



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
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Affairs
on**

**Recovery from Superstorm Sandy: Rebuilding our Housing and
Transportation Infrastructure**

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Chairman Menendez, Ranking Member DeMint, and Members of the Subcommittee, thank you for the opportunity to testify today regarding recovering from Superstorm Sandy and rebuilding the housing and transportation infrastructure in the affected region. I have served for more than three years as Deputy Assistant Secretary for Grant Programs in the Office of Community Planning and Development at the Department of Housing and Urban Development (HUD). In that role, I am responsible for overseeing key programs that promote affordable housing and community development, including the Community Development Block Grant (CDBG) program, the CDBG-Disaster Recovery (CDBG-DR) grants, and the HOME Investment Partnerships program. These grants, particularly the CDBG-DR program, have played a critical role in helping communities recover from and rebuild after natural disasters like Superstorm Sandy.

In my testimony today, I will cover four subjects: 1) the damage caused by Superstorm Sandy, particularly to housing infrastructure; 2) HUD's participation in the ongoing response and recovery efforts; 3) the longer term rebuilding efforts with respect to Sandy, including the role of HUD and the special role of HUD Secretary Shaun Donovan under the President's Executive Order; and 4) the supplemental appropriations request that the Administration has submitted and which is currently under consideration by Congress.

The Impact of and damage caused by Superstorm Sandy

Hurricane Sandy and the nor'easter that followed have had immense and varied impacts in New York, New Jersey, Connecticut, West Virginia, Maryland, and a number of other States. Within the United States, the hurricane itself resulted in 121 confirmed fatalities, major flooding, structural damage, and power loss to over 8.5 million homes and businesses, directly affecting more than 17 million people as far south as North Carolina, as far north as New Hampshire, and as far west as Indiana. Especially hard hit were New York and New Jersey, which are critical economic engines of our nation. These two States employ 12.7 million workers, accounting for about 10 percent of U.S. payroll employment. They export about \$90 billion in goods annually, accounting for about 7 percent of such exports, and contributed \$1.4 trillion to our gross domestic product (GDP) in 2011, accounting for more than 11 percent of GDP. Thus, recovery and rebuilding is not only a State and local priority, but a crucial national priority as well.

Unfortunately, one of the major effects of storms like Sandy is destruction and damage to the homes and apartments where people live, and the displacement of numerous families and individuals. Excluding second homes, more than 150,000 housing units experienced substantial flooding as a result of Sandy, meaning that work on housing will be an early, continuing, and crucial part of the recovery and rebuilding effort. In New Jersey, over 44,000 primary residences had flooding, more than half with over 1 foot of flooding in the first floor. We estimate around half of the damaged primary residences in New Jersey were occupied by low and moderate income households.

But this is more than just damaged homes; this is also about the fabric that makes our communities work. Every county in New Jersey, for example, was a Presidentially-declared disaster area. Our research staff has identified approximately 500 neighborhoods in New York, New Jersey, and Connecticut where more than 20 percent of the homes were damaged, more than 175 of these in New Jersey. When large numbers of units in a neighborhood are impacted, recovery takes longer, and families and communities need to make hard decisions about if, how, and where they should rebuild.

HUD's participation in ongoing response and recovery efforts

HUD has played a significant role in response to and recovery from past major storms, and is doing so with respect to Sandy as well.

Before I describe some of HUD's activities, it is important to note the unprecedented cooperation that is taking place among Federal, State, local, and tribal authorities. HUD, FEMA and other parts of the Department of Homeland Security (DHS), as well as the Departments of Transportation and Health and Human Services plus the Small Business Administration and the Army Corps of Engineers, are all in place and working together. We are all coordinating our work with State, local, and tribal officials, who are doing a truly herculean job on the response and recovery. The private sector has been deeply involved as well. This unprecedented level of cooperation and partnership will ensure that we continue to speed recovery resources and provide related assistance to the most affected areas.

For example, within a week after Sandy hit there were almost 15,000 Federal responders on the ground from FEMA, the National Guard and the Army Corps of Engineers, HUD, Department of Transportation, and HHS, as well as tens of thousands of utility workers from across the nation. In the weeks since the storm, FEMA has approved nearly \$2.7 billion in emergency assistance.

A key HUD priority has been providing immediate help to storm-displaced families to find temporary replacement housing, whether they were displaced from private or government-assisted housing. We have identified thousands of housing units, including more than 12,000 available units in HUD-assisted housing, and have been working to ensure that the relevant information is provided to displaced individuals. We also are allowing providers of housing for seniors the flexibility to open up vacant units to storm evacuees.

HUD has also focused on help to persons living in and owners of HUD-assisted housing damaged or destroyed by the storm. This includes, for example, helping to temporarily house displaced persons, getting boilers and generators to impacted developments that house low-income families, and waiving administrative requirements (while ensuring appropriate safeguards) so as to facilitate the rapid delivery of safe and decent housing to displaced public housing authority (PHA) and multifamily housing residents. We have also increased fair market rental allowances to make it easier for displaced Section 8 voucher recipients to find replacement housing.

HUD is working to encourage the private sector to help displaced families. Shortly after the storm, HUD Secretary Donovan reached out to several private sector organizations to encourage their involvement in this effort, and a number have stepped forward at least partially as a result. This recognizes the importance of engagement by the private sector as well as government in relief efforts. For example, Angie's List is providing free, one-year memberships to one thousand homeowners in the New York City tri-State area to help with Sandy relief by making it easier for families to find local contractors, auto repair specialists, and health care professionals who are highly rated by other consumers. Walk Score has launched a website to support people in search of temporary housing after Sandy. HotelTonight recently announced a \$60,000 contribution to the American Red Cross to support relief efforts for Sandy victims, and will donate 10 percent of its net revenues in New York City for the month of November to the Red Cross for this purpose.

We have deployed HUD personnel to help staff FEMA Disaster Recovery Centers and do other storm-related work. This has included providing local housing resource help, program information, and other help to storm victims, mobilizing special needs providers from other States to assist families in shelters, and activating our Northeast network of field offices to communicate daily with impacted PHAs.

There are more than 200,000 homeowners with FHA-insured mortgages in the affected areas in New York, New Jersey, and Connecticut. HUD has provided foreclosure protection for storm victims with FHA-insured mortgages through a mandatory 90-day moratorium on foreclosures.

We are also offering assistance to storm victims who must rebuild or replace their homes. In particular, FHA insurance is available to such disaster victims who seek new mortgages, and borrowers from participating FHA-approved lenders are eligible for 100 percent financing, including closing costs. HUD is also directing banks to provide insurance payments they receive related to the storm directly to homeowners, in order to avoid the problem that occurred after Hurricane Katrina where some mortgage companies used some insurance payments that were supposed to be used to rebuild damaged homes for other purposes. HUD is working to get information on these and other assistance efforts to affected homeowners.

HUD is also providing help to affected State and local governments. Immediately after the storm, HUD hosted technical assistance conference calls with all HUD grantees. We have provided waivers of existing rules so that existing Federal CDBG and HOME funds in New Jersey and elsewhere can be used for disaster relief. Collectively, the CDBG and HOME grant programs allow grantees to meet a broad range of needs, including housing, economic development, infrastructure, and the provision of public services. We are also working with State and local governments and tribes to develop interim housing plans and to provide loan guarantees for housing rehabilitation.

The role of HUD and Secretary Donovan's role as designated by the President concerning Federal rebuilding efforts

As you know, on November 15, President Obama announced that HUD Secretary Donovan will lead coordination of the Federal action relating to Superstorm Sandy rebuilding efforts, and issued an Executive Order on December 7 providing that he will serve as chair of the Hurricane Sandy Rebuilding Task Force. This role is different from and in addition to the role that Secretary Donovan usually carries out with respect to disasters as HUD Secretary. In understanding the Secretary's role in relation to the National Disaster Recovery Framework (NDRF), it is important to understand the NDRF and how it was developed.

Early in his first term, President Obama recognized that previous experience concerning Hurricane Katrina and other disasters highlighted the need for additional guidance, structure, and support to improve how we as a Nation address disaster-related recovery and rebuilding challenges. In September 2009, President Obama charged the Departments of HUD and Homeland Security to work on this effort and to establish a Long Term Disaster Recovery Working Group, composed of more than 20 Federal agencies. HUD, DHS, and the Working Group consulted closely with State and local governments as well as experts and stakeholders, and worked on improving the Nation's approach to disaster recovery and on developing operational guidance for recovery efforts. As a result, FEMA published a draft of the NDRF in 2010, carefully reviewed and considered more than one hundred public comments, and the final version of the NDRF was published in September, 2011.

The NDRF addresses the short, intermediate, and long-term challenges of managing disaster-related recovery and rebuilding. It recognizes the key role of State and local governments in such efforts, and sets forth flexible guidelines that enable Federal disaster recovery and restoration managers to operate in a unified and collaborative manner and to cooperate effectively with State and local governments. The NDRF defines core recovery principles; roles and responsibilities of recovery coordinators and other stakeholders; flexible and adaptable coordinating structures to align key roles and responsibilities and facilitate coordination and collaboration with State and local governments and others; and an overall process by which communities can capitalize on opportunities to rebuild stronger, smarter, and safer after a disaster.

Under the NDRF itself, HUD plays an important role in recovery from disasters like Sandy. It is involved in carrying out several Federal recovery support functions, which provide the coordinating structure for Federal efforts to support state and local governments and tribes by facilitating problem solving, improving access to resources, and fostering coordination among all participants in recovery efforts. Under the NDRF, HUD is the coordinating agency for the housing recovery support function, and is charged with coordinating and facilitating the delivery of Federal resources and activities to assist local, State and Tribal governments in the rehabilitation and reconstruction of destroyed and damaged housing and the development of other new accessible, permanent housing options, where feasible.

In addition, because Sandy will be one of the most devastating and costly disasters in our history, the President recognized that responding to this disaster required an additional focus on rebuilding efforts coordinated across Federal agencies and State, local, and Tribal governments in order to effectively address the enormous range of regional issues. Accordingly, the President signed the Executive Order creating the Hurricane Sandy Rebuilding Task Force and designating the Secretary of HUD to be the chair.

The Secretary's responsibilities in this role will occur in coordination with the NDRF and will involve cooperating closely with FEMA and the other agencies already involved in recovery efforts. The focus will be on coordinating Federal support as State and local governments identify priorities, design individual rebuilding plans, and over time begin implementation. The Secretary will be the Federal government's primary lead on engaging with States, tribes, local governments, the private sector, regional business, non-profit, community and philanthropic organizations, and the public on long-term Hurricane Sandy rebuilding.

Secretary Donovan has explained that the Task Force will not seek to impose a one-size-fits-all solution on localities. Instead, with the expertise of virtually the entire cabinet represented, it will provide leadership and connections that actively support local visions and rebuilding efforts. It will have four major responsibilities:

First, and most important, it will coordinate with all stakeholders to support cohesive rebuilding strategies and develop a comprehensive regional plan within six months of its first meeting. It will share the best practices of recovering communities, creating a vision for long-term rebuilding by State and local

stakeholders – a vision that will be supported by more thoughtful planning and a focus on resilient rebuilding that addresses not only existing but future risk and long-term sustainability of communities and ecosystems.

Second, it will identify and work to remove obstacles to effective rebuilding efforts, particularly by helping State and local governments and tribes as they seek Federal assistance for longer term projects.

Third, it will develop a plan for monitoring progress in rebuilding efforts. At a moment like this, because Americans are anxious about the recovery, they have little patience for ineffectiveness or waste.

Finally, the Task Force will facilitate the offering of technical assistance and tools – providing critical support as those on the ground realize their vision for rebuilding and redevelopment.

Work on the structure and functioning of this new effort is proceeding rapidly. Secretary Donovan has already met with a number of the most directly affected Federal, State, and local officials, and I know he is looking forward to working with this Subcommittee and other Senators and Representatives on this important effort.

The request for supplemental disaster assistance

Rebuilding must be a community driven effort, with a community-based vision at its heart. But supporting that vision through financial means is a key part of the Federal role – one that has consistently been provided by the Federal government for communities experiencing disaster.

On December 7, the President delivered to Congress a request for \$60.4 billion in supplemental assistance to aid in Sandy recovery and rebuilding. The request includes funds for transportation, support for the Small Business Administration and its disaster loan program, CDBG-DR funds to be provided to communities, and a range of other critical priorities.

The Administration issued a Statement of Administration Policy on December 17 in support of the Senate legislation providing supplemental appropriations for fiscal year 2013 to respond to and recover from the severe damage caused by Superstorm Sandy. We look forward to working with the Congress to refine this legislation. The Senate measure will provide the necessary resources to continue ongoing response and recovery efforts, while helping impacted communities effectively mitigate future risk of disaster to prevent losses of this magnitude from recurring. Hazard mitigation is not just sensible, but it is also cost effective. The Multihazard Mitigation Council examined 10 years of FEMA mitigation grants data and found that mitigation efforts offer a 4 to 1 dollar return on investment by preventing future damage.

Given the emergency and one-time nature of the proposed supplemental appropriation, and in keeping with the response to Hurricane Katrina, Deepwater Horizon, and other disasters, the Administration supports the decision to not offset

these funds. The proposed funding meets the definition of emergency funding that should not be offset, as set forth in the Balanced Budget and Emergency Deficit Control Act of 1985, because it is sudden, urgent, unforeseen, temporary, and needed for the prevention or mitigation of, or response to, loss of life or property. The Administration remains committed to balanced deficit reduction, and it believes that the Executive and the Legislative Branches can come together to achieve that, while ensuring that communities damaged by Sandy have the support they need to recover and rebuild.

The proposed supplemental appropriations include \$17 billion for CDBG-DR disaster funding. As we have seen with respect to previous disasters, such CDBG funding offers important flexibility and effectiveness in responding to disasters. Previous uses of CDBG disaster funding have included, for example:

- The State of Louisiana used CDBG-DR funds to leverage private equity investment and Low-Income Housing Tax credits to produce rental housing, spending more than \$500 million that has produced 6,780 rental housing units, 58% of which are affordable housing.
- The State of Indiana budgeted approximately \$40 million in CDBG-DR funds to rebuild and mitigate damaged infrastructure following 2008 flooding. As a result, water and wastewater facilities in the town of Hope were rebuilt safer and stronger, and the facilities have continued operation without disruption despite subsequent severe storms.
- The State of Iowa budgeted some \$260 million towards voluntary buyout of homes and commercial properties within the floodplain, resulting in the acquisition of more than 2,075 properties.
- The State of Louisiana supplemented its small business loan program with \$43 million in CDBG-DR funds to provide technical assistance to help businesses get back on their feet and maximize the impact of their loans. To date, more than 3,000 businesses have been helped.

HUD has been a partner with State and local governments in the recovery efforts of several of the states in the region affected by Sandy. New York, New Jersey, and Rhode Island have CDBG disaster recovery experience and know the recovery grant process. New York and New Jersey received a 2011 CDBG-DR grant following Hurricane Irene, prepared CDBG disaster recovery action plans for that grant, and are expending the funds. Rhode Island, West Virginia, and Maryland have also received CDBG disaster recovery grants as a result of past hurricanes and flooding.

Our experience with CDBG-DR also demonstrates the importance of early appropriations so that it is clear that the funds will be available and planning efforts encompass the full range of needs. For example, major infrastructure investments take time to spend out due to design, permitting and staging requirements, but governments receiving CDBG-DR funds are highly unlikely to proceed with these efforts without assurance that they have funding to implement the projects. The assured availability of these funds is crucial to ensure that workers can be hired and other commitments can be made to move projects forward.

Providing the requested Federal funding for response, recovery, rebuilding, and mitigation following Superstorm Sandy will maintain the Nation's tradition of pulling together to help one another in times of greatest need. The Administration looks forward to working with Congress on the legislation and urges Congress to pass a supplemental appropriations bill as soon as possible to give affected States and communities the support they need to recover and rebuild.

Thank you again for the opportunity to testify today. I would be pleased to answer any questions you may have.