

Statement of Nelson R. Bregón
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Office of Community Planning and Development
U.S. Department of Housing and Urban Development
Hearing before the Committee on Homeland Security
U.S. House of Representatives
“Ensuring Safe and Effective Housing Programs in the Wake of Disasters”
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Chairman Thompson, Ranking Member King, distinguished Members of the Committee: I am Nelson Bregón, the General Deputy Assistant Secretary for the Office of Community Planning and Development at the U.S. Department of Housing and Urban Development. On behalf of Secretary Alphonso Jackson, I am honored to have the opportunity to discuss the results and experiences the Gulf Coast states have had in addressing their disaster recovery needs through the Community Development Block Grant (CDBG) program. I will specifically discuss how they are addressing their housing needs and the programs they have proposed to ensure safe and effective housing for residents impacted by hurricanes Katrina, Rita, and Wilma.

In response to the disasters, the President signed three supplemental spending bills in which CDBG funds were appropriated. The first CDBG supplemental provided \$11.5 billion in CDBG disaster recovery funding on December 30, 2005. Within one month, Secretary Jackson allocated these funds based on areas of highest need and with greatest concentration of destruction. In June 2006, the President signed the second CDBG supplemental providing an additional \$5.2 billion and Secretary Jackson promptly allocated these funds to the affected states. The third supplemental was signed in November 2007, providing an additional \$3 billion specifically for the State of Louisiana’s “Road Home” homeowner assistance program.

To date a total of \$19.673 billion has been appropriated for Community Development Block Grants to the five Gulf States impacted by hurricanes Katrina, Rita, and Wilma. Of this amount, states have proposed housing programs totaling over \$14.8 billion, or 75.3 percent of the amounts appropriated. In a little over two years since the first supplemental appropriation, the states have expended over \$8.3 billion for CDBG recovery activities, over \$7.5 billion of which has been for housing assistance activities.

The first two CDBG supplemental appropriations acts passed by Congress were clear in their intent and extraordinary in the flexibility provided to the states, far beyond the traditional nature of such supplemental block grant funding. Congress directed that HUD shall waive all regulations or statutes which act as a barrier to implementation of the Governor's plan. Only four areas could not be waived: fair housing, environmental, civil rights and the Davis-Bacon Act's related prevailing wage requirement. HUD’s primary role was to provide technical assistance on the federal program requirements and monitor the use of funds, but not dictate uses of funds or the amounts to be set aside for each activity unless otherwise specified by Congress. The eligible states would have complete flexibility in determining design, establishing funding levels, and carrying out the activities to achieve their goals. This approach has allowed each of the five states to tailor their recovery programs to best address the needs of the citizens of their states.

The States of Louisiana and Mississippi elected to implement a homeowner compensation program as the primary model. The compensation model provides eligible homeowners with a

grant for uncompensated property losses to their primary residence. In consideration for assistance, homeowners would agree to covenants on their property that would require any new or rehabilitated structure to meet new building code requirements and FEMA elevation requirements if applicable. The goal of the compensation model was to ensure that any rebuilt properties would be safe from future hurricanes. Mississippi has assisted over 15,000 homeowners and the Louisiana Road Home program has assisted approximately 93,000 homeowners.

As I stated previously, each state was given flexibility to adopt their own recovery plans. The states of Alabama and Florida are implementing more traditional CDBG housing programs by a method of distribution to local governments for housing activities with jurisdictions in Alabama and Florida undertaking different combinations of housing rehabilitation, relocation, and reconstruction. The state of Texas is undertaking rehabilitation through its council of governments with funds from the first supplemental and will assist approximately 452 homeowners. Texas' primary homeowner assistance program is a housing rehabilitation program. This program is being funded through the 2nd CDBG supplemental as there were not enough funds for that scale of a program originally. Texas proposes to assist approximately 15,000 lower income homeowners.

One factor influencing the choice of the compensation program model over the housing rehabilitation model was the lack of an environmental review requirement on individual home sites. The environmental requirement was one of the four statutory areas that the supplemental appropriations did not allow the Secretary to waive. A housing rehabilitation program requires a site-specific environmental review. Other factors influencing program design choices were the additional operational requirements a housing rehabilitation program would require, such as work write-ups and specifications, progress payments and inspections. Upon completion of these programs, HUD expects to undertake a study of the results of these different approaches.

Homeowner assistance is not the only housing need in the Gulf Coast. There is also a need for renters assistance. Louisiana, Mississippi, and Texas have all identified renter assistance programs as well as assistance for public housing. These programs are financially more complicated because multiple sources of funding and ownership take longer to implement compared to the homeownership model. Both Louisiana and Mississippi have completed their small renter program design and have solicited applications and should be able to demonstrate visible progress in the near future. Approximately \$1.9 billion has been programmed for affordable rental and assisted housing.

With regard to new construction housing assistance, an additional hurdle exists when locating projects to areas not currently served by existing water and sewer facilities. Mississippi proposes to relocate such facilities and new housing north of Interstate 10 away from flood hazard areas. Housing contingent upon these improvements require a longer term planning and execution in order to complete engineering and facility construction.

Thank you for the opportunity to testify before you today. We look forward to working with Congress on which recovery strategies work best to ensure safe and effective housing recovery. I welcome your questions.