

# CDBG-DR Overview

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# Federal Emergency Response & Long-Term Recovery

After a disaster, the Governor may petition the President to declare a major disaster if the Governor's own resources are overwhelmed

FEMA & the Small Business Administration have permanent authority to assist. Their roles are set by statute and governed by regulations and administrative guidance documents that are mostly the same over time

HUD, the US Army Corps of Engineers, the Department of Transportation, and HUD then usually all play large roles after the worst disasters; sometimes the Department of Agriculture, the Department of Education, the Department of Energy, the Department of the Interior, and other federal agencies and offices also receive supplemental funding

# Statutory Overlap

For a government – FEMA, USACE, DOT, NOAA and CDBG-DR dollars may be used for infrastructure work

For a homeowner - Temporary housing and minor repair costs are available from FEMA; FEMA refers homeowners to apply for SBA loans; CDBG-DR grant dollars may (or may not!) become available for these costs

Preventing duplication of benefits is a key responsibility!

# What is CDBG-DR?

- When the President declares a major disaster, Congress **may** appropriate Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to the U.S. Department of Housing and Urban Development (HUD)
- This special appropriation provides funding for the **most impacted and distressed areas** that have significant unmet needs for long-term disaster recovery

# What is CDBG-DR?

- Each supplemental appropriation varies so there can be dramatic changes to the program year over year
- For recovery from terrorism, fires, floods, tornadoes...
- The program is built on the annual CDBG program, which funds activities in 1,250 jurisdictions nationwide - but supplementals give the Secretary of HUD the ability to **waive any statute or regulation he or she administers**, with four exceptions: ***fair housing, nondiscrimination, labor standards, and the environment***

# HUD Federal Register Notices

- HUD starts by making formula allocations based on estimates of unmet need, relying on uniformly available data sources – mostly
- HUD has the **discretion to choose whether funds go directly to States**, counties, cities, tribes, or territories
- HUD publishes the formula allocation, waivers, and alternative program rules in the Federal Register

# CDBG-DR Programs

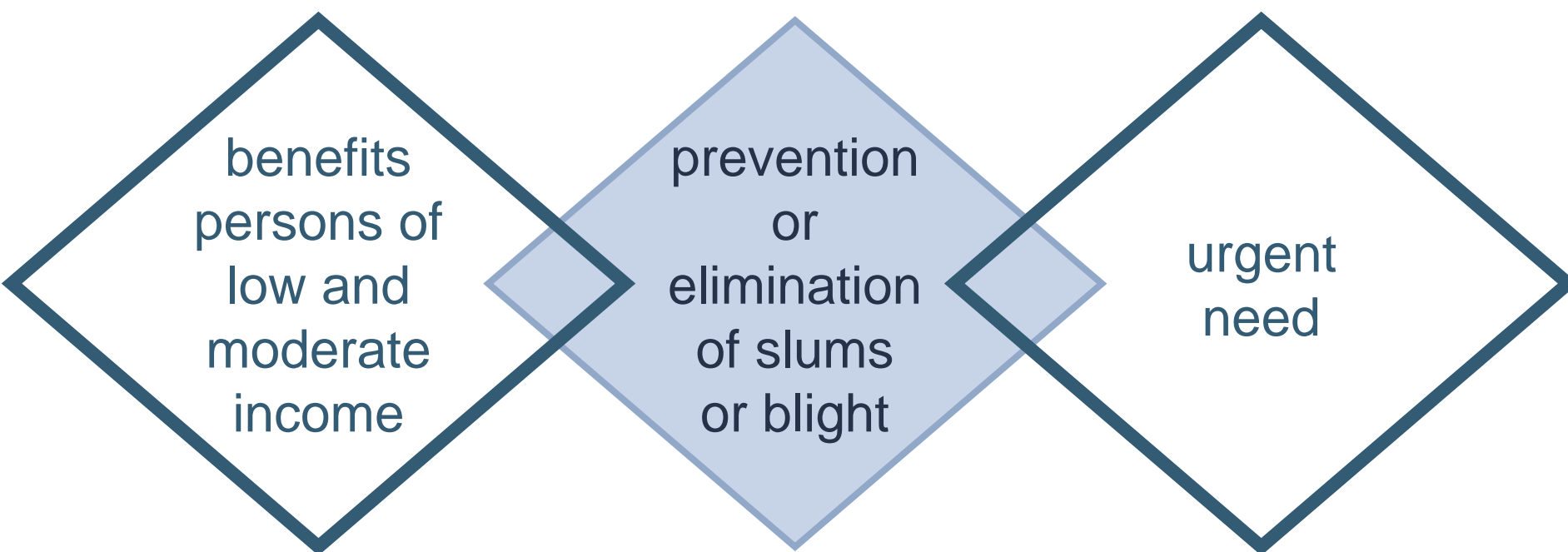
The grantee designs and implements recovery programs to meet unmet recovery needs by:

- Creating a draft CDBG-DR Action Plan
- Soliciting public review and comment on CDBG-DR Action Plan
- Revising, publishing and submitting the Action Plan to HUD

HUD reviews and accepts the CDBG-DR Action Plan; or rejects and allows resubmission

- Grantee may amend the plan many times before closeout

# Three National Objectives



benefits  
persons of  
low and  
moderate  
income

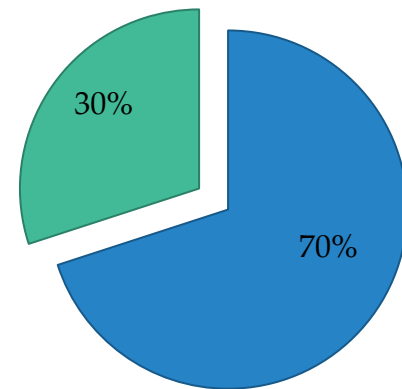
prevention  
or  
elimination  
of slums  
or blight

urgent  
need

# CDBG-DR Overall Benefit Requirement

- HUD requires that 70% of funds be used **primarily** to benefit low- and moderate income (LMI) individuals; but the Secretary may waive this upon finding of **compelling need**
- Note: applies to the grant as a whole, not each program

- 70% benefitting Low to mod
- 30% benefitting all others



# CDBG-DR Eligible Activities

- Funds must be used for:
  - *“...necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing, and economic revitalization...”*
  - CDBG-eligible activities (including alternative requirements)
  - Activities that meet a National Objective
- Demonstrate tie back to the disaster

# Menu of Eligible Activities

42 USC 5305  
& 24 CFR part 570

- Housing rehabilitation
- Infrastructure
- Economic development projects
- Installation of public facilities
- Community centers
- Public services
- Clearance/demolition
- Acquisition
- Microenterprise assistance
- Code enforcement
- Homeowner assistance
- Just to name a few ....

# Common Infra Programs

- Pay the “non-federal share” aka match for other federal programs such as FEMA Infrastructure Assistance
- Infrastructure repair – water, sewer, roads, natural infra
- Infrastructure resilience upgrades
- Electrical power systems enhancements
- Broadband or related technologies installation

Local control → The grantee chooses which programs and projects to fund with limited grant dollars... and may request waivers to create new activities not expressly authorized

# Common Housing Programs

- Repair of damaged SF housing – often with a cap on household income
- Elevation grants for SF homes in floodplains
- Buyouts/Acquisition of damaged SF housing at pre-disaster prices
- Relocation expenses
- Downpayment assistance
  
- Repair of damaged MF affordable housing
- New construction of MF affordable housing
  
- States can opt to run housing programs directly
- All jurisdiction can make grants and loans and offer loan guarantees

# Activities Specified as Ineligible

- Buildings or portions thereof, used for the general conduct of government
- General government expenses
- Political activities
- Purchase of equipment
- Construction equipment
- Fire protection equipment
- Furnishings and personal property
- Operating and maintenance expenses
- Projects that do not meet a 'National Objective'
- Income payments
- But... the grantee can request waivers at any time

# Requirements for Use of Funds

Cross-cutting federal requirements include but are not limited to:

- Environmental Review
- Labor Standards
- Fair Housing & Equal Opportunity
- Section 3 Hiring & Training
- Procurement & Subrecipient Agmts
- Lead Based Paint
- Relocation & Acquisition
- Accessibility
- FFATA (Federal Funding Accountability and Transparency Act)

# HUD's Environmental Review

- Analyzes the impacts of a project on the surrounding environment and vice versa
- Ensures that HUD-funded projects provide decent, safe, and sanitary housing
- Demonstrates compliance with up to 17 federal environmental laws and authorities
- A public document that encourages public participation

# HUD's Environmental Review

Grantees **must not spend a dime** until the environmental review is complete and they have received an approved Request for Release of Funds (form 7015.16) when it's required. Neither applicant nor partners in the process are allowed to commit or spend HUD or non-HUD funds on physical activities, including acquisition, until the ER process is completed

# DR Environmental Provisions

Some laws allow HUD to adopt FEMA environmental reviews.  
HUD OKs this when:

- The scope of work has not changed
- HUD funds are covering the cost share (“FEMA match”)
- The grantee notifies HUD in its Request for Release of Funds

# CDBG-DR Resources

- HUD.gov has dozens of resources: bookmark <https://www.hudexchange.info/programs/cdbg-dr/>
- All relevant supplemental appropriations, grantee PoCs, Federal Register Notices, and program toolkits are available on hud.gov
- Grantees must publish their Action Plans and amendments on their websites

# Improving CDBG-DR

- In the last Congress, the House passed the Reforming Disaster Recovery Act, H.R. 3702 – with wide bipartisan support
- The Senate had a related bill, S. 2301
- For more ideas, see Holly Leicht's paper, Rebuild the Plane Now, <http://communityp.com/wp-content/uploads/2017/07/IMPROVING-DISASTER-RECOVERY-PAPER-FINAL.pdf> and Marion McFadden's testimony to the House Financial Services Committee, <https://financialservices.house.gov/uploadedfiles/hhrg-116-ba09-wstate-mollegen-mcfaddenm-20190326.pdf>

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# THE HFA INSTITUTE 2021

## HFAs and Natural Disaster Recovery

### CDBG-DR Context & Overview

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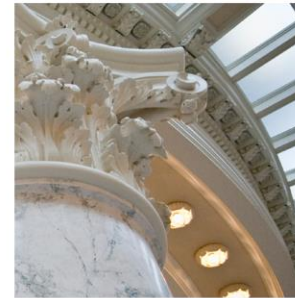
4:15 p.m. - 5:15 p.m.



National Council of  
State Housing Agencies



**MRBs and  
Other Federal  
Homeownership  
Programs**  
FEBRUARY 1 – 3



**Housing Credit**  
FEBRUARY 3 – 5



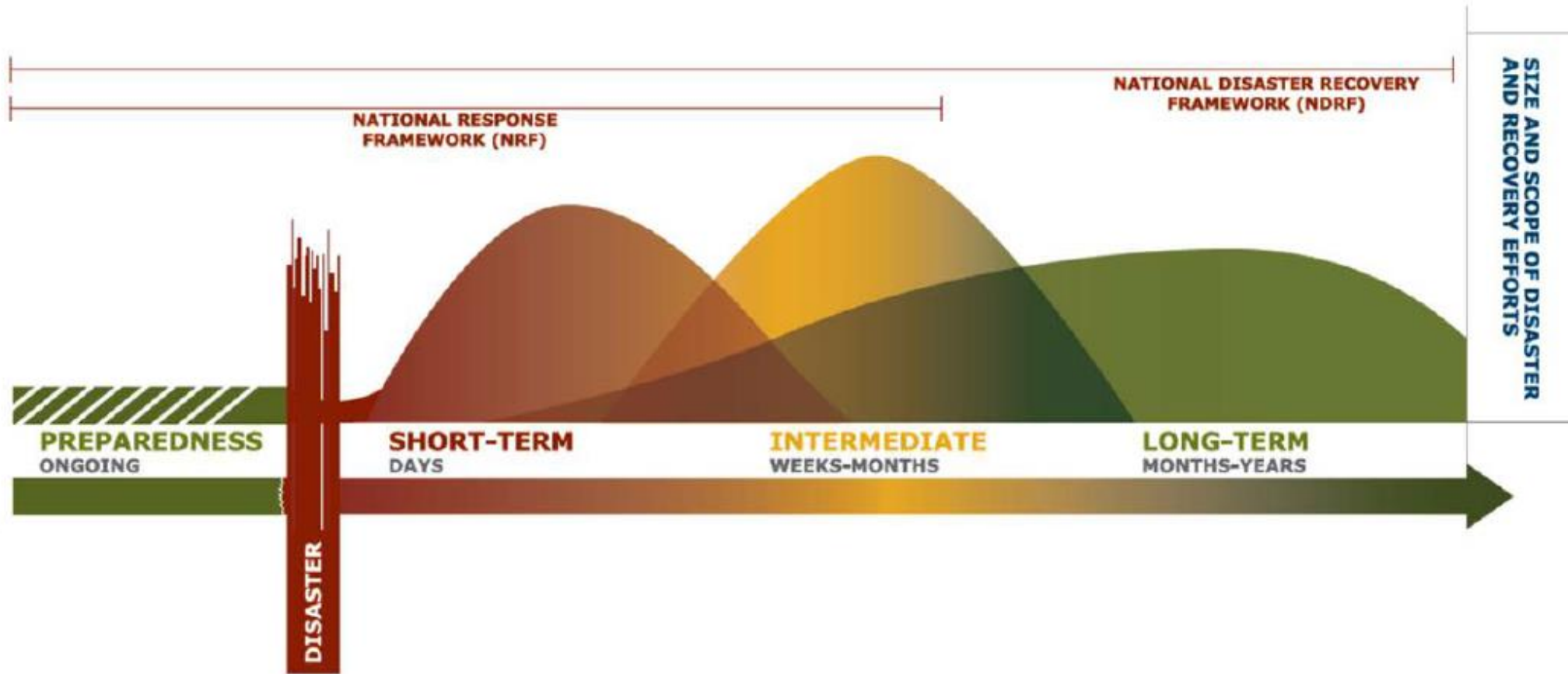
**Section 8 and  
Other Federally  
Assisted  
Multifamily  
Housing**  
FEBRUARY 8 – 10



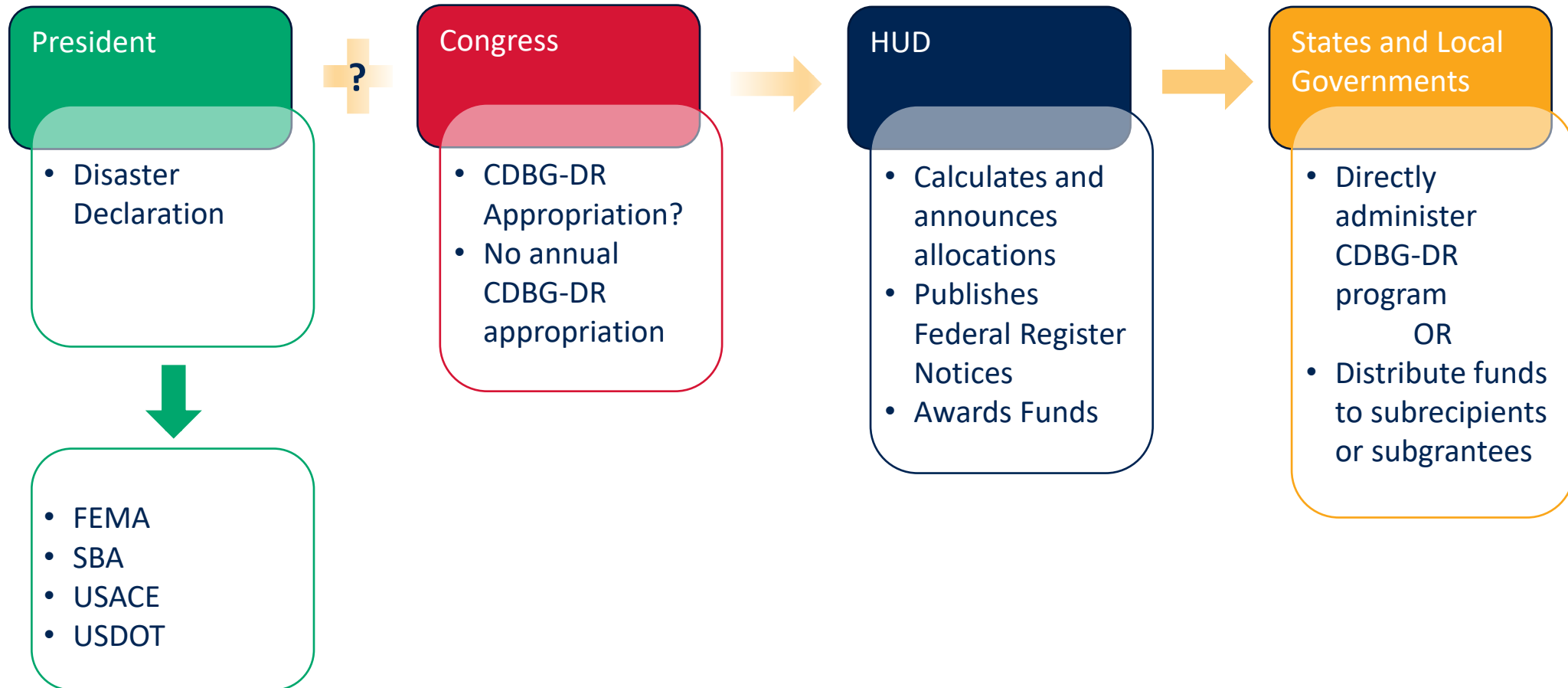
**HOME and  
Housing Trust  
Fund**  
FEBRUARY 10 – 12



# Natural Disaster Recovery Sequence



# Disaster Funding Sequence



# Purpose of CDBG-DR Funds

- Focus on long-term recovery efforts
- Last defense funding to address unmet need not yet addressed by federal programs
- CDBG-DR funds *supplement* and fill remaining gaps
- CDBG-DR cannot *supplant* other federal funds
- Timing varies from Congress appropriating funds to funds hitting the ground

## Why CDBG-DR?

- HUD is the federal agency that administers Community Development Funds
  - Housing and Community Development Act of 1974 created CDBG
  - Disaster Grants since 1992
- Flexibility of the CDBG Program
  - Eligible activities
  - DR waivers and alternative requirements

*With great flexibility comes great responsibility*

# Every CDBG-DR activity must

- Address a disaster-related impact (direct or indirect) in a Presidentially-declared area for the covered disaster
- Be in the Action Plan
- Be a CDBG eligible activity
- Meet a CDBG national objective



# Recovery Activities

- Disaster-related activities are those that demonstrate a logical connection between the impacts of the covered disaster and the activity's contribution to community recovery
- Examples:
  - Rebuilding homes and infrastructure damaged by the disaster
  - Providing assistance to affected business owners
- The entity responsible for the recovery activity must document how the activity is
  - Addressing a disaster-related impact
  - Restoring housing, infrastructure, or the economy



# Action Plan Process

State or Local Government performs needs assessment, publishes CDBG-DR Action Plan

Citizen Participation process for review and comment on Action Plan

HUD reviews and approves CDBG-DR Action Plan

State or Local Government implements activities and draws funds



# CDBG-DR Eligible Activities

- Rehabilitation
- Construction of Housing
- Interim Assistance
- Acquisition of Real Property
- Disposition of Real Property
- Clearance
- Homeownership Assistance
- Relocation Assistance
- Public Facilities
- Public Services
- Planning and Capacity Building
- Special Economic Development
- Microenterprise Assistance
- Loss of Rental Income
- Privately-owned Utilities
- Code Enforcement
- Special Activities



# CDBG Ineligible Activities

- Buildings used for the general conduct of government
- General government expenses
- Political activities
- Purchase of equipment
  - Construction equipment
  - Fire protection equipment
  - Furnishings and personal property
- Operating and maintenance expenses
- **New housing construction**
- Income payments

CDBG-DR Public Laws, Federal Register Notices, and HUD waivers also impact items on this list



# Examples of CDBG-DR Programs

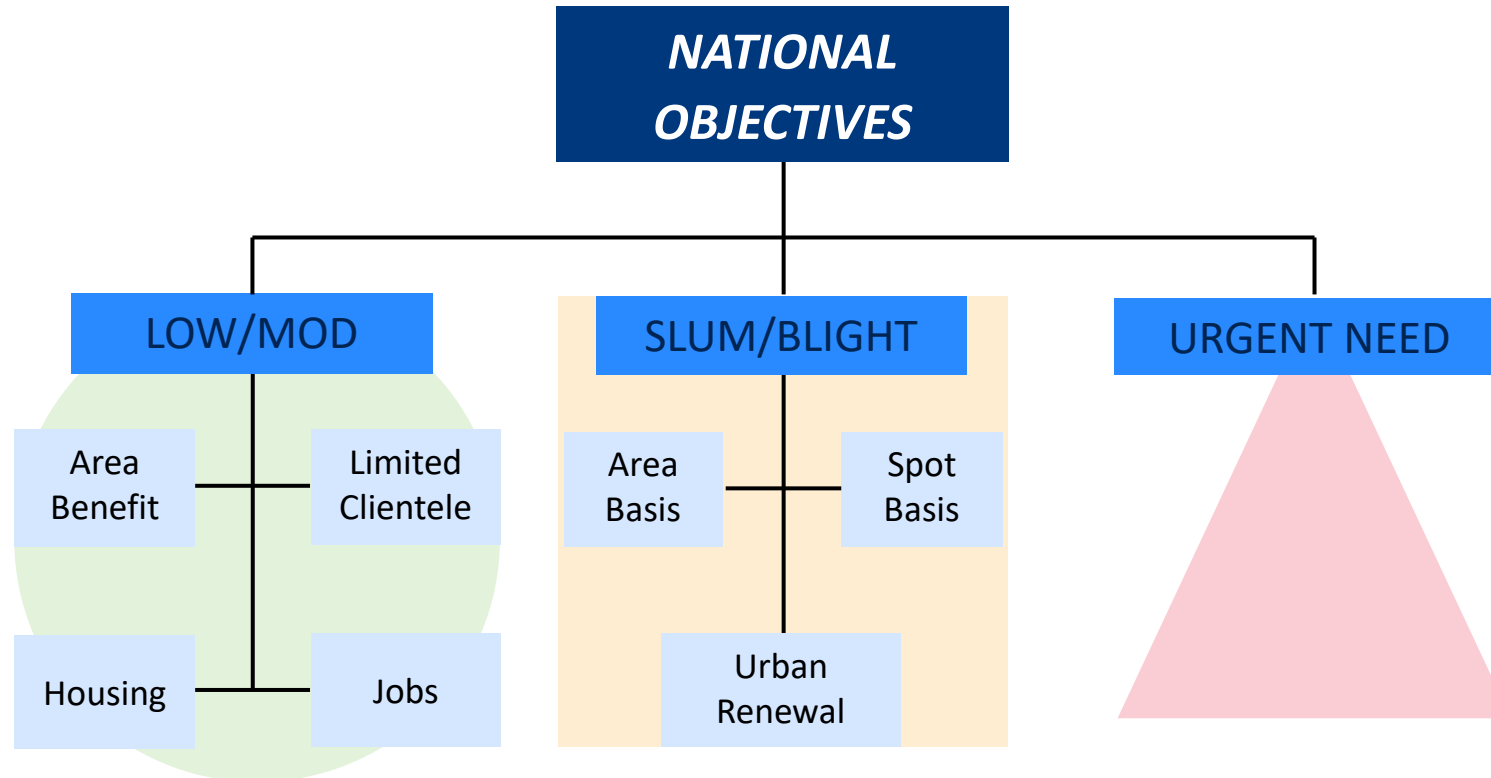
- Housing
  - Rehab or replacement of damaged properties
  - Buyouts
- Infrastructure
  - Repair of storm damaged infrastructure
  - Non-federal match for eligible activities
- Economic Development/Revitalization
  - Business grants and loans
- Support for essential government services
- Public Services
  - Homelessness prevention
  - Workforce development
- Planning and Capacity Building

# CDBG National Objectives

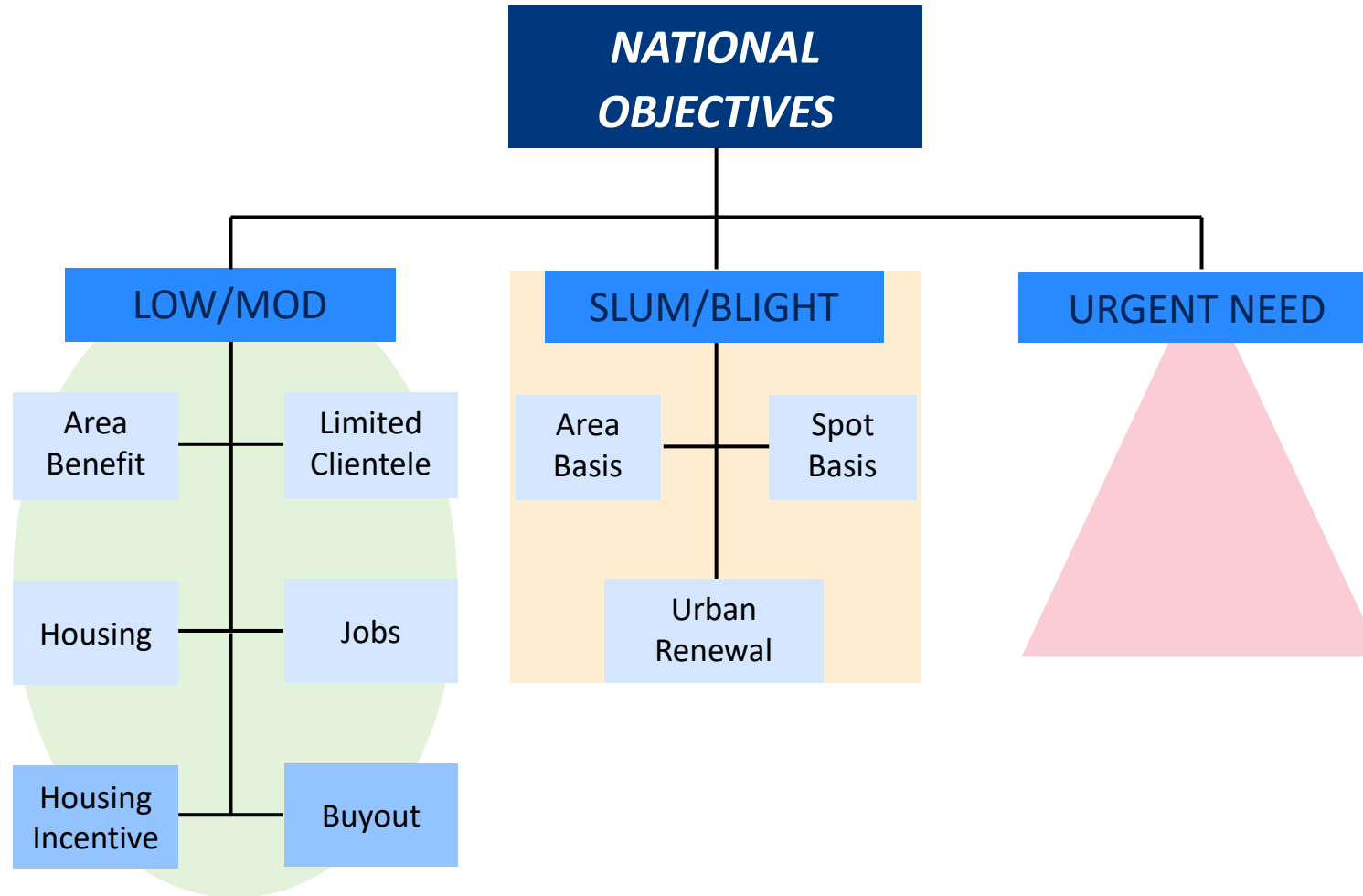
- All CDBG funds expended, except for program administration and planning, must meet one of three National Objectives of the CDBG program
  - Benefit to low- and moderate-income persons (LMI)
  - Aid in the prevention or elimination of slums or blight (S/B)
  - Meet an urgent community need (UN)
- CDBG-DR Public Laws and Federal Register Notices have added two national objective categories that can be used only in disaster recovery programs



# CDBG National Objectives



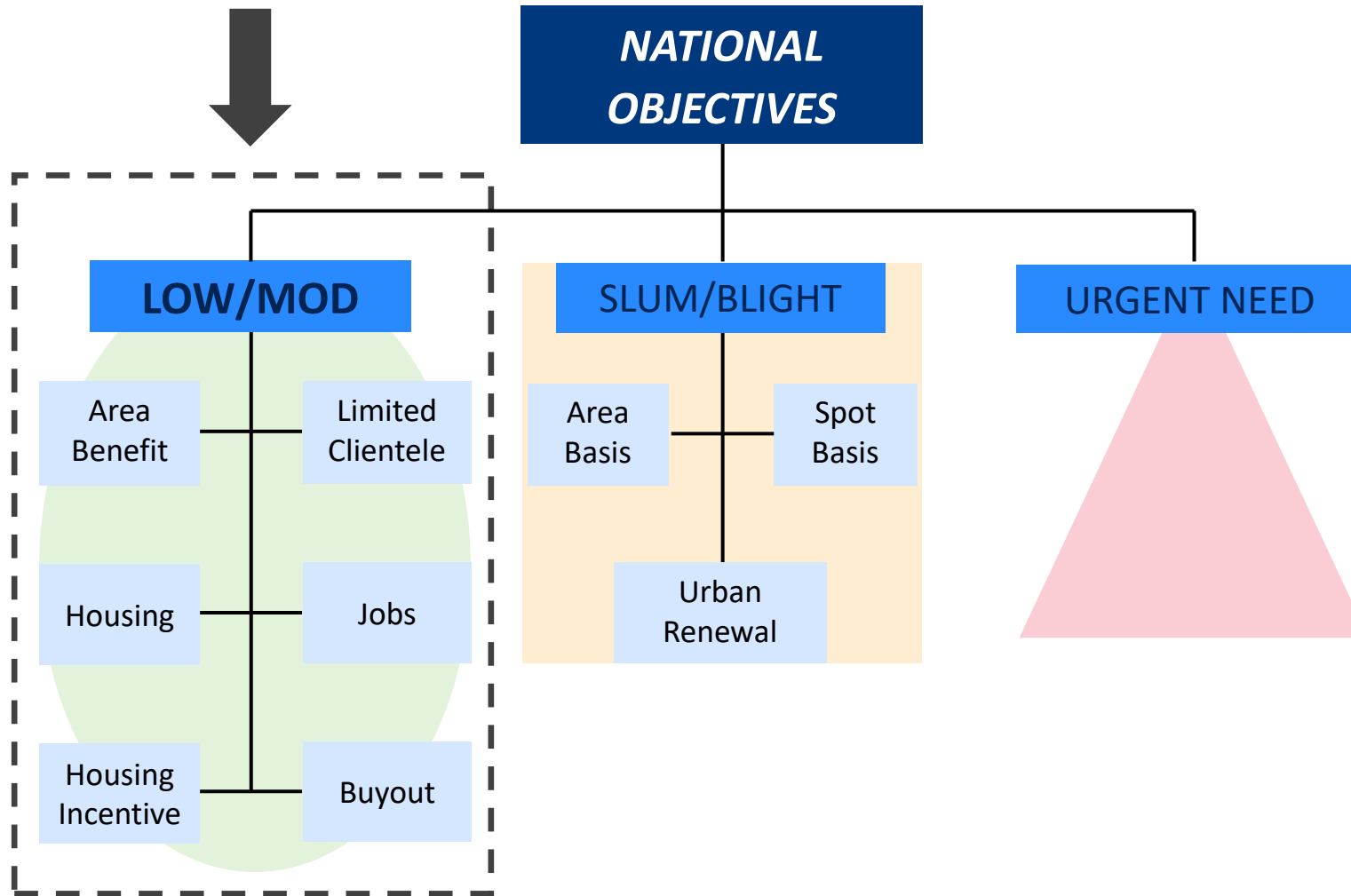
# CDBG-DR National Objectives



# CDBG Overall Benefit Requirement

- The HCD Act of 1974 requires not less than 70 percent of a grantee's CDBG funds be used for the support of activities that benefit persons of low and moderate income
  - Benefitting low- and moderate-income persons means meeting one of the Low/Mod national objectives
- CDBG-DR Public Laws and Federal Register Notices have reduced the overall benefit requirement to 50 percent in some cases
- CDBG-DR grantees may submit a waiver request to HUD allowing a lower LMI overall benefit percentage, based on documented need

# CDBG-DR LMI Overall Benefit



# Other Federal Compliance Requirements

- Procurement
- Debarred contractors
- Labor standards (contract work hours, Davis Bacon, etc.)
- FHEO (outreach and marketing)
- 504, ADA, etc. (facilities)
- Section 3 (hiring)
- URA
- ERR
- Lead-Based Paint
- Flood Insurance
- **DOB**, especially with FEMA IA, SBA loans, insurance

# Duplication of Benefit (DOB)

- The Stafford Act prohibits any person, business, or other entity from receiving financial assistance with respect to any part of a loss resulting from a major disaster as to which he has received financial assistance under any other program or from insurance or any other source.
  - Grantees must ensure that activities provide assistance only to the extent that a disaster recovery need has not been fully met.
  - Disaster assistance may come in the form of donations, insurance proceeds, volunteer work, and state or local funds. It also includes assistance received from FEMA, the SBA, or the U.S. Army Corps of Engineers.

# Duplication of Benefit (DOB)

- High risk area for grantees based on previous disasters
- Must have a system in place to ensure CDBG-DR funds only address unmet needs

# CDBG-MIT Funds

- Funds for mitigation activities that increase resilience to disasters and eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by **lessening the impact of future disasters**
- Congress appropriated:
  - \$15.9 billion for mitigation activities for CDBG-DR grantees receiving funds for 2015, 2016, and 2017 disasters
  - \$2 billion for electrical power system enhancements and improvements for Puerto Rico and U.S. Virgin Islands

# CDBG-MIT Funds

- All CDBG-MIT activities must:
  - Meet the definition of a mitigation activity
  - Address current and future risks as identified in the grantee's mitigation needs assessment of most impacted and distressed (MID) areas
  - Be CDBG-eligible activities or otherwise eligible pursuant to a waiver or alternative requirement
  - Meet a national objective, including additional criteria for mitigation activities and covered projects





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# HFAs and Natural Disaster Recovery



**Louisiana Housing**  
Corporation

Brenda Evans  
Director of Homeownership

# The importance of CDBG-DR Funding



➤ Additional Resources

➤ Flexibility

➤ Collaboration with other state and national entities

# Louisiana and Natural Disasters

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CDBG-DR Funds Administered	Units Completed
Parish Related (64) \$87,827,398	1,691
Corporation Related (14) \$8,988,067	285

# Evolution of Disaster SF Programs in Louisiana

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- Hurricane Katrina
- Agency given disaster funds had little if any substantial experience in housing
- Needed expertise – before strategic disaster planning
- Focus was initially in multi-family development
- Single Family and parishes (counties) not having sufficient capacity or experience to administer funds for long term sustainability

# Challenges and Obstacles

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- Staffing requirements and learning curves
- Completely new ball field! Language, objectives, contracts, etc.
- The latest disaster will dictate the landscape – must be nimble and flexible
- Commitment and expenditure requirements
- Working with sometimes competing and conflicting political objectives



# Challenges and Obstacles

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- Multiple and layered reporting requirements – initially and for the duration of the grant
- Auditing and compliance requirements
- Administering day to day programs AND possible overlapping programs



Louisiana Housing  
Corporation

## Looking Forward .....

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- Identify and cultivate relationships with other state agencies and contractors
- Stay abreast of local and national developments
- True “road home” type of implementation should be considered when administering CDBG-DR funding for long term results
- Include “disasters” in strategic planning, staffing and budgeting





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# Louisiana Housing Corporation

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