



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410**

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**Hearing before the Subcommittee on Housing, Transportation, and Community  
Development, Committee on Banking, Housing, and Urban Affairs, United States Senate**

**Superstorm Sandy Recovery: Ensuring Strong Coordination among Federal, State, and  
Local Stakeholders**

**Wednesday, March 12, 2014**

Chairman Menendez, Ranking Member Moran, and Members of the Subcommittee, thank you for the opportunity to testify today regarding the ongoing effort to recover and rebuild in the region impacted by Hurricane Sandy in October 2012, including efforts to ensure strong coordination among Federal, State, and Local stakeholders.

Because Sandy was one of the most devastating and costly natural disasters in our history, the President recognized that the response required an additional focus on rebuilding efforts coordinated across Federal agencies and State, local, and Tribal governments to effectively address the enormous range of regional issues.

On November 15, 2012, President Obama announced that I would lead the coordination of Federal support to the long-term rebuilding effort. The President issued Executive Order 13632 on December 7, 2012, establishing the Hurricane Sandy Rebuilding Task Force, and appointed me to serve as its chair. Executive Order 13632 charged the Task Force to “work to ensure that the Federal Government continues to provide appropriate resources to support affected State, local, and Tribal communities to improve the region's resilience, health, and prosperity by building for the future.”

My responsibilities in this role occurred in concert with the National Disaster Recovery Framework (NDRF) and involved coordinating closely with the Federal Emergency Management Agency (FEMA) and the other agencies involved in recovery efforts.

Sandy and the Nor'easter that followed had immense impacts across much of the eastern United States, with damage most severe in New York, New Jersey, Connecticut, Rhode Island, and

Maryland. Within the United States, the storm caused over 150 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 Puerto Rico, and as far north as Maine.

Sandy caused tens of billions of dollars in damage and is estimated to be the second most costly storm in American history. Thousands of businesses and more than 650,000 homes were damaged or destroyed. State, local, and Tribal governments are addressing damage to roads, bridges, mass transit, and other essential infrastructure, including electrical and water treatment facilities, public hospitals, and shorelines.

As I have previously explained to this Committee, in addition to my concern as a citizen and as a member of this Administration, this is personal to me. I grew up in the region. I was born and raised in New York and worked on housing issues there, including serving as Mayor Bloomberg's Commissioner of the New York City Department of Housing Preservation and Development. I also worked on housing issues for Prudential Mortgage Capital in New Jersey, and my wife is originally from New Jersey. Many of my friends have been directly affected by the storm's devastation. In light of my deep roots in the region, I am particularly concerned with the devastation that Sandy has caused, and I am especially honored to have the opportunity to help with recovery and rebuilding efforts.

I have seen much of the damage first-hand, talked with State and local officials and citizens living with the aftermath of the storm, had discussions with Senators and Representatives from the area, and have met with other federal officials working on the recovery effort. Everyone involved in the recovery and rebuilding has demonstrated extraordinary dedication and courage.

Just as remarkable are the actions by average people I have spoken with – individuals who have demonstrated a different brand of heroism by simply reaching out to help their neighbors, even as they were facing their own losses. I have seen bravery and determination that inspires me and my colleagues to work even harder, respond quicker, and develop more creative solutions.

With that mission in mind my testimony today will cover: 1) Ongoing response and recovery efforts; 2) A brief background on the formation and role of the Hurricane Sandy Rebuilding Task Force; 3) The role of the supplemental Community Development Block Grant Disaster Recovery (CDBG-DR) funding provided by Congress; and 4) HUD's continuing role with respect to that funding and an assessment of the ongoing recovery efforts.

### **Ongoing Response and Recovery Efforts**

It is important to note the unprecedented cooperation that has been taking place since Sandy struck 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, Health and Human Services, Interior, Commerce, and Agriculture, plus the Small Business Administration (SBA) and the U.S. Army Corps of Engineers (USACE) and other agencies are

all working together. For example, as a result of coordination under the National Response Framework (NRF), within a week after Sandy hit there were almost 11,000 National Guard and 17,000 Federal responders on the ground from FEMA, the Department of Defense, USACE, HUD, Department of Transportation, Department of Energy, and HHS, as well as tens of thousands of utility workers from across the nation. The Federal Housing Administration and Federal Housing Finance Agency worked to protect thousands of families who, through no fault of their own, were at risk of home foreclosure as a result of Sandy – first by putting in place a foreclosure moratorium, and then by cutting red tape to offer families streamlined home loan modification.

Another example is HUD and FEMA coordination to address past environmental permitting and review inefficiencies in disaster recovery. In developing our response to Sandy, HUD and FEMA recognized that a single federal review, sufficient for both agencies, could expedite the review of housing recovery projects. To that end, HUD, FEMA, and their local counterparts in New Jersey and New York State worked together to find efficiencies in environmental review requirements associated with housing recovery projects that leveraged both HUD and FEMA funds. These efforts resulted in a process available to expedite recovery reviews across the Sandy-affected region that could otherwise be delayed by sequential and redundant review of housing projects.

As of January 2014, FEMA and the SBA have served over 250,000 households and individuals and more than 13,000 businesses. Additionally, 99.5 percent of Sandy-related National Flood Insurance Policy claims totaling over \$7.9 billion have been paid out to the more than 143,000 policyholders who filed claims. Based on grantee reports as of January 31, we know that more than 19,000 households have already been assisted through CDBG housing programs across the region, with an estimated pay out of more than \$478 million to beneficiaries.

While substantial recovery efforts have been implemented across the spectrum of needs, recovery can never be fast enough for affected families, homeowners, and other victims of this terrible storm. And because so much of the recovery from Sandy involves long-term construction and infrastructure projects, work will continue for years to come. More needs to be done at every level. But important progress has clearly been made.

### **The Role of the Hurricane Sandy Rebuilding Task Force**

The Administration recognized that the Federal Government's performance during 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, the Homeland Security Secretary and I were charged with establishing a Long Term Disaster Recovery Working Group, composed of more than 20 Federal agencies.

HUD, DHS, and the Working Group consulted closely with State, local and Tribal governments as well as experts and stakeholders, and they worked to improve the Nation's approach to disaster recovery and to develop operational guidance for recovery efforts.

As a result, in September 2011, FEMA published the NDRF. The NDRF addresses the short, intermediate, and long-term challenges of managing disaster-related recovery and rebuilding. It sets forth flexible guidelines that enable Federal disaster recovery managers to operate in a unified and collaborative manner with State, local, Tribal, and territorial governments. The Sandy Task Force has operated within that framework.

On August 19, 2013, the Task Force released its Hurricane Sandy Rebuilding Strategy. The strategy was designed to help communities rebuild for the future and to ensure that we evaluate future vulnerabilities and risk. This means building to address expected sea levels, storm surges and extreme heat and precipitation, which pose risks to the Nation. Many elements of that strategy are being incorporated in HUD's on-going work with CDBG-DR grantees to expedite and ensure a more resilient recovery.

The work of the Task Force ended on September 30, 2013, on time and significantly under budget. Going forward, HUD, FEMA and other agencies that perform Recovery Support Functions will continue the Federal rebuilding coordination efforts.

There are three primary lessons that are guiding our efforts to support local community rebuilding efforts.

First, it is important that both near and long-term recovery and rebuilding efforts start immediately following a disaster and that the Federal government takes a coordinated regional approach to the delivery of assistance to its State and local partners. To ensure that this happens, HUD and FEMA are leading regional coordination efforts in coordination with the Federal Disaster Recovery Coordinators under the NDRF.

Second, this must be an "All-of-Nation" approach to rebuilding. While the Federal government has a key role to play in recovery, State, local, and Tribal governments must be the leaders in this effort. To ensure the Task Force's efforts maintained a local focus, we quickly established an Advisory Group composed of 37 elected officials from the Sandy affected region. We were also in constant contact with other state and local officials -which gave us real-time information about the rebuilding challenges communities faced. Now that the Task Force has ended, FEMA and HUD are co-leading the Sandy Regional Infrastructure Resilience Coordination group (SRIRC), supported by dedicated staff at the Sandy Recovery Office (SRO) in Queens, representing a range of Federal agencies. Since January, the SRIRC has commenced monthly meetings with the States of New York, New Jersey and Connecticut and the City of New York to coordinate on issues, and has established ten interagency Technical Coordination Teams that will focus on implementing projects within ten areas the group has identified as the most critical infrastructure priorities, from waste water treatment facilities to transportation to coastal protection. In addition, the Sandy teams at the SRO and at HUD are in daily contact with the State and City grantees.

Third, the recovery effort must include rebuilding in a more resilient fashion rather than simply recreating what was already there so that we are prepared for future disasters. One of the most critical concerns we heard from our local partners was that communities needed clear, accessible information about current and future flood risk. In order to gather the best information on the risks the region faces, FEMA, the National Oceanic and Atmospheric Administration and the Army Corps of Engineers developed a tool which allows local planners and decision makers to click on a map and see projections of the impacts of rising sea levels as much as a century into the future. To ensure this science would be put into practice, the Administration established a single Flood Risk Reduction Standard that applied to all rebuilding projects funded by Sandy-Supplemental dollars.

But we have not just armed communities with the best available data – we have also worked to connect communities with the most innovative engineering, planning and design ideas from around the world. That’s why HUD launched Rebuild By Design, a multi-stage regional design competition, specifically to develop innovative projects to protect and enhance Sandy-affected communities. I expect the RBD process to come to fruition this spring and the resulting projects will encourage new ideas for resilient recovery.

We have solid evidence that the risk of large scale disasters and catastrophic losses is increasing due to increasing development along our coasts and changes in demographics and climate. Investing in mitigation is critical not only for the future of our communities – it is also cost effective. The National Institute for Building Safety’s Multi-hazard Mitigation Council has estimated that for every dollar invested in hazard mitigation, a savings of four dollars is achieved. Homeowners, businesses and other entities recovering from a disaster currently have access to FEMA’s Hazard Mitigation Grant Funds in coordination with their State and local hazard mitigation plans, to assist in taking protective mitigation actions against future events. Such investments are critical in a time of constrained resources. In addition, it is critical to maximize the impact of every dollar of supplemental funding.

To that end, the Sandy Rebuilding Strategy has outlined a process for coordinating infrastructure projects across the entire region by bringing all of the relevant Federal, State and local players to the table to discuss those projects and map connections and interdependencies between them. This process will help us save money, improve the effectiveness of these projects and accelerate the pace at which they’re built. As noted previously, all major CDBG-DR funded infrastructure projects will be included in this process. The Strategy also highlights how the alignment of Federal funding and increased leverage of non-Federal funds for infrastructure projects are important to the success of disaster recovery in the Sandy-affected region.

### **The Role of CDBG-DR Funding**

On January 29, 2013, President Obama signed the Disaster Relief Appropriations Act (DRAA) of 2013. The supplemental funding bill included funds for FEMA and USACE projects and

activities, needs of the Department of Transportation including the Federal Transit Administration, support for the Small Business Administration and its disaster loan program, Community Development Block Grant-Disaster Recovery (CDBG-DR), and funding for a range of other critical priorities.

The DRAA provided \$16 billion in CDBG-DR funding, reduced to \$15.2 billion due to FY 2013 sequestration, to address Sandy and other qualifying disaster events in 2011, 2012, and 2013. The Department has aggressively implemented the law and is ensuring that its requirements are met. Of the amount appropriated, more than \$10.5 billion has been allocated to Sandy grantees through December 2013, and more than \$2.8 billion has been obligated, and more than \$1 billion has been disbursed to those grantees as of March 6, 2014. HUD also has allocated an additional \$642 million to other State and local governments to assist in their recovery from other major disasters in 2011, 2012, and 2013.

Specifically, on February 6, 2013 – eight days following the President’s signature – I announced the first allocation of \$5.4 billion of CDBG-DR funds under the Act, to five states and the City of New York to support their efforts to recover from the damage caused by Sandy. This represented the fastest ever allocation of CDBG-DR funds following the signing of a disaster appropriations bill.

With this first allocation, the Department and our grantees took important first steps towards ensuring a more resilient and sustainable recovery. Grantees, for example, are now incorporating green building features in the replacement and construction of new housing. In the construction or substantial improvement of structures, grantees must also meet the elevation requirements of the Flood Risk Reduction Standard to reduce risk in the face of future sea level rise and other factors. This requirement addresses projected sea level rise, which is not considered in current FEMA maps and National Flood Insurance Program premiums, while acknowledging that those premiums may increase once FEMA issues Flood Insurance Rate maps that account for Hurricane Sandy.

On October 28, 2013, I announced an additional \$5.1 billion in CDBG-DR grants for the Sandy-affected region, bringing the total CDBG-DR funding available there to \$10.5 billion. Again, the Department published a *Federal Register* Notice that builds upon the Notice for the initial allocation but which also addresses grantee infrastructure investments critical to recovery. Consistent with the recommendations of the Hurricane Sandy Rebuilding Strategy, the Department’s guidance gives emphasis to making resilient investments, by requiring grantees to identify and implement resilience standards in their infrastructure projects, including factors such as rising sea levels and future extreme events. We are also working closely with Sandy grantees to ensure that resulting projects are the product of coordinated regional planning efforts, meet needs identified by the grantees through comprehensive risk assessments, and recognize the importance of both natural and built infrastructure.

The Department is well aware of the frustration voiced by many communities and residents over the pace at which CDBG-DR funds have been distributed by our grantees. However, we are seeing the pace of expenditures increase and it is important to understand both the timeline as well as what it takes to implement programs of this scale.

With respect to the timeline, three months elapsed between the onslaught of Sandy and enactment of the supplemental appropriation on January 29, 2013. HUD allocated funds to Sandy grantees within days following enactment of the appropriation and issued guidelines governing the use of those funds on March 5, 2013. Grantees, however, had to develop plans for using the funds and submit them to HUD for approval. The three major grantees submitted their plans to HUD by May 2 and HUD approved them not later than June 6. Grant agreements were immediately offered by HUD upon approval of the plans to enable grantees to access their funds. To date, some grantees have been more aggressive in accessing their CDBG funds than others.

With respect to implementation it is important to note that while preparing recovery plans, grantees had to simultaneously build the “back of the house” infrastructure to implement programs on a scale and at a pace they had not previously experienced. For example, in developing a single family housing rehabilitation program, the grantee must develop policies and procedures to implement the program, advise the public of how to apply for the assistance, open the application window for an adequate period of time, and then move to evaluating those applications and making funding decisions. Only after these processes occur can the grantee proceed to closing and begin to distribute funds to homeowners. Similar issues arise in implementing housing buyout programs, business assistance programs, public service programs and other innovative initiatives undertaken by grantees.

### **HUD’s Continuing Role and Ongoing Efforts**

HUD continues to play a significant role in the recovery effort across the administration. Since the sunset of the Task Force on September 30, my staff has worked closely with the Task Force agencies to ensure implementation of the 69 recommendations in the Rebuilding Strategy. We are coordinating on a daily basis with our partner agencies in Washington as well as with their teams on the ground in the region, and we have reporting and accountability mechanisms in place to track both implementation of the recommendations and the pace of spending. Further, on a quarterly basis, we convene the Sandy Principals to review and assess progress, ensuring that the highest level of leadership remains focused on the region’s recovery and on better preparing us for the next storm.

Collectively, and as a result of these efforts, we’ve accomplished a great deal, and implementation of the Rebuilding Strategy is on track, with nearly a third of the work we set out to achieve already complete, and much more in progress. To be clear, much of the work of implementing the Sandy Rebuilding Strategy is long term in nature, but we’re making significant

strides: laying the groundwork for more resilient infrastructure and establishing new mechanisms for coordination both across federal agencies and with State and local governments.

To improve transparency about the pace of spending, we recently announced that, in partnership with the Recovery Accountability and Transparency Board, HUD is now publishing state level data on the status of Sandy funds across the federal government. This data will be updated monthly and is available in the form of a map and downloadable data files on the Sandy section of [Recovery.gov](http://Recovery.gov).<sup>1</sup> The map is shaded to reflect the aggregate value of awards to primary recipients in each state, and users will be able to click on each state to see the total awards and payments from each agency to recipients within that state.

CDBG-DR funds are currently being invested in communities working towards long term recovery. As noted above, more than 19,000 households have already been assisted through CDBG housing programs across the region, with an estimated pay out of more than \$478 million to beneficiaries. In January, for example, the State of New York provided more than 2,400 homeowners on Long Island with nearly \$83 million in assistance for house rehabilitation and repair, while New Jersey reported an expenditure of more than \$166 million for residents assisted through the State's Homeowner Resettlement program. With grantee long term recovery programs now in place, the pace of recovery dollar expenditures can be expected to increase dramatically in the coming months.

. Grantees are obligating funds once they've made the determination that they will be able to expend those funds within two years for specific activities and programs. While the Act provides a means for obtaining a waiver of the two year expenditure deadline, to date the Department has received no such requests from grantees, but stands ready to work with grantees to overcome any obstacles they may encounter to achieving their recovery goals. As I stated, recovery will never be fast enough for affected families, homeowners, and other victims of this terrible storm. And because so much of the recovery from Sandy involves long-term construction and infrastructure projects, funds will continue to be spent for years to come. But receiving the supplemental appropriation from the Congress has been critical for planning and commitment of funds for significant recovery projects to move forward.

The Department takes very seriously its role as a steward of Federal dollars provided for long-term recovery efforts. HUD has scheduled routine on-site monitoring and on-site technical assistance at least twice every calendar year for New York, New York City and New Jersey, the three largest recipients of CDBG-DR recovery funds for Hurricane Sandy. The Department always has the right to supplement this schedule to address emerging issues as appropriate. In addition to these visits, HUD works closely with grantees on the implementation and expenditures of funds and convenes weekly teleconferences with grantees to discuss any issues or concerns that may arise. HUD is using well established practices in monitoring these funds,

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<sup>1</sup>Link here: <http://www.recovery.gov/Sandy/wheristhemoneygoing/maps/Pages/HudPmo.aspx>

including using a risk analysis process to identify areas of concern that may warrant more attention.

The DRAA also provided critical administrative funds to the Department to implement the law, positioning the Department to strengthen its monitoring of grantees' use of CDBG-DR funds and to provide enhanced levels of technical assistance to each Sandy grantee. To date, the Department has hired an additional nine term employees to support the administration of Sandy CDGB-DR funds. This funding has also allowed the Department to commit to an aggressive schedule of monitoring and technical assistance for each of our largest grantees on a quarterly basis.

It is common that concerns are expressed as initiatives of the scale and scope of New Jersey's Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) program, the state's largest CDBG-DR funded housing program, are developed and implemented. The Department uses its established monitoring and review processes to examine the facts and sort out the reality of claims. The Department initially monitored New Jersey's CDBG-DR program in July 2013 and issued one actionable finding related to the use of CDBG-DR funds as matching funds to certain FEMA programs. This finding has been resolved. HUD is undertaking a regularly scheduled monitoring review this week. This review will focus on the state's RREM program, economic development programs, use of CDBG-DR for tourism support and financial management. As a preface to the regularly scheduled review, HUD recently conducted a supplemental review of the RREM and Homeowner Resettlement programs. The Department is in the process of finalizing conclusions from that supplemental review and expects to provide feedback to the state shortly.

The above mentioned reviews are carried out by HUD's Office of Community Planning and Development which has management responsibilities for the CDBG program and, hence, CDBG-DR funding. There are also other parts of the Department that have distinct roles as well. The Office of Fair Housing and Equal Opportunity (FHEO) has separate review and enforcement responsibilities related to fair housing, civil rights and related statutes and FHEO staff have been actively reviewing and analyzing the performance of Sandy grantees, including New Jersey. The Department's Office of Inspector General (OIG) was provided \$10 million in additional funding under the Disaster Relief Appropriations Act, 2013 (Public Law 113-2) to review Sandy grantees and they have a multi-faceted review plan that includes both audits and investigations, and the Department has sought input from OIG in our efforts to develop policies on the front end to avoid fraud, waste, and abuse..

With regard to technical assistance, CPD has provided grantees with a wide range of resources to assist in the design and implementation of their recovery programs. For example, in March 2013, HUD convened a three day training session for grantees receiving funds under the Act. Through HUD's OneCPD Technical Assistance Initiative, HUD has deployed technical assistance providers, who are subject matter experts, to work with grantees on such tasks as developing appropriate safeguards to help ensure that HUD funds are being used to address unmet needs that

have not been addressed by other sources of funding. HUD also convenes hour-long weekly calls with each of our largest grantees to address on-going challenges and questions that arise in program implementation.

With regard to New Jersey's proposed action plan for the second tranche of \$1.463 billion in CDBG-DR funds, the state issued the draft action plan for public comments on February 3, 2014, and is expected to formally submit that plan to HUD for consideration within the next two weeks. Given that the Department must approve the plan, we will carefully review the state's submission against the requirements of the applicable Federal Register Notices and in light of information gathered during monitoring reviews and technical assistance visits. A key aspect of this review will be an interagency review process focused on major infrastructure projects. To ensure a thorough and complete analysis, HUD is permitted to take up to 60 days to review the plans. To the extent that HUD identifies deficiencies in any action plan for these CDBG-DR funds, we have a range of options for addressing those concerns – ranging from informal consultations with grantees to clarify and resolve issues to not approving the plan and requiring revisions consistent with statutory and regulatory guidelines.

Thank you again for the opportunity to testify today. I am happy to answer any questions you may have.