



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

**Written Testimony of The Honorable Neal Rackleff
Assistant Secretary for Community Planning and Development
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**Hearing before the Subcommittee on Transportation,
Housing and Urban Development and Related Agencies
Committee on Appropriations
United States House of Representatives**

**Department of Housing and Urban Development
Community Development Block Grants - Disaster Recovery**

Friday, December 1, 2017

Mr. Chairman, Ranking Member Price and members of the committee, my name is Neal Rackleff, and I'm presently serving as the Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development ("HUD" or "The Department"). On behalf of President Trump and Secretary Carson, thank you for the opportunity to appear today to discuss long-term disaster recovery efforts that are supported by the Department through the Community Development Block Grant-Disaster Recovery (CDBG-DR) program.

Congress has appropriated more than \$50 billion since 2001 for CDBG-DR purposes. States and communities across the country have used these supplemental appropriations for recovery from a range of devastating events, including the 9/11 attacks on Lower Manhattan, Hurricane Katrina's heavy blow to the Gulf Coast in 2005, Iowa flooding and Hurricane Ike's foray into Texas in 2008, Hurricane Sandy's landfall in the New Jersey-New York area in 2012, and Hurricane Matthew's impact on the South Atlantic coast and Louisiana flooding in 2016.

As a nation, we are now faced with significant long-term recovery needs arising from Hurricanes Harvey, Irma, and Maria that struck the nation over a four-week span during August and September of 2017. We also are closely monitoring the destruction caused by the recent wildfires in California. Unfortunately, the effects of these disasters will be long-lasting. Comprehensive recovery will take years. Nevertheless, we will not shy away from that effort as millions of Americans now need their nation's help. Please know that President Trump, Secretary Carson, and the entire Administration are committed to helping our fellow citizens in this time of need.

I have worked extensively in the public and private sectors over the past 25 years, focusing on private/public partnerships forged to revitalize communities and develop affordable housing. My most recent public service was in Texas as director of the City of Houston's Department of Housing and Community Development from 2012 through early 2016.

In Houston, I managed the City's \$178 million CDBG-DR program with funds allocated by the State of Texas to the City in response to recovery needs arising from Hurricane Ike. My team turned around a troubled program—we got the projects back on track and generated some of the finest examples of affordable housing in the country. Just before I left the City to resume practicing law in 2016, the City was directly awarded additional CDBG-DR funding to address the impacts of flooding events that occurred in 2015. I feel these experiences give me unique insight into how CDBG-DR assistance can be a valuable tool for recovery as well as a keen understanding of the obstacles that can diminish effectiveness of the program.

It is important to understand the various roles that HUD plays in the Federal disaster response and recovery effort. In the immediate wake of a major disaster, HUD works within the National Disaster Response Framework and works closely with the Federal Emergency Management Agency (FEMA) to address housing needs and issues in impacted areas. HUD's initial focus during response is to ensure that households that were receiving housing assistance through HUD programs, primarily public housing, housing choice vouchers, and project-based rental assistance, prior to the event, continue to be housed in the aftermath of the crisis. As efforts turn to recovery in the wake of a significant major disaster, HUD leads the Housing Recovery Support Function to coordinate and facilitate the delivery of housing solutions that effectively address the needs of the whole community. The Department's role expands when the CDBG-DR program is funded and implemented to address long-term recovery needs at the state and local level.

Recent CDBG-DR Allocations

On September 8, 2017, President Trump signed into law Public Law 115-56 which appropriated \$7.4 billion in CDBG-DR funding in response to major disasters declared in 2017. Consistent with past practice, HUD's intent is to allocate the funds to affected jurisdictions in a rational, consistent, and equitable manner, using the best data available from FEMA and the Small Business Administration (SBA).

On November 17, 2017, HUD announced an allocation of \$5.024 billion to the State of Texas to address recovery needs arising from the flooding caused by Hurricane Harvey. An additional \$615 million was allocated to the State of Florida earlier this week (November 28, 2017), leaving a balance of \$1.75 billion, which may be allocated to other 2017 disasters as data improves.

The States of Texas and Florida are existing CDBG-DR grantees and, as a result, have the basic knowledge and structures in place to accept and properly manage these funds. However, the amount of CDBG-DR just allocated to each state significantly exceeds prior CDBG-DR grants to these states. Therefore, each state will need to add significant additional administrative and management capacity to provide effective oversight for the funds.

The Department will closely examine implementation plans required from each state to ensure that they will be properly prepared to organize, staff, and execute the recovery effort. HUD's expertise concerning CDBG-DR best practices and our overall understanding of what is required to effectively manage grants of this magnitude has grown considerably over the past decade. HUD will bring that experience to bear in the overall management of these grants.

This initial round of CDBG-DR funding for 2017 disasters is allocated based upon unmet housing and business recovery needs that HUD has identified using FEMA and SBA data. While this process generally follows HUD's approach to allocations of recent years, we did alter some assumptions this time around.

First, the Administration believes that managing flood risk is a shared responsibility. Households living within the 100-year flood plain that had the financial ability to insure against flood loss should have done so, and funds were not allocated to address the unmet flood-related needs of such households.

Second, HUD has revised its assumptions for the average cost to repair housing damage. The last time these cost multipliers were updated was in the wake of Hurricane Sandy, and the revised assumptions use data that is more specific to recent events, types of damage, and the housing markets impacted.

Third, HUD has expanded the concept of "most impacted areas" in recognition of the fact that the previous approach had a county-based focus and did not adequately take into consideration concentrated damage in smaller and rural communities. To account for this circumstance, HUD is now also identifying unmet needs in "most impacted zip codes," thereby covering smaller, yet well-defined, geographies to ensure that all areas with concentrated damage are taken into account in the CDBG-DR allocation.

The Department is in the process of finalizing the Federal Register Notice that will govern the \$7.4 billion CDBG-DR appropriation. These changes will be reflected in the notice and HUD is considering a range of additional CDBG-DR policy updates that would reflect Administration policy and make adjustments based on past outcomes and experiences. The Department expects to issue the notice in the next few weeks to enable Texas and Florida to develop and finalize their actions plans to put the most recent CDBG-DR appropriation to work.

My goal is to speed up the process and get help to the families that need it faster and more efficiently than past efforts. We will accomplish this by working closely with grantees to design more effective programs, streamline their processes, and identify and remove unnecessary delays. The timeline included as Exhibit "A" illustrates which steps in the implementation process are handled by grantees and which are handled by HUD. Note that many of the steps can take place on parallel tracks and we have identified ways for grantees to move more quickly than they have traditionally. From my experience in Houston, I've found that there are multiple small changes that can be made in the CDBG-DR program at Federal, state and local levels that, collectively, can improve recovery outcomes. Some of these changes will be incorporated in the forthcoming Federal Register Notice and some of these efforts will be delivered through technical assistance to grantees. Regardless of the method, I commit that the Department will be

a strong partner to our grantees in the pursuit of rapid recovery that makes the best use of available Federal financial resources.

Supplemental Request for CDBG-DR

With regard to financial resources, the Administration announced its most recent disaster supplemental request on November 17, 2017. The package totals more than \$44 billion and includes \$12 billion in CDBG-DR funding for mitigation activities to help high-risk communities become more resilient to future floods and hurricanes.

This \$12 billion CDBG-DR proposal reflects the Administration's approach to funding resilience and risk mitigation by investing in cost effective flood mitigation solutions that will reduce risk and lower the potential cost of future disaster recoveries. This approach will also incorporate the Administration's Infrastructure Initiative policy principles, such as leveraging state, local, and private resources and using public-private partnerships to expedite project delivery and support ongoing maintenance. Under this competition, the Administration expects to transform how mitigation projects are funded, delivered, and maintained.

Funding could be used for a wide range of risk mitigation or resilience activities including large-scale buyouts in areas of high risk or repetitive loss, elevation and structure hardening, forward looking land-use planning, adoption of disaster resistant building codes, and green or grey infrastructure investments, including completing projects authorized by the Army Corps of Engineers.

Eligible applicants will be states and insular areas with more than one flood-related major disaster declarations between January 1, 2014 and December 31, 2017. As of November 17, 2017, thirty-three (33) states, Puerto Rico, the U.S. Virgin Islands, and Guam would be eligible to apply for the funds.

The Department has prior experience in conducting a competition for disaster recovery purposes and we will apply the lessons learned to the proposed mitigation competition. Among the specific changes will be a narrower focus on mitigation activities, directives for states to prioritize their investments, and a simpler, straight forward application rating structure. Concurrently, we will focus on projects that have a strong benefit-cost analysis profile and will promote an interagency review effort that incorporates the use of expertise from agencies across the Federal government. If funded by Congress, it would be HUD's goal to launch this competition expeditiously.

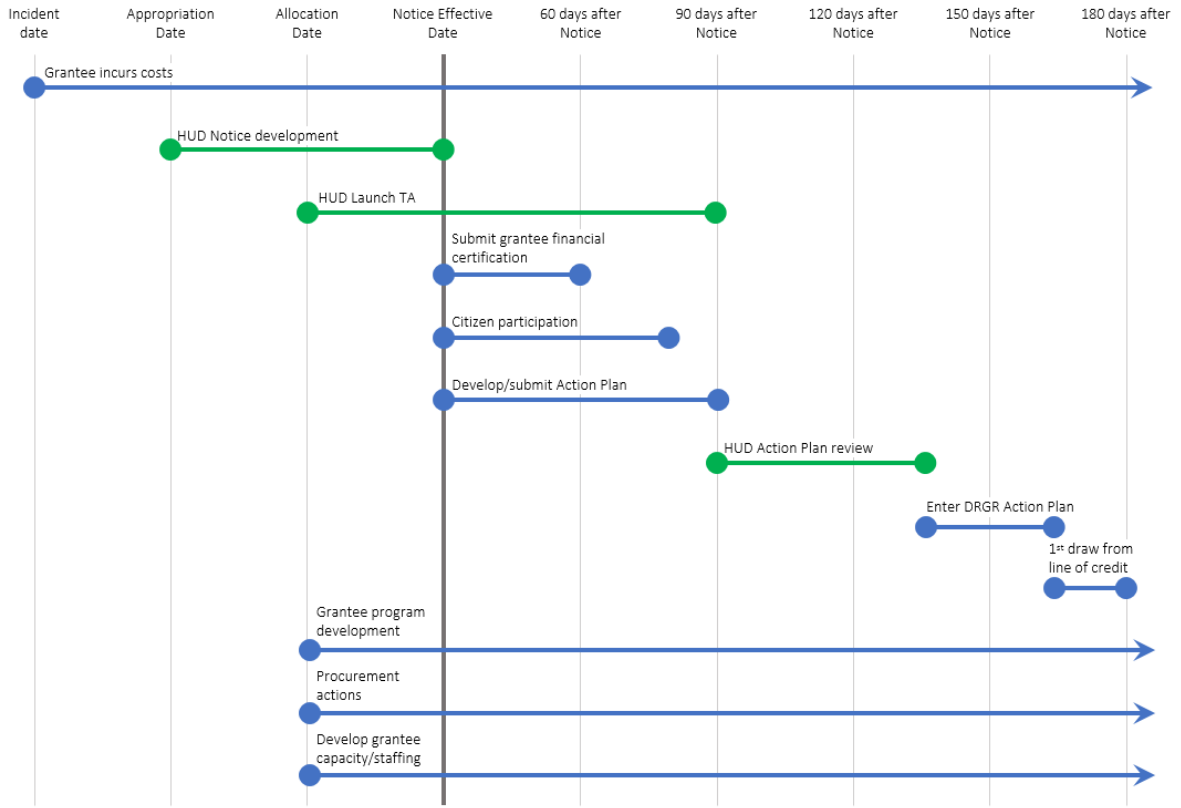
We have been working tirelessly since these disasters hit, with homeowners and businesses who have suffered losses as well as state and local officials that have seen their infrastructure damaged or destroyed. We will coordinate with our Federal partners at FEMA, SBA, and the Army Corps of Engineers to speed the delivery of assistance to affected communities and reduce or eliminate frustrating delays that slow the pace of recovery. Finally, HUD and the Administration look forward to working with Congress to reshape Federal disaster recovery efforts through implementation of initiatives, like the CDBG-DR Mitigation Fund, to achieve the

best possible outcomes with Federal funds and work collaboratively with state, local, and private stakeholders to reduce risk from future floods and hurricanes.

Thank you and I would be pleased to take questions from the Committee.

EXHIBIT A

CDBG-DR Grantee Timeline of Events



Note: Grantee steps depicted in blue; HUD steps depicted in green.