



**Testimony of Marion Mollegen McFadden
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**Before the House Financial Services Oversight and Investigations
Subcommittee**

**“Community Development Block Grant-Disaster Recovery Program:
Stakeholder Perspectives”**

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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. Enterprise assisted New Jersey and New York in 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 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. The recommendations 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 expend 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. CDBG-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.

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>



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 harm⁴ 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. Others find themselves with nowhere to go but motels, which are not conducive to the needs 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 means 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://communitypartners.com/wp-content/uploads/2017/07/IMPROVING-DISASTER-RECOVERY-PAPER-FINAL.pdf>



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 expend 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.



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 plan for how they would use CDBG-DR funds if ever needed, before a major disaster is even 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.



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.



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. An SBA loan can be too complex or not offer enough for recovering small businesses. We recommend creating 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.