceptance of this continuum would break the traditional model of disaster interventions beyond the relief-and-response stages and link long-term community planning and development goals with disaster preparations based on accurate and scientifically produced evidence.

Communities would have better knowledge about existing housing, household conditions, and their local housing construction and rebuilding markets before a disaster in order to quickly recovery after. The advances in coordination that have occurred in the past decade including HUD's guidance for using existing entitlement grant funds for disaster planning (HUD 2017) and FEMA's guidance on disaster planning have built on the lessons learned from Hurricanes Katrina and Sandy.[25] Yet, there are many more lessons to be learned, particularly given the likely increases in future disaster rates.

Other scholars have defined effective recovery as one that provides the best fit between the needs of local communities, the funding and design of recovery programs, and the capacity of organizations at all levels of government and sector to harness the funding and program designs to meet communities' needs.[26] As a researcher in this field, I am encouraged by your interest in resolving the limitations with CDBG-DR. If your goal is to redefine CDBG-DR to better serve state and local stakeholders' needs, my research suggests doing so with any eye towards reconsidering the broader federal role in disaster response in this new era. Barring a reorganization of the entire national recovery management, ensuring that CDBG-DR is on equal and predictable statutory footing as the other components is a step in the right direction.

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[24] GAO, *Gulf Coast Disaster Recovery*, p. 33.

[25] "Notice CPD 17-06: Using Community Planning and Development Program (CPD) Funds for Disaster Response and Recovery," US Department of Housing and Urban Development, June 1, 2017, accessed May 11, 2018, https://www.hudexchange.info/resource/5337/notice-cpd-17-06-using-cpd-funds-for-disaster-response-and-recovery/.

[26] Philip Berke and Timothy Beatley, *After the Hurricane: Linking Recovery to Sustainable Development in the Caribbean* (Baltimore, Johns Hopkins University Press, 1997).

Testimony of Marion Mollegen McFadden
Vice President for Public Policy, Enterprise Community Partners

Before the House Financial Services Oversight and Investigations Subcommittee
"Community Development Block Grant-Disaster Recovery Program: Stakeholder Perspectives"

May 17, 2018

INTRODUCTION

Chairman Wagner, Ranking Member Green, and members of the Oversight and Investigations Subcommittee, thank you for the opportunity to testify on the Community Development Block Grant-Disaster Recovery (CDBG-DR) program. I am Marion McFadden and I am the Vice President for Public Policy at Enterprise Community Partners. Enterprise is a nonprofit organization committed to making well-designed homes affordable so that communities can thrive. We work in ten regional offices nationwide and, through our public-sector consulting division, over the past 18 months we have worked in more than 425 jurisdictions nationwide. For more than 35 years, Enterprise has been committed to helping communities break down silos and build organizational capacity in both the public and private sectors so that funding is deployed more effectively. Last year, we harnessed $7.2 billion in capital to help create or preserve 61,057 homes, largely through the use of Low Income Housing Tax Credits. We also compete for and regularly receive both HUD technical assistance contracts and Section 4 capacity building funds from HUD, which we use in part to support disaster-impacted communities.

Enterprise invests in disaster recovery work, because people of modest means are most likely to be harmed by disasters and tend to be the slowest to recover. We work to ensure that the people who need help the most are able to get back on their feet more quickly. We have worked to help communities rebuild from disasters since Hurricane Katrina, when we established an office in the Gulf Coast to assist in Louisiana and Mississippi's recovery. We worked with New Jersey and New York states with their recover from Hurricane Sandy, supported the State of Colorado following severe flooding in 2013, and are currently working on recovery initiatives in Texas, Florida, California, Puerto Rico, and the U.S. Virginia Islands.

Enterprise assisted New Jersey and New York on their recovery from Hurricane Sandy, advising New Jersey on the design of CDBG-DR-funded recovery programs and providing pro bono assistance to multifamily building owners in New York to

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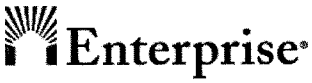
make their residents and properties safer from future disasters. The Enterprise team later supported the State of Colorado in designing CDBG-DR-funded programs to repair housing and infrastructure damage caused by severe flooding in 2013, which was especially devastating to rural communities. Currently we are working on recovery initiatives in Texas, Florida, California, Puerto Rico, and the U.S. Virgin Islands.

Enterprise's policy recommendations are informed by our work with grantees and communities and are aimed to utilize disaster recovery resources more efficiently and get help to the people who need it the most more quickly. To strengthen the CDBG-DR program, Enterprise recommends that Congress:

- Create a set-aside for capacity building and technical assistance for all CDBG-DR appropriations.
- Require HUD to allocate a portion of assistance within 60 days and expand the remaining balance in a longer but specified timeframe.
- Direct HUD to design pre-approved model programs and systems that grantees can take off the shelf and implement wholesale.
- Ensure that grant funds reach those who need them the most.
- Direct HUD and grantees to implement mitigation standards.
- Expand resources for HUD's administration of disaster recovery.
- Ensure that disaster recovery funding reaches all who need help.

I have worked on disaster recovery since 9/11. When I was just a year out of law school, serving as a lawyer for the CDBG program at HUD, I lost a dear family friend in the World Trade Center attacks. I considered myself privileged to have a role in the recovery of Lower Manhattan, which turned into HUD's first-ever multibillion dollar CDBG-DR effort. During more than 15 years of service at HUD, I held multiple roles in the Office of General Counsel and in 2013 served as Chief Operating Officer and Acting Executive Director of the federal Hurricane Sandy Rebuilding Task Force. From 2014-2016, I served as Deputy Assistant Secretary for Grant Programs in the HUD Office of Community Planning and Development, where I was directly responsible for the administration of the National Housing Trust Fund, the HOME Program, and the Community Development Block Grant Program, including at that time an open portfolio of more than $20 billion in disaster recovery funds. In the years since 9/11, CDBG-DR has become a critically important resource for communities recovering from natural disasters, including after coastal and riverine flooding, tornadoes, wildfires, and mudslides.

My testimony will cover three subjects: 1) the importance of CDBG-DR to communities, 2) the benefits of mitigating future risk, and 3) opportunities to strengthen the CDBG-DR program to make it faster and less expensive for low-income families and communities to recover.



1) CDBG-DR IS A VALUED RESOURCE FOR URBAN, SUBURBAN AND RURAL COMMUNITIES AFTER DISASTERS

As the frequency and intensity of natural disasters continue to increase, CDBG-DR has become an important program for recovering communities. Last year, natural disasters caused a record-breaking $306 billion in damages in the United States, including $125 billion from Hurricane Harvey, $90 billion from Hurricane Maria, and $50 billion from Hurricane Irma.[1] These disasters uprooted whole communities, damaging homes and infrastructure on a scale rarely experienced before, but the reality is that communities must expect and be prepared for similarly severe hurricanes, floods, and fires in coming years. Many communities and homeowners do not fully understand their risk of disasters, especially flooding, which causes the most economic damage. Research suggests that FEMA flood maps only account for one-third of buildings at risk of serious flooding.[2]

It has been said that there is never a time when people need the federal government more than after a disaster. After major catastrophes, CDBG-DR is the difference maker for property owners whose insurance proceeds, FEMA grants, and SBA homeowner loans have been insufficient to repair their homes or get them to stable new housing. CDBG-DR is designed to cover the gaps left when all other sources have fallen short. It pays for repairs and rebuilding of apartment buildings. It helps small businesses cover uninsured losses and allows them to retool to meet the realities of a disaster-impacted economy. CBDG-DR dollars can also be used to repair their damaged infrastructure and reopen hospitals, schools, and shopping centers.

CDBG-DR gives states and communities control over how to design their rebuilding programs—some states may choose to focus on homeowner rehab, while other states may want to stand up buyback programs. CDBG-DR is also flexible and can be used as leverage for other public funds and private resources. For example, after Hurricane Katrina, Enterprise and Providence Community Housing combined HUD grants with significant private capital through the use of the Low-Income Housing Tax Credit. We replaced the long-declining Faubourg-Lafitte public housing development with 510 affordable and market rate units and more than 300 rental and for-sale units on vacant, scattered sites in the surrounding community. This laid the groundwork for what is now a thriving community that would not have been rebuilt but for CDBG-DR funds. Repair and replacement of housing is just one of many examples of how after major disasters CDBG-DR helps the families and communities who need help the most get back on their feet.

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[1] National Oceanic and Atmospheric Administration (NOAA), https://coast.noaa.gov/states/fast-facts/hurricane-costs.html

[2] Wing, Bates, Smith, et al. "Estimates of present and future flood risk in the coterminous United States.
Environmental Research Letters. http://iopscience.iop.org/article/10.1088/1748-9326/aaac65/pdf

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2) MITIGATION IS AN ESSENTIAL PART OF FEDERAL INVESTMENTS IN RECOVERY

CDBG-DR allows states and localities to rebuild in a forward-facing manner, not putting back what was lost as it was, but rather rebuilding stronger and safer so that federal dollars do not put people back in harm's way or throw good money after bad. Uses of CDBG-DR for mitigation include buying out homes most likely to experience repeated flooding and moving residents to higher ground, then restricting the future use of the property to green space; creating gray and green infrastructure solutions to prevent flooding, such as natural berms and installing pumps and erecting sea walls; attaching roof straps and hardening structures in tornado- and earthquake-prone areas; and installing windows rated to withstand high winds. Enterprise applauds Congress's commitment to making communities safer by providing mitigation dollars in the most recent CDBG-DR appropriation in Public Law 115-123, and we are pleased to see HUD's ongoing commitment to ensuring that properties that are newly constructed or substantially reconstructed after disasters are built with an eye toward the future.

Mitigation measures have been proven to more than pay for themselves. A FEMA-endorsed study by the National Institute of Building Science found that taxpayers save an average of $6 in future disaster recovery costs for every dollar spent on hazard mitigation.[3] At Enterprise, we saw that firsthand last summer. When a very heavy rainfall flooded New Orleans, residents found their streets waist-deep in water, but the new Faubourg-Lafitte development escaped harm[4] because homes were built two feet above the base flood elevation, taking into consideration the possibility of future harm. Water did not breach the first floor, so homes were unharmed and there was no need to make a claim on the development's National Flood Insurance Program policy. While building two feet above the base flood elevation was not required at the time, HUD now wisely requires that level of elevation when properties in the flood plain are substantially assisted with recovery dollars.

HUD requires elevation of critical facilities such as nursing homes and hospitals even higher above the base flood elevation, when they are located in flood plains and substantially assisted with CDBG-DR. We recommend that Congress codify these standards for both CDBG-DR and non-disaster funds, since the need for mitigation is based on the risk of future harm, not the source of funds used for construction. There is no reason why HUD's various programs should apply different elevation standards for buildings, and the lack of consistency generates

[3] National Institute of Building Science, https://www.nibs.org/page/mitigationsaves
[4] The Times-Picayune's Michael DeMocker captured a photo of the 2017 flooding at this property: http://www.nola.com/politics/index.ssf/2018/05/root_cause_report_aug_5_sewera.html. Note that while the street is severely flooded, the floodwaters are below the doorway.

unnecessary red tape for grantees who may need to demonstrate compliance with multiple federal standards.

3) OPPORTUNITIES TO STRENGTHEN THE CDBG-DR PROGRAM

We recommend permanent authorization of CDBG-DR, which would allow HUD to write regulations and develop model programs, policies, and systems that grantees could adopt to shorten the time it takes to get people home again permanently. Authorization of CDBG-DR could also settle key matters of policy that have been treated inconsistently over time by Congress, HUD, or the states and local governments administering CDBG-DR assistance. These policy areas include whether CDBG-DR grant funds should be used by individuals to repay SBA disaster loans, income caps placed on eligibility for housing assistance, the total amount of housing assistance a family could receive, and whether some requirements for environmental review may be streamlined.

Agency officials working on disaster recovery across all levels of government should be held in high regard for diving into the taxing and unpredictable work of rebuilding communities that have been torn apart by a major disaster. However, it is indisputable that our nation's disaster recovery must be improved so that taxpayer dollars get to work on the ground rebuilding communities with greater speed and accountability.

One major challenge for communities is the time it takes for HUD funds to reach them. FEMA, the Small Business Administration, and other federal agencies have standing resources to serve communities when disasters strike. However, HUD only receives disaster recovery funding when Congress passes special appropriations for CDBG-DR. In recent years, Congress appropriated CDBG-DR funds for disasters occurring in 2010, 2011, 2013, 2015, 2016, and 2017. After each appropriation, there is a delay in the flow of funds, because HUD must assess uninsured damage and unmet needs and write a new set of waivers and alternative requirements to guide state and local grantees. Before recovery projects can begin, CDBG-DR grantees then need to learn the new rules, make policy choices, and stand up their own disaster recovery programs. In the meantime, many families make do with temporary housing provided by family, friends, or philanthropic resources. find themselves with nowhere to go but motels, which are not conducive to the needs s of family life like cooking and doing laundry, and offer little space for children to do homework and play Codifying CDBG-DR will reduce the amount of time it takes for resources to get from Congress onto the ground.

Even after Congress has done its part to appropriate CDBG-DR dollars, homeowners may have to wait 18 months or more to receive the benefit of them because HUD and its grantees are not immediately prepared to implement them. This delay compounds the harm that individuals and families suffer. Homeowners stretch their

finances to pay for repairs. It is not uncommon for many who will ultimately qualify for help from HUD to max out their credit cards and deplete not only their saving accounts, but also college and retirement accounts while they wait. Homeowners whose homes suffered the worst damage may later receive both repair dollars and interim mortgage assistance to prevent them from having to pay both the mortgage and rent on a temporary home. When CDBG-DR funds arrive they are flexible, but the human cost to families and the economic cost borne by FEMA, HUD, the taxpayers, and the families themselves is greater than it should be, simply because of the passage of time. As former HUD regional administrator Holly Leicht observed in her white paper on disaster recovery reform, spending less on housing leaves more of precious CDBG-DR resources for addressing ongoing infrastructure needs.[5]

RECOMMENDATIONS

Create a set-aside for technical assistance and capacity building for all CDBG-DR allocations.

No community is ever truly prepared for a catastrophic disaster. Residents and local government officials must navigate multiple federal agencies and programs, each with their own rules. This is not a case of high-capacity versus low-capacity jurisdictions. Even New York City, our nation's largest city and the single largest recipient of yearly CDBG entitlement funds, took well over a year to begin rebuilding through its CDBG-DR homeowner rebuilding program after Hurricane Sandy. HUD's disaster recovery team is small, with fewer than 20 permanent staff assigned to working on CDBG-DR at any given time. This mean each individual staffer has a portfolio of billions of dollars to manage. Though supported by term hires authorized in supplemental CDBG-DR appropriations, HUD's career-service CDBG-DR experts cannot provide the individual attention and customized training and strategic support states and localities would like to have to design and implement efficient programs in a timely manner. We recommend that Congress work with HUD to increase the number of permanent staff working full time to support and oversee jurisdictions' use of CDBG-DR.

Congress' most recent CDBG-DR appropriation for 2017 disasters set aside $15 million for HUD to use for technical assistance and capacity building. As a technical assistance provider for HUD with extensive organizational expertise working in disaster-impacted communities, Enterprise strongly supports this commitment of resources to ensuring that communities are best prepared to absorb the large amount of disaster dollars needed and use them efficiently. Technical assistance and capacity building allows HUD to send in experts from across the country to help grantees address systemic challenges and aggregate best practices to support

[5] Leicht, Holly, "REBUILD THE PLANE NOW: Recommendations for Improving Government's Approach to Disaster Recovery and Preparedness." July 2017. http://communityp.com/wp-content/uploads/2017/07/IMPROVING-DISASTER-RECOVERY-PAPER-FINAL.pdf

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grantees. Technical assistance and capacity building supports the full spectrum of disaster recovery work, including drafting action plans and standing up rebuilding programs all the way to training construction crews in resilient building methods (e.g. how many fasteners to use on a roof so it does not blow off in hurricane-force winds). We recommend replicating this dedication of resources for future disasters.

We also recommend that future disaster appropriations include funding for providing cross-cutting support to disaster-impacted communities through a network of non-profit or private sector organizations that have a proven track record of providing assistance to multiple jurisdictions across various disciplines, including housing recovery, economic development, workforce development, fiscal efficiency, and promoting best practices. Disaster impacted jurisdictions have often asked HUD for more opportunities to come together and connect with other communities facing similar challenges. Creation of a peer network would remove some of the burden on HUD staff to support grantees.

Technical assistance and capacity building support for disaster recovery grantees can build on the success of the National Resource Network (NRN) model. NRN is administered through a consortium selected by HUD, including Enterprise, and was created to support economic turnaround in economically-distressed smaller cities. Since its launch, NRN has partnered with more than 50 cities in 22 states to address local challenges including poverty, health care access, and unemployment to increase their overall competitiveness. Communities recovering from major disasters could benefit from a network of experts while administering their hundreds of millions or billions of dollars in CDBG-DR.

Require HUD to allocate a portion of assistance within 60 days and expand the remaining balance in a longer but specified timeframe.
HUD should allocate CDBG-DR funding as quickly as possible after it is appropriated so that grantees can prepare for an influx of disaster funding by doing back-of-the-house work such as ensuring sound financial management policies, procedures, and systems and hiring sufficient staff to prevent and detect fraud, waste, and abuse over the course of the recovery.

We recommend that Congress impose deadlines for HUD to allocate a portion of assistance within 60 days and the balance within a longer but specified time period. While inevitably the data used to inform allocations is more accurate the farther out it gets from the disaster, sorely needed CDBG-DR dollars should not sit idle once appropriated. Making initial allocations will signal which states, counties, and/or cities will receive funds and start their process of planning and preparing major initiatives such as residential rehabilitation programs.

Getting long-term recovery dollars to move more quickly into communities will have the collateral benefit of moving private investments more quickly as well.

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CDBG-DR pairs well with philanthropic funding. After disasters, philanthropic donors often wait to get an idea of what role the federal government will play. Permanently authorizing CDBG-DR and pushing grant funds within 60 days of appropriation will make it quicker for private philanthropy to gain certainty about what role they can play to fill gaps in individual projects and identify disaster victims who have not been served by government programs and cannot afford to recover on their own.

Direct HUD to design pre-approved model programs and systems that grantees can take off the shelf and implement wholesale.
HUD should design pre-approved model programs and systems that grantees can take off the shelf and implement wholesale. While different communities have different needs, having each grantee design disaster housing assistance programs essentially from scratch after each disaster wastes time and money to create programs that often look very similar. HUD could design programs that would comply with all of its own requirements, thus giving grantees a safe harbor in using pre-approved programs. Those programs should include the ability to reimburse property owners for work done according to a reasonable "blue book" value of the cost of non-luxury repairs, verified by documented on-site damage inspection reports before work commences and inspection of properties upon completion. This approach, rather than requiring submission of individual receipts, allows for much faster flow of funds without sacrificing oversight.

By doing the work to offer efficient program designs upfront, HUD would enable jurisdictions to be able to plan for how they would use CDBG-DR funds if ever needed, before a major disaster is ever on the horizon. While we know of no studies comparing the total cost of recovery to the amount of time households are in emergency and interim housing, it stands to reason that the better financial option for the government is getting people home again more quickly and thus paying for only one home per household.

Ensure that grant funds reach those who need them the most.
The usual CDBG requirement is that 70 percent of funds benefit people with low and moderate income (calculated as up to 80 percent of area median income). CDBG-DR appropriations have allowed differing degrees of flexibility to lower this bar over time, sometimes giving the Secretary express authority to lower the overall benefit requirement to just about half of funds being used to primarily benefit the low- and moderate-income households, effectively permitting a greater percentage of funds to reach higher-income people. We support retaining the 70 percent requirement unless a grantee can establish that there is a compelling need to lower it once the needs of lower-income households, including homeless people, have been addressed.

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CDBG-DR is put to its best use in helping low-income households recover, but there are many circumstances when it would be appropriate to serve higher-income households in order to ensure the entire community's recovery. We recommend that grantees be required to establish reasonable caps on assistance to families by income level.

Direct HUD and grantees to implement mitigation standards.
CDBG-DR should include the rebuilding and mitigation standards promulgated by HUD earlier this year in 83 FR 5844(6)(B) and codify that buildings built or substantially rehabilitated using CDBG-DR funds be required to meet elevation standards and home construction standards that mitigate the risk of future harm and reduce energy costs, including continuing to encourage the use of Enterprise's Green Communities Criteria.

Require households earning over 120 area median income to apply for Small Business Administration homeowner loans before applying for CDBG-DR.
Enterprise supports HUD's current policy prohibiting CDBG-DR funds from being used to repay an SBA loan. From a public policy perspective, if a household is deemed creditworthy and able to afford a disaster recovery loan by the SBA, then that household should repay their own loan. We recommend that families with income over 120 percent AMI be required to apply for, and if approved, take and use SBA homeowner loans before applying for CDBG-DR to address any additional costs of rebuilding that remain after SBA loans (and FEMA grants and insurance proceeds) have been exhausted. We additionally recommend that the HUD Secretary be given authority to waive this prohibition on a case-by-case basis where hardship justifies the waiver.

Streamline the environmental review process.
While we wholeheartedly support the concept of ensuring that federal investments are not used to create unsafe living conditions or undue harm to the environment, in practice environmental reviews (including compliance with related laws such as historic preservation) have added incredible time and cost to the recovery process. A particular cause of frustration for communities has been meeting competing requirements when funds from multiple agencies – like FEMA, HUD, and DOT – are combined. We support giving additional flexibility to reduce this frustration but believe this issue is ripe for interagency and stakeholder discussion so that the resulting requirements may reduce administrative burden without removing important protections for people and the environment. At a minimum, we recommend establishing criteria for streamlined review of multi-agency-funded projects and a lessening of compliance requirements for single-family housing rehabilitation.

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Increase HUD's resources for oversight and administration of disaster recovery.
HUD's disaster recovery division has fewer than 20 permanent staff. Given the tens of billions of dollars in the portfolio, we recommend that Congress increase HUD's full-time employee (FTE) cap by at least 20 new FTEs to allow an expansion for program staff and program counsel spending at least 75% of their time on disaster recovery. We believe that recurring problems in grantee administration of federal dollars could be alleviated with greater support from permanent HUD staff and providing additional permanent staff to HUD is the most meaningful thing Congress could do to prevent fraud, waste, and abuse and reduce unnecessary grantee delay in rebuilding communities.

We recommend increasing the amount available for HUD's own CDBG-DR administration, which is used for purposes such as hiring temporary employees to assist with grant management and evaluation, training of grantees, management of grantee reporting systems, and travel costs for HUD staff to do on-site monitoring of grantees. Dedicated funding should be provided for the Office of the Inspector General.

We support giving HUD the ability to combine administrative fund accounts from multiple disaster appropriations, for ease of administration.

Create a carve-out in CDBG-DR for small businesses.
Too often after disasters, small businesses fail before CDBG-DR assistance arrives a year or more after the disaster. Many small businesses have never had a loan of any kind, and therefore small business owners lack experience filling out applications. SBA loan can be too complex or not offer enough for recovering small businesses. We recommend creation of a carve-out in CDBG-DR for a pre-approved small business assistance program that would help grantees reach small businesses to help them get back on their feet within the first several months post-disaster.

Ensure that disaster recovery funding reaches all who need help.
Despite the best of intentions, government-led recovery programs often miss or fail to fully serve large groups of disaster victims who qualify or would qualify to receive long-term recovery assistance. For example, past grantee outreach efforts have failed to reach owners and renters of manufactured and mobile homes, public housing residents, the low-income elderly, and homeless individuals. We recommend that HUD direct CDBG-DR grantees to work with local nonprofit organizations to reach local residents as soon as possible after the disaster and on an ongoing basis to assess and address their recovery needs. Enterprise is committed to sharing publicly successful strategies to identify and take applications from storm victims wherever they are located, including from our current work

with the City of Houston to design its CDBG-DR Hurricane Harvey recovery programs under assignment from HUD.

Support communities receiving households dislocated by disaster.
After the worst disasters, some residents make the tough choice to leave their home jurisdictions completely, relocating to non-disaster-impacted areas in search of stable homes, jobs, schools, health care, and transportation. The costs of the communities taking in low-income people who have been displaced can be considerable, but no federal program specifically supports receiving communities at scale. We recommend that Congress make a small percentage of CDBG-DR funds available for the Secretary to provide to receiving communities to assist with their increased costs.

CONCLUSION

Disaster recovery is never fast enough for impacted families. As I have traveled to disaster-impacted communities and met survivors from all over the country, I have been told many times, some variation of this: "If I had known how long it would take to get back home again, or find a new place to live permanently, I would have done things differently." People who are initially grateful for their safety and willing to try to make the best of living on a family member's couch or shuttling between FEMA-funded hotel rooms quickly crave stability. The federal government has learned important lessons from recent major recovery efforts, but change has been incremental; it needs to be swifter and more comprehensive. Communities should be able to count on CDBG-DR as a consistent and reliable program that provides resources for long-term recovery. Enterprise Community Partners advocates for policies that we know from our extensive recovery work will help low and moderate-income households and communities recover more quickly. We aim to help communities mitigate risk and build for future disasters. Enterprise urges Congress make these changes in order to save taxpayer dollars by shortening the time between disaster and recovery, and we look forward to the opportunity to work with you to do so.

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