



**TESTIMONY OF THE MAYOR'S OFFICE OF HOUSING RECOVERY
OPERATIONS BEFORE THE NEW YORK CITY COUNCIL
COMMITTEES ON RECOVERY AND RESILIENCE, HOUSING AND
BUILDINGS, AND ENVIRONMENTAL PROTECTION**

Monday, March 31, 2014

Introduction

Good morning Chairperson Treyger, Chairperson Williams, Chairperson Richards, and the members of the Committees on Recovery and Resilience, Housing and Buildings, and Environmental Protection. My name is Amy Peterson and I am the Director of the Mayor's Office of Housing Recovery Operations, or HRO. Mayor de Blasio appointed me to this position on March 29th—just two days ago—and my first official act of business is to testify before you today.

I am grateful to begin my tenure with you this morning. These committees have played a crucial role in the City's recovery from Hurricane Sandy over the past year and a half—from passing building codes that will make homes stronger and more resilient to keeping a watchful eye on City programs that are intended to help families and restore neighborhoods. Unfortunately, we are here today in part because too many people still feel the impacts of Hurricane Sandy on a daily basis. I share your sense of urgency to help these people and am eager to listen to your recommendations.

This morning I am joined by several colleagues who have been instrumental since the beginning of the de Blasio's Administration in refashioning the City's aid programs so that they can deliver results more quickly and more broadly: Thaddeus Hackworth, General Counsel of HRO; Calvin Johnson, Assistant Director at the Office of Management and Budget (OMB); and Anne-Marie Hendrickson, Deputy Commissioner of the Office of Asset and Property Management at the Department of Housing Preservation and Development (HPD).

My testimony this morning will focus on the NYC Build it Back program, a federally-funded and City-administered effort to assist residents whose primary homes were

damaged or destroyed by the storm. My goal is to provide you with a clear assessment of the program's challenges and outcomes to date. In particular, I will address your concerns—which are shared widely among impacted communities and the general public—about the unacceptable length of time it has taken the City to help those in need.

I will describe to the best of my understanding how early missteps, unrealistic assumptions, and overly complicated processes have hindered rebuilding and made it more difficult for residents to resume normal life. I will then describe the de Blasio Administration's efforts over the past 90 days to remedy the program's deficiencies. I will conclude by echoing Mayor de Blasio's remarks from this past weekend, in which he declared several major changes to the program—and alluded to more on the way—that will enable the City to make good on the program's commitment to provide “a permanent, safe, and sustainable housing solution” to those who are most in need.

Background

I would like to begin by describing the City's efforts immediately following Hurricane Sandy, which made landfall on October 29, 2012. Mayor Bloomberg created the Housing Recovery Office within a week after the storm to work with City, State and Federal partners to coordinate efforts to return residents to their homes quickly. These efforts included: creating a program known as Rapid Repairs, which enlisted contractors to help restore basic services in homes that were damaged but habitable; establishing an online Housing Portal to help families find temporary housing; and working with philanthropic and nonprofit partners to offer many other forms of assistance, including mold training and remediation.

Short-term Recovery

Let me highlight one of those efforts, the Rapid Repairs Program. Within two weeks of the storm—on November 13, 2012—the City launched Rapid Repairs, a first-of-its-kind emergency sheltering program to provide free repairs to thousands of homeowners left without heat, power and hot water following Hurricane Sandy. The Program was created in collaboration with FEMA and was designed to allow homeowners to use their own homes as shelter in the storm's immediate aftermath.

In less than 100 days, Rapid Repairs restored heat, power and hot water service to over 11,700 buildings—which included over 20,000 units—and addressed the needs of approximately 54,000 New Yorkers. The total cost of the program is estimated at

approximately \$640 million, over \$604 million of which has already been paid out for direct construction costs and indirect program costs.

FEMA has authorized reimbursement of approximately \$228 million to the City. The maximum reimbursement amount expected for the City, which is based on the 90/10 FEMA/City cost-share of eligible items under Rapid Repairs, is \$533 million. The City is applying for CDBG funding to cover additional costs not covered by FEMA.

Longer-term Recovery

Although Rapid Repairs helped significantly to restore order in affected neighborhoods, the recovery process had only begun, and it was clear that the City would need extensive help from the Federal government to fund the rebuilding of homes and communities. This help has come primarily through the Federal government's Community Development Block Grant Disaster Recovery grant, or CDBG-DR for short, which is administered by the U.S Department of Housing and Urban Development (HUD). It is worth taking a few minutes to describe how the CDBG-DR is structured and the resources that the City has received to date.

CDBG-DR grants are sources allocated to help areas recover from Presidentially-declared disasters. They are subject to the availability of supplemental appropriations. In mid-January 2013, nearly three months after the storm—and after a protracted battle over the federal budget—Congress passed the Disaster Relief Appropriations Act, which was the legislative vehicle for distributing CDBG-DR grants to areas impacted by Hurricane Sandy. It is important to note that the funds were designated not only for Sandy relief but also to cover any other federally-declared disaster that occurred in 2011, 2012 or 2013.

So far, the City has been granted \$3.22 billion in CDBG-DR money, which is currently being distributed through two separate allocations, which the federal government refers to as “tranches” of funding. Of that amount, \$1.695 billion is directed toward the City's housing efforts, with \$1.45 billion specifically for the NYC Build it Back Program, which serves homeowners, owners of rental buildings and very low-income renters. The remainder in housing funds will go toward improvements to the public housing infrastructure that is managed by the New York City Housing Authority and was damaged by the storm.

The City's other CDBG-DR dollars cover programs that will address the storm's impact on our businesses, repair critical infrastructure systems, and make investments in resiliency measures across New York City so that we are able to better withstand future

weather events. Funds are also dedicated to covering the City's post-storm administrative costs.

Although the City will receive a substantial amount through its CDBG-DR grant, we do not have enough funding to serve all individuals who were impacted by the storm and have applied to the Build it Back program. We currently estimate that the City would need an additional \$1 billion dedicated to housing to meet the needs of everyone who is an active registrant of the program. We anticipate receiving additional funds through a third tranche but we do not yet know how much will be allocated to the City. Thus there are significant uncertainties about the City's ability to serve all applicants to the program. I will return to this point later in my testimony.

Before moving on, it is important to point out that utilizing this particular funding source involves significant complexities that have influenced the design and operations of the Build it Back's program. Specifically, the City is required to administer its CDBG-DR funds in accordance with a plethora of federal laws, regulations, guidelines and objectives, all of which have grown overtime and do not always match prior disaster recovery requirements. There are three issues I'd like to highlight in this regard:

National Objective

First, the City is required by law to expend at least 51% of its CDBG-DR funds on low- and moderate-income (LMI) populations, which are households that are at or below 80% of the Area Median Income (AMI) for the New York City region, a metric that is defined by HUD. This translates, for example, into a family of 4 with an income of \$67,100 or less; and a family of 3 that earns no more than \$60,400. Helping those who are most in need is a primary responsibility of government, and this provision is intended to advance this goal. However, the rigidity of this requirement, which applies to all money granted to the City including business and infrastructure recovery efforts, has led to inefficiencies and suboptimal outcomes.

Since the Build it Back program is one of the only City programs that directly serves households, it bears responsibility for ensuring LMI compliance for almost the entire CDBG-DR grant and mitigating the risk of the Federal Government refusing to reimburse the City for its recovery expenditures. In practice, this has meant that the Build it Back program has almost exclusively focused on serving LMI customers, regardless of the amount of work they need done. Ensuring compliance has also necessitated a time-consuming process to collect and verify income information for all applicants, including homeowners and tenants who live in buildings that have registered.

Duplication of Benefits

CDBG-DR funding, is intended to supplement—and not duplicate—other resources made available to disaster victims. Before the City spends federal funding on a customer, we are obligated by law, specifically, the Stafford Act, to make sure that we are not spending federal money to cover a need for which funding has already been provided by another source, including awards from FEMA, loans from SBA, or insurance payouts, among others.

To make sure we are not duplicating benefits, the Program is required by law to collect information from our customers and spend time reconciling any previous disaster recovery assistance they have received with expenditures they've made from those awards. In practice, this means that customers have to fill out paperwork that explains how much money they've gotten from other resources and how they spent it. We are also required to vet and verify that information. It can be a cumbersome and confusing process for both the City and the public. And it's one that often requires multiple interactions with our Program staff.

Environmental Requirements

Third, our Program must meet federally-mandated environmental requirements. This includes lead mitigation and necessary documentation for environmental clearance. In practice, this means that we must perform a time-intensive and complicated environmental review, including an on-site review, of each property that comes through Build it Back.

I highlight these items not to imply that the federal restrictions have been the sole cause of Build it Back's delays, but to explain some of the ways in which federal rules have impacted the development of the program. CDBG-DR funding is—in some ways—flexible. But it is not a blank check.

That said, the City has worked with our federal partners, including the Hurricane Sandy Rebuilding Task Force that was launched as an interagency effort in December 2012, HUD, FEMA, and the SBA, to streamline our City's recovery and to use the funding in ways not possible for prior CDBG-DR grantees.

Program Overview

The Build it Back was not designed to be a traditional, check-writing CDBG-DR program. In those cases, customers do their own construction management and must then

prove that the repairs were done according to federal standards. If they cannot meet those complex standards, they may be forced to repay the funds back to the government, potentially leaving them in a worse position than when they started.

The Build it Back program was designed to avoid these and other challenges experienced by cities in post-disaster situations, especially New Orleans and much of the Gulf Coast following Hurricane Katrina. Many residents in those areas experienced contractor fraud, received poor construction services, or simply used grant funds on other ineligible purposes. As a result, despite the level of Federal investment in these areas, many communities were still marked with extensive damage and erratic rebuilding years following the storm.

In designing the Build it Back program, the Bloomberg Administration decided to take a different approach based on these lessons and also the unique complexities of building in New York City. The goal of the program was to have the City administer all construction activities, ranging from relatively simple repairs to much more expensive and time consuming home elevations and reconstruction. Admittedly, the City-managed construction process would take longer to set up on the front end. But the intent was for clients of the program to feel assured that construction would be done correctly, to the resilient building standards, and that they would bear no risk that funds would be reclaimed or extorted.

Single Family Program

The award options under the Build it Back Single Family program include Repair, Repair with Elevation, Rebuild, Reimbursement, and Acquisition for Redevelopment. Under the Repair and Repair with Elevation options, the Program will complete any remaining repairs of storm damage to a customer's home using either the Program's own contractor or a customer-selected contractor. If the customer's home was substantially damaged by the storm, the Program will also elevate the home to above base flood elevation.

Under the Rebuild option, the Program will build a new, elevated home for customers whose home was demolished, completely destroyed, or damaged beyond repair by the storm, using either a Program developer or one of the customer's choosing.

Under the Reimbursement option, the Program reimburses customers for out-of-pocket expenses they already incurred repairing storm damage to their homes. And under the Acquisition option, customers with destroyed or demolished homes may be eligible to be referred to an acquisition program the City runs jointly with the State, under which the

State purchases such properties with the goal of redeveloping them into more resilient homes.

Multifamily Program

The Multifamily Program focuses on properties with five or more apartments, including rentals, condominiums, and cooperatives. This program is also run by HPD and includes individual owners of condo and coop units as well as building owners. Financial assistance will be provided as a forgivable loan to cover unmet need for rehabilitation of buildings that sustained damage as a result of Hurricane Sandy. In addition, the City intends to strengthen housing infrastructure by identifying opportunities to increase resiliency against future events.

Temporary Disaster Assistance Program (TDAP)

The Temporary Disaster Assistance Program, or TDAP, serves very low-income renter households who were displaced from their homes as a result of Hurricane Sandy. As background, immediately following the storm, there was hope that a federal rental assistance program would be activated. Ultimately, HUD and FEMA established the Disaster Housing Assistance Program, or DHAP, but the eligibility criteria for this program, which was run by the State, were restrictive. The City was concerned that it would not meet the needs of the highest needs displaced tenants.

In response, the City allocated a portion of its CDBG-DR funding to create a separate rental assistance program, TDAP. The City was granted a necessary regulatory waiver from HUD, and the program was included in the City's first Action Plan.

TDAP is modeled after Section 8 and is a two-year rental assistance program for very-low income residents, those whose income is less than 50% AMI. TDAP rental subsidy is limited to two years and must be used within New York City. Households are required to pay 30% of their income toward rent.

PROGRAM DELAYS

What, then, about the delays? Managing federal funds and their accompanying rules certainly added a layer of complexity to our Program development and implementation. But, the Program also struggled with issues on a more local level. When Build it Back began accepting registrations on June 1, 2013—and processing applications on July 8—the Program had challenges finalizing and implementing policies and procedures to move customers through the process. This included: handling customer expectations and

communications, changing required Program documents after registration opened, and difficulty managing vendor contracts across multiple City agencies.

For example, Build it Back opened without a dedicated customer service team in place. That was a mistake. It took several months--until late October of 2013--to bring online the needed resources to provide applicants the attention and service that they deserved. During those early months, we struggled to communicate effectively with our customers, particularly those with limited English proficiency. We also experienced difficulty in collecting documentation from customers, including instances where we were unclear about what was needed, and instances where we failed to track customer's documentation through our system. Since that point, however, our customer service team has responded to approximately 5,400 customer inquiries. Today, any customer with questions about the program can reach a dedicated Build it Back customer service representative at (212) 615-8329.

We also recognize inefficiencies in the process we developed to shepherd customers from registration through to benefits offerings. This process includes multiple different steps in which customers interface with a variety of different contractors and specialists. From a process standpoint, the continued passing of responsibility from one contractor to another has had the effect of diminishing accountability. And from a customer service perspective, we understand that it be confusing to deal with a revolving door of specialists.

The City's program was also designed before we gained a full understanding of the impact of transfer payments on our customers. For example, our policy was to request transfer payments from our customers prior to the detailed scoping and design consultation process, which presented them with a difficult choice to make without the benefit of the full information they needed to make it.

Finally, internal City process has also been problematic. The Housing Recovery Office, which was established quickly to respond to the needs of New Yorkers, did not have all of the resources and capabilities it needed at first. For example, they lacked the infrastructure needed to hold and manage contracts, which meant that the contracts being let for Build-It-Back vendors were being managed by other City agencies.

Beyond this, the City needs to do better at clearing away the bureaucratic hurdles that stand in the way of construction starts, such as DOB permit issues.

As a result of some of these early issues, the Program did not begin presenting customers with offerings until November and closed out 2013 with about 500 offerings made.

In short: while some of the delays were the result of complex federal requirements, some were also self-inflicted. Missteps were made.

I will discuss some of the ways that we are addressing these problems later on in the testimony.

Outcomes to Date

Note that I speak of the above issues in the past tense. Since January 1, the Program has made a series of improvements to serve New Yorkers more effectively and compassionately, prioritizing the fast and efficient delivery of relief. I will now provide a brief description of outcomes to date and recent progress.

TDAP

The City has reached out to all 2,306 applicants that registered for TDAP. Eighty percent of that number could not be reached, did not meet basic program criteria, or declined assistance. Of the 483 active TDAP applicants, 232 coupons have been issued and 83 of those applicants have signed leases utilizing this benefit.

HPD, which is running TDAP, is expanding its eligibility requirements for this Program to meet recently emerging needs of renters, who had originally found housing right after Sandy but are now experiencing a significant rent hardship. HPD will reach back out to those initially deemed ineligible upon approval by HUD of Amendment 5 of the New York City Action Plan.

Multifamily

Intake has been completed for over 80% of about 700 active registrants and the rest are being actively completed at this time. These applicants are working directly with project managers in the program—from intake to closing and through the end of construction. About 60% of applicants represent buildings containing varying numbers of units, and are serving tenants across the City. This Program is prioritizing funds for buildings that serve more low-income tenants.

The Multifamily Program has already closed on 3 loans, with construction underway, and we estimate 50 additional closings by June. The City has also dedicated a limited pool of

Building Mitigation Funds to address resiliency efforts within high-need projects. With no existing federal guidelines or standards for multifamily residential resiliency work, an interagency team has worked extensively—including engaging external stakeholders—to develop a program to implement these funds.

Single Family

Over the last three months, the Administration has made significant progress to accelerate the Single Family program and expand program offerings to better suit the needs of applicants. This began with removing red tape and streamlining the intake and project development process. To date, the following progress was made:

- Completed nearly 10,000 damage assessments, 7,000 alone since January.
- Conducted intake for over 13,700 customers;
- Conducted income verification for 5,100 Priority 1 customers, insurance verification for 11,600 customers, and other benefits verification for over 6,000 customers. This is an important part of the duplication of benefits analysis I described above;
- Completed calls to 5,000 unresponsive customers, which has yielded an additional 1,200 customers interested in program re-entry.

Now that Program operations are ramped up, Build it Back has presented over 3,000 customers with award pathways. Over 600 have accepted offerings and are now in the first stages of their award paths. Included in that number are about 70 repair customers who have moved to the next stage and are in the process of having their scope of work prepared, over 40 homes with elevation design process underway, and another 40 whose homes will be rebuilt and who are working with developers on the designs for their new homes. Construction began last week and the first reimbursement checks have been mailed to homeowners.

More meetings are now being scheduled and completed every day. The estimated total value of awards that have been accepted is about \$40 million. The total value of awards that have been offered at this point to homeowners, but which have not yet all been accepted, is estimated to be over \$312 million.

Since January, the Administration has also designed and operationalized a first-of-its-kind program to provide reimbursements to applicants who have already completed work. The City worked closely with State and Federal partners to make this reimbursement option available for the first time as part of a CDBG-DR program. The Program has

completed grant agreements with customers totaling almost \$135,000 in reimbursements and/or repair work. The first checks were mailed last week.

Build it Back has also made major improvements to its public engagement and customer service efforts. In January of this year, Build it Back opened a new center in Far Rockaway to make sure the Program's services are accessible to all impacted communities. The Program increased the presence of City staff at its Centers to provide direction and oversight and increased communication with customers to identify what documents they need to move through the process and explain their next steps. Build it Back has also translated all required forms and documents into the top languages most common for customers and hired additional foreign language-speaking staff. And, this week, an applicant guidebook will be posted online so that our Program's policies are clear and accessible to applicants.

The Program has also engaged in extensive outreach in all communities impacted the storm, meeting with residents, elected officials, and community groups to provide Build it Back updates, answer status questions, and get feedback in person.

Other Efforts

Transparency

And the program moves forward, we intend to keep our City partners—and the public—aware of our progress and how the Program is spending its funding. To the effect, Build it Back has assisted in the creation of a publicly accessible database to monitor, track and ensure full transparency around the expenditure of funds and our progress in connection with Hurricane Sandy recovery efforts.

The Sandy Funding Tracker database provides public access to all City contracts for the allocation and expenditure of federal disaster relief funds, including contract vendor information. Currently, the website provides the number of customers registered and processed by a variety of geographies, including Council District, the Program milestones, and details of executed city procurement contracts for NYC Build it Back.

Over the coming months the City will post even more detailed information on contracts, grants and loans funded with federal recovery dollars, both via CDBG-DR and the FEMA Public Assistance program. The information will include details like: funding totals, amounts expended to date, the start end and estimated dates of projects, and the location of construction projects.

Workforce Development and Local Jobs

The City also intends to make available information on estimated jobs created by the Program via the Sandy Funding Tracker. Note that it is the policy of the Build it Back to create—to the greatest extent feasible—employment and business opportunities for residents of projects that occur in their communities. The City, and HRO specifically, has developed a Section 3 Plan consistent with the federal requirement that recipients of certain HUD funds, like the CDBG-DR grant, provide job training, employment, and contract opportunities—to the greatest extent possible—for low- or very-low income residents in connection with projects in their neighborhoods. Build it Back is working with its contractors and other City agencies, including NYCHA and OMB, to ensure that the Section 3 plan is implemented.

Next Steps

This recent progress is just the beginning. Over the weekend, Mayor de Blasio spoke at the recently reopened Seaside Library in the Rockaways and outlined some major changes to the program better, faster, and able to serve more New Yorkers. The Mayor began by introducing a new leadership team and accountability structure. This included the appointment of Bill Goldstein—formerly the Executive Vice President at MTA Capital Construction—to serve as Senior Advisor to the Mayor for Recovery, Resiliency, and Infrastructure, and myself to oversee the Housing Recovery Office, including the Build it Back Program.

The Mayor then announced plans to reallocate an additional \$100 million in CDBG-DR funds from other inefficient programs toward the City’s housing recovery. With this additional money, we will be able rebuild every home that was destroyed by the storm and has registered for NYC Build it Back, regardless of income level. Other actions include:

- Immediately increasing HRO staff by 35%, bringing skilled personnel from other agencies into HRO
- Accelerating the design process for home repairs and rebuilds by moving design consultation to immediately after an offer is given to a homeowner;
- Allowing homeowners to set aside their transfer amounts for temporary relocation expenses if they have to move during reconstruction;

- Eliminating permit and procedural bottlenecks that are slowing repairs and rebuilds – for example, clearing outstanding DOB permits that have prevented some rebuilds and repairs from moving forward (of which we have already made a dramatic dent in the last few weeks);
- Ensuring customers with missing documents turn them in within two weeks of opening an application, and that select, or formally challenge, the results of Options Review Meeting within two weeks of that meeting;
- And, just last week, the City announced a coordinated effort that has FEMA contributing more than \$100 million to replace destroyed and damaged boilers in over 100 public housing buildings.

These changes will further streamline the process and accelerate the speed of our recovery efforts.

Conclusion

In conclusion, I would like to reiterate the following:

- HRO is committed to serving New York City residents so they can repair and rebuild safer and stronger.
- The process has been far from seamless. We are taking proactive steps to address the communications gaps and delays that have impacted our ability to provide meaningful relief—quickly—to New York City residents.
- Finally, Build it Back is now operational and making progress. I've detailed many of the major improvements implemented since January – including the dramatic progress that has allowed us to get checks out the door and the first rebuilds and repairs started last week. And as the Mayor announced on Saturday, other major steps are being taken – such as reallocating \$100 million to ensure that **every single home** that was destroyed will be rebuilt, regardless of income or prioritization.

In the coming weeks and months, we will continue to work with the Administration and the Council to improve our Program so that it meets the needs of all New Yorkers impacted by the storm.

Please know that this office is working tirelessly to make the Program work better and faster. But we recognize we cannot do this alone. We value your input, your insight, and your advocacy on behalf of your constituents.

Thank you again for your attention. We would be happy to answer your questions.