

**CDBG Disaster Recovery Administration Training, Newark,  
NJ  
Tuesday, March 19, 2013, Day 2**

**CDBG-DR Eligible Activities**

Okay. I'm going to ask then our team members, Earl Randall and Badar Tareen to join me on stage to go over the CDBG eligible activities. Because we spend some time on that section related to action planning, and I'm glad we did, because I heard several of your questions in the audience, I'm going to adjust our time schedule for our next break so that you can get in your questions and answers as it relates to eligible activities.

So thank you for your patience on that end and we hope we've clarified those and we will follow up this afternoon.

Badar Taareen: Make sure I got the right one. Good morning, everyone. And I wasn't expecting a response, but thank you. My name is Badar Tareen and that is my colleague Earl Randall. And we are the two people standing between you and lunch, but in addition to that, we're also here to give you a broad understanding of what you can do with the CDBG-DR funds that you'll be getting. Or in other words, an understanding of the activities that you can do, the eligible activities under the CDBG-DR program.

We only have about 45 minutes, including Q&A. So we're not anticipating you'll all be scholars in this topic, but we do hope that you'll have a fundamental grasp of the different kinds of activities and the relevant requirements under disaster recovery that will affect the kind of activities you can do. So let's get started. So what specifically we're going to be going over, just a quick overview, I'm going to talk about some of the relevant provisions in the disaster recovery appropriation.

I know we've been talking about it for the last day and a half, but there are a few parts of the statute that I think would be helpful if we flushed them out a little bit today. I'm also going to talk about the tie back to disaster requirement. Again, really important, very unique to disaster recovery. And then Earl here is going to talk about the different kinds of activities through the lens of the notice.

So he'll talk about housing activities, infrastructure, economic development as well as preparedness and mitigation activities. So while we're all here, Congress, in about January, 2013, just a couple months ago, appropriated approximately \$16 billion just specifically for CDBG-DR. That \$16 billion, as you know, is not just for Super Storm Sandy, but also for disasters in 2011, 2012 and prospectively for 2013.

In March 5th of this year we issued a Federal Register notice, which spelled out not just more of the requirements, but also the particular allocations. The first round, as you know, was about \$5.4 billion for Rhode Island, Maryland, Connecticut, New Jersey, New York and New York City. More rounds will be on the way, but that's where we are right now. So that's the money part.

Another important provision, as you know, and we've been talking about it this whole time is the deadline. So of course, you have until September 30, 2017 to obligate the money and then 2 years to expend it after it's obligated. As you all have, I think grasped since we've been here, in order to meet this deadline we all have to operate under ludicrous speed, because we have environmental requirements, labor requirements, the national objective and eligibility requirements to meet.

So it is good to highlight that deadline. The language of the statute talks about the fact that funds have to cover necessary expenses related to three things. So I'm going to talk a little bit about that. So it talks about disaster relief. Funds have to be for disaster relief. Sounds pretty obvious, I know, but again, what that statement means is not only do the funds have to be for distressed areas pursuant to a presidentially declared disaster under the Robert T. Stafford Act, but the funds have to be used for a disaster that are particular discussed in the notice that are detailed.

So that's what we're talking about when it has to be for disasters. It can't just be for any disaster that was out there, such as the latest Clippers game. That's a disaster, but not the kind that we're talking about here. So number two, they also have to be used for long-term recovery. I know that sounds really obvious, but this really helps to flush that out for a second. Our purpose for this program is long-term recovery.

It's different than FEMA, which is more about the immediate response, immediate recovery whereas if you look at a lot of our requirements for activities, national objectives there's a huge emphasis on the word permanent. So if you're trying to meet a national objective for low-moderate income jobs you'll find that there's a big requirement for making sure that those jobs are permanent in nature.

I mean, there are nuances about seasonal jobs, but permanent or if you're doing housing programs. There's a big emphasis on making sure those houses are more for long-term housing rather than for a night or two. So long-term recovery is a big emphasis. And then of course, the funds have to be used for certain kinds of activities, which again, Earl will talk about infrastructure, housing and economic development are the broad umbrellas those activities fit under.

And as I've already mentioned, the money has to be used, again, for Super Storm Sandy, our 2011, '12 or '13 disasters as described in the notice. Okay. So some more requirements I want to talk about the national objectives. Now, I know we've sort of touched upon that here. I really want to flush it out for a minute or two. We could really do a whole presentation on national objectives, but I do think that it's important to see

examples of how they fit into eligible activities, because there are a myriad of eligible activities you could fit.

You know, Steve said we could play a whole game and figure out how eligible activities can fit a situation, but these national objectives are such important requirements that it can affect the type of eligible activity you can do. That's why I think they're important to briefly highlight. So every activity that you can do under this program has to fit one of three national objectives. So the first national objective is a national objective benefiting those of low-moderate income.

So essentially, that means someone at 80 percent average median income and the activity has to benefit those who are at least 51 percent. So 51 percent of those people have to be LMI or Low-Moderate Income is the term. So there are different ways of meeting that national objective. You can do it through means of housing. So low-moderate income housing. You can do it through the means of low to moderate-income jobs, limited clientele, area benefit.

So there are several ways you can meet that national objective, but they have to be documented. It's not simply you could just take your word for it. So for example, if you were doing an activity, let's say that was providing loans to a business so they can expand in a given area you have to show that 51 percent of those benefited are low to moderate income in getting those jobs. So there are documentation requirements to meet that national objective alone.

Number two, a different kind of national objective is the prevention or elimination of slum and blights. So as you know, slum and blight is an area where infrastructure or the buildings are deteriorated, but you can't just say that, you have to show that the area that is slum or blight was a designated slum and blight area. There's an actual way of doing that. State or local ordinances or laws can show that an area is a slum or blight.

So an example of an activity, maybe you have deteriorated property that you're going to acquire and reuse that was slum and blighted, maybe there's a historically designated building that was now slum or blighted that you're going to purchase and reuse in a different way. So that's an example of something that might fit the slum or blighted national objective. And the final national objective is urgent need.

Now, as Steve mentioned earlier, in disaster recovery, everything can seem like it's an urgent need, but this national objective is very particular on that. A national objective under urgent need has to be one that poses a serious threat to the health, welfare and safety of others. It's a need that has to be identified within an 18-month time period. So an example of such an urgent need would be, let's say there is a water supply facility and that was contaminated by the septic system.

So now you have contaminated water. That would pose a serious health crisis, that would be a serious threat. That could be an example of something that requires an urgent need. So those are the examples of the three national objectives. Along on this slide, I'll talk

really quickly about the fact that your eligible activity has to address a direct or indirect disaster related impact. So what does direct and indirect mean?

I'll give you a quick example of that. Let's say you have a factory that makes joke books for Steve in his presentations or for Todd in his presentations. So this joke book factory got struck by a hurricane. So the roof was damaged for the factory, the windows were damaged. That would be a direct impact whereas an indirect impact would be, the storm didn't scratch this factory at all, it's fine in terms of disaster damage, but as a result of the disaster people fled the community, there were less joke books made, Steve is less able to be funny, revenues went down.

That would be an example of more of an indirect impact resulting from a disaster. And then as I noted before, the area that's being assisted has to be an impacted distressed county as identified in the notice. So how can this requirement be shown? As I talked about earlier, let's say that you have another business that makes t-shirts that say, I love CDBG. Well, the t-shirt factory, again, if that was destroyed by the disaster or damaged you would need some kind of insurance estimates or damage assessment to show that there was that kind of impact.

So that's one way of showing physical losses. Non-physical losses, such as ones that are more economic in nature that can be shown that your t-shirt factory or store had reduced business as a result of the storm. People fled the community, you were less able to have revenues. That can be shown, again, through assessments, analyses that, again, document the relationship between the loss and the disaster. So that's how you can show that.

The final thing I'm going to go through real quickly before I hand it over to Earl is this really important concept called unmet need arising from a previous disaster. So I'm going to go ahead and read this language this you and then I'm going to give you an example of what this means, because this really important. It can be helpful for you. So an unmet need arising from a previous disaster.

It is funds may be used to address an unmet need that arose from a previous disaster which was exacerbated by a later disaster or by a disastrous [inaudible] appropriation. So what does that mean? Let's say you had an eligible activity to repair an infrastructure, a sewage plant. Okay. So you have a sewage plant in Louisiana and it was damaged by Hurricanes Rita and Katrina. So you have this sewage plant, you're going to use an eligible activity public infrastructure activity to repair it. You've got a national objective, urgent need.

We're going to fix this sewage plant that was destroyed or damaged because of Hurricanes Rita and Katrina. So the project is underway. Well, after the project got started another disaster comes around. Let's say Hurricanes Ike and Gustav strikes and then makes that damage worse, it hurts that project's ability to finish. Well, you don't have to wait for the Hurricane Ike and Gustav dollars to fix that sewage plant.

You could use the Hurricane Rita/Katrina money, because there's a tieback to that Hurricane Katrina/Rita storm. The project started because of Hurricane Katrina/Rita. The whole purpose of it was for that disaster. So even though another disaster came along you could still use the previous disaster dollars of Hurricanes Katrina and Rita, because there's a tieback to that storm. So keep that in mind. I think it'll be something that'll be very helpful for you guys down the road. So with that, I will now pass it along to Earl.

Earl Randall: Thank you, Badar. Before we actually go into the housing activities I need to get a feel for the crowd. My mom always told me to always sit up and look important. So I need you guys to sit up and look important for what we're about to do right now. Up until now we've talked about the politics of the appropriation, about the political process with a disaster being presidentially declared.

We've talked about how Congress appropriates the funds. We've talked about how HUD takes those funds and they figure out the data. So we run the numbers. We've talked about the political side. We've also talked about projections, we talked about performance. But as we look at eligible activities I want to get at your passion for what you're doing. This is where your action plan starts to hit a passionate side for what you're doing.

All of your communities experience something devastating. This is where you're passionate for what you're doing comes in. Take a moment and close your eyes and think about your community right now, what your community needs are and how you can address those needs. That's what we're going to get to right now. We're going to talk about your passion for what we do, what you do every day. You ask a lot of people, what's your job, do you love your job and why you do your job.

We may talk about the politics, we may talk about the planning, we may talk about the projections, we may talk about the performance, but at the end of the day it's your passion for what you do. So when we talk about housing activities, when we talk about economic revitalization and we talk about infrastructure at the end of the day it's all about making your community better places.

It's about making your citizens stronger knowing that we're coming back. It's about revitalizing something that has been decimated by disaster. That's what it's about. A couple conferences ago I was charged with making citizen participation a sexy topic. A couple of you asked if I was going to make this a sexy topic, I had to go with passion this time.

So this is going to be a passionate topic. You know, I couldn't really fit sexy into it, but I have to make it passionate. I have to get at your heartstrings about what we're doing, because once we take an action plan and we start to put it into action your passion has to take over. You have to be mindful of the people that you're affecting. When you make a decision to have a housing program you're talking about homeowners, you're talking about renters, you're talking about those special needs populations that you may serve.

You have to see the face at the end of the day. When we log off our computers we have to know that we changed a life and that's what it's about. So as we get into our housing activities I want to put a couple people on the spot before we go to the slides. Mr. Forbes, can you tell us a housing activity that drives a passion for the recovery in Louisiana?

Mr. Forbes: Yeah. I'm Pat Forbes with the Louisiana Office of Community Development and I would say probably one of the programs that seemed to work really well for us and the people were actually able to get passionate about, in Earl's words, is our piggyback program where we used the CDBG funds in tandem with low-income housing tax credits and private developer funds to develop mixed-income housing and it's got a program income component to it so we can keep cycling the money through other projects.

It's created some 7,000 affordable and deeply affordable rental units in the state. In Louisiana, a lot of the areas that were heavily damaged were very heavily rental versus homeownership. And so we knew that for workforce housing we had to have that and part of the process was destroying, if you will, some of the poverty concentration projects that we had before and replacing them with mixed-income, which we did through piggyback. If you're going to restrict me to one that's the one that I would talk about.

Earl Randall: All right. For time purposes, I will restrict you to one. Housing activities, typical housing activities, we talk about new construction, rehab, we talk about single-family housing, multifamily housing, apartments, condominiums. These are your typical housing activities. When you look at the housing activity you need to assess the needs of your community. What does my community need? What did we lose? How were we affected?

So we need to think about when we talk about housing in addressing affordable housing, how do we address those needs? Most grantees that use the CDBG-DR funds to rehab damaged homeowner and rental units. That's the most typical ones, but there are other things that you can do as it relates to housing activities. One that we know are buy-outs. You know, you can conduct buy-out programs. This notice has specific language dealing with buy-outs.

If you use the actual term buy-out, you must acquire the property, remove the property, but you can use pre-disaster value. But there's another requirement in the notice that says, if you plan to acquire property and redevelop that property you cannot use pre-disaster value. You must acquire that property at post-disaster value, but if there's an additional need you can tag along relocation with other documented assistance.

So if an individual has a structure and you want to acquire that for redevelopment you can pay for that property at the post-disaster value. But if that individual has relocation needs or additional needs you can provide relocation assistance based on their documented need. So those are examples of the types of housing that we can do. When we talk about our housing activities the disaster recovery funds allow you to address housing that was not damaged by the disaster.

How can we do that? Because it has disaster related impact. When we talk about housing activities we're looking for the overall impact. We look at housing activities, we look at it as it relates to the quality of housing, the quantity of housing and affordable housing style. When we look at the quality, if your community is plagued with dilapidated housing you may have to develop a housing activity that addressed that need of dilapidated housing.

If you have struggles with quantity, we need more affordable housing in our housing stock, you may have to come up with activities that provide that increase in affordable housing. Dealing with affordable housing stock, you may understand that we have affordable housing, but we need to tailor it to those special needs populations. Do we need permanent supportive housing? These are some of the things that must run through your mind when you're looking at housing activities as it relates to disaster-impacted areas.

When we talk about infrastructure, infrastructure is another critical eligible activity. Mr. Bohlke, can you stand and give us something that Iowa is passionate about in infrastructure?

Joe Bohlke: Okay. Thank you. Joe Bohlke with the Economic Development Authority in Iowa. And I think one of our projects, and we receive funding to do roughly 100 infrastructure projects, one of which was for the city of Iowa City and pre-disaster they had two wastewater treatment facilities, one located in the 100-year flood plain right downtown that handled about one-third of their capacity, the other one was located out of the 500-year flood plain that did about two-thirds of their capacity.

Well, in the disaster they lost a downtown treatment plant, which was about one-third of their capacity. So along with some federal economic development funds as well as some department of natural resources funds we were able to fund the vacation of the downtown plant and remove that capacity out of the 100-year flood plain thereby eliminating several issues really, not just the capacity of the city to handle the wastewater, but removing any future potential of that contamination of the river.

Earl Randall: Thank you very much. When we talk about infrastructure we're looking at projects that address the needs of public facilities, overall public improvements and public buildings. The disaster recovery funds allow you to address the needs of public buildings, which is typically ineligible under the regular program. Under infrastructure you do have the capacity and the capability to address a lot of your infrastructure needs.

I've seen communities with city halls totally decimated rebuild their city hall. Fire stations, schools, police stations rebuild those critical infrastructure needs. You know, you have to really assess the needs of your community to understand what you can do as it relates to infrastructure activities. And a lot of these infrastructure activities play a critical role in the overall long-term recovery of your communities.

In Louisiana, there are significant infrastructure projects that deal with levies, flood mitigation projects. It's critical to the overall recovery of all of those communities. Infrastructure plays a vital role in recovery, because infrastructure supports what you're going to do in housing. Infrastructure supports what you're going to do on an economic revitalization. With the critical infrastructure you're building the foundation of your recovery.

So you have to keep in mind what your communities needs are. You find out your communities needs and you address those needs to build on your long-term recovery. As I mentioned, economic revitalization will move to that segment of activities. Mr. Mabry, can you stand and give us an example of an activity that Mississippi is passionate about on the economic revitalization front?

Jon Mabry: Thanks, Earl. I'm Jon Mabry with Mississippi Development Authorities - Disaster Recovery Division. You know, I go back to Earl's point here with economic development. The way we approached it was an overall comprehensive plan. I mean, they go hand-in-hand, jobs, infrastructure and housing and that's the way we looked at our overall comprehensive plan and ED fell within that or Economic Development.

Some of the specific projects that we did that were successful, one was a revolving loan that we did and we targeted small businesses and we also set that revolving loan up through a community-based development organization. So those funds, when they were repaid, were de-federalized and could be used across the entire state. Another thing, we linked jobs through this revolving loan.

What we did is we set up a homebuyer assistance program and we combined a second mortgage with a first mortgage and some down payment assistance. And when those funds were repaid those funds were used for a small business loan. I branch out into community revitalization, this was a very simple thing that worked and I've got to tell you, it was questionable to me at first and the governor were Façade grants and the impact those have on a downtown community.

The streetscape combined with Facades downtown in Gulfport, for example, brought back 30 restaurants. That's more than we had pre-Katrina, something very simple. Those were some of the tactics that we deployed, but we did a complete -- you know, we surveyed the industries on the coast and identified the larger industries, what they need, back to Earl's point, is infrastructure back in a housing program. Generally, your small businesses are going to need direct assistance.

Earl Randall: Thank you, Mr. Mabry. When we look at economic revitalization, know that your activities aren't limited to the special economic development or to activities to create or retain jobs. Again, you know the needs of your community. You need to stress the needs of your community, realize the needs of your community and focus on those needs of the community. Economic revitalization can include activities that restores and improve the local/regional economy and addressing job losses.



You have a wide range in utilizing economic revitalization. One of the things that I do note about economic revitalization, it allows you to be flexible with the small businesses that you intend to help, with the businesses that you intend to fund. If I bring it home a minute, if none of the po' boy shops in New Orleans ever came back, what would that impact be on that community? Thank you, starvation. I wouldn't be as healthy and handsome as I am without the po' boy shops returning.

You know, you guys may have that type of mainstay in your community. What would Chicago be without a deep-dish pizza or New York without a slice? I think Mr. Constable [ph] was telling me about some of the things that you can get along the shore. What if none of those things returned? Those are some of the things that you have to think about when we talk about economic revitalization.

All of our communities have mom and pops. How do we help the mom and pop come back to revitalize a neighborhood? Sometimes we have to go as deep down as a neighborhood, because that neighborhood may not come back without mom and pop. So we have to be flexible in our minds to be able to reach down to touch mom and pop with some of these dollars. Some of the activities that can be taken under economic revitalization is providing jobs, providing loans and grants to businesses, funding job training.

We have to think out of the box. Because we suffered such a loss in our community we may be able to go beyond and train individuals for new jobs, for more emerging jobs. Long-term recovery takes a long time. So we maybe want to train individuals for construction, for other job venues that may be required in the recovery. You can build educational facilities to teach technical skills, you can branch out.

You can broaden your base of individuals that's in your community. You can give new skills, you can promote new development and growth. You can make the improvements to commercial and retail districts. As Mr. Mabry mentioned, the Façade program, all of those things are stabilizers in communities. You can finance other efforts to attract and retain workers in devastated communities.

Some smaller communities may need the steel mill. It may be their only source. So they may need those type of assistance activities that allow them to maintain and retain jobs. One of the things that the waivers allow you to do, you may not be able to create a new job, but if you can save jobs you're making a difference, you're making an impact.

Now, this notice has specific requirements where direct assistance of businesses, the funds may only be provided to small businesses as defined by SBA or to businesses that you can reasonably -- that are critical to long-term recovery. If you can justify funding a business as part of your communities long-term recovery do so, because you know the needs of your community. That's the importance of the needs assessment.

No one can tell your story like you can tell it. Let me repeat that. No one can tell your story better than you can tell it. If it happened to me, it happened to me and I can tell it

the best, because it affected me in ways you may not even see. Oh, that was almost rhythmic.

All right. It must address the economic impact caused by the disaster. Anything that you fund, it has to tie back to the disaster. It has to have that direct tieback to the disaster with all of the other eligible activities. It has to have that direct tie back. I mentioned the needs assessment, it's important. In any aspect of your plan you have to fall back on your need. What does my community need? That's where you find that passion, based on your community's needs.

That's where you'll find that driving force. If it's a need for housing, if it's a need for infrastructure, if it's a need for economic revitalization you find that passion based on your expressed needs in your action plan. Moving from economic development and economic revitalization, we look at preparedness and mitigation. A lot of our preparedness and mitigation measures should be linked to rebuilding activities to ensure that the community is built back stronger, safer and more resilient.

If you have a rebuilding activity or program you need to tie in those preparedness and mitigation activities, because it helps to build back stronger and smarter. It helps to build back more resilient. We encourage you to build back more resilient. So that's some of the focus. Let's say you have preparedness and mitigation that's not linked to rebuilding. It has to show a connection to the long-term recovery of that community.

Some of the requirements as it relates to preparedness and mitigation, as we said, mitigation measures that's not incorporated into rebuilding you have to show that that necessary expense is related to disaster relief, long-term recovery and the restoration of infrastructure, housing or economic revitalization. We talked about those big three, infrastructure, housing and economic revitalization. It goes back to your needs.

If it comes back to your needs you have to express the need to do it. And the cost associated with mitigation measures may not prevent the grantee from meeting an unmet need. You have to address your unmet needs, because it goes back to your needs assessment of why you prioritize, what you prioritized in your action plan. As I started out, I asked you to close your eyes and think about your communities.

And now, in the same way, close your eyes and think about your community's needs. Think about the plans that you're thinking about, think about the plans that you've already submitted or think about the plans that you may submit tomorrow. Are we addressing the needs of our communities with our eligible activities? And with that, we'll go ahead and take questions.

A: Thank you. Could you tell us, how does the prohibition against use of CBDG dollars for eminent domain apply to the disaster recovery funds? Does it apply at all?

Earl Randall: On imminent domain, you could actually use those dollars for those type of activities, but if you do it in relation to buy-out programs you have to follow the

guidelines as laid out in the notice. There's specific provisions that allow you to do voluntary acquisitions and sometimes you may have to do an imminent domain type project. You have to have that documented and follow the correct URE requirement.

Female: Outside of voluntary acquisition, the notice does not speak to using your DR funds for imminent domain. You are referring to guidance that HUD issued related to imminent domain and the use of CDBG funds, that carries over into disaster recovery, because it's not specifically identified in the notice as something that you can -- that prohibition being lifted.

A: So the prohibition applies?

Female: The buy-out example that Earl described is involuntary. And it sounds like a few of you, because you're CDBG veterans, we just need to make that clear going forward, but that prohibition would carry over.

A: Thank you. The gentleman from Iowa City talked a little earlier about sewage treatment plants that had been compromised. We had a very large treatment plant that came within an inch of being compromised. Can we allocate for preemptive measures?

Earl Randall: Well, based on what we discussed in the notice, if you're going to do preparedness and mitigation measures it has to have that direct tieback to the disaster. So you would have to document that story, that if it had not been for that inch this sewage treatment plant would've decimated this entire community and you have to tell that story. You know, you would have to make that case that if this sewage plant was flooded or inundated with water the affects would carry over and affect X amount.

You know, you know that story better than us. So you would have to document the fact of what happened and justify the fact that you're going to do mitigation and preparedness in that respect.

A: Hi. Question about meeting a national objective, specifically activities benefiting low-mod income persons. Is an indirect benefit acceptable or only a direct benefit?

Earl Randall: An indirect benefit to low-mod, we would have to have a specific example on that one, because it -- she can give an example. Because it's hard to tell without a specific example on whether or not that LMI individual maybe --

A: To give an example, when we do economic impact analyses we look to see not just who is employed by a business, but who is employed by businesses that supply goods to that business. So if an indirect benefit to a low-mod income community would arise from bringing a business in that was going to buy supplies from that community and the benefits of having that new business in that community would filter throughout the community indirectly as well as directly, would that meet the requirement?

Earl Randall: I see where you're going with it, but it's sketchy and we have to have that direct tieback to the economic losses of that community. So it's one that if you were faced with that one and you had to write it up you would have to make the sale for and you would have to explain it to where we would get it. And so your example of an entity and you're talking about funding that entity to open.

Without that entity open and it has that direct effect and it's around the community then we could classify it. But if that entity is being open and its supplier comes in you're starting to get at that real gray area with it. If you could show that direct impact or that indirect impact and have a lasting impact on that community it's one that we would explore, but right now it's shaky.

A: And when do we provide that documentation?

Earl Randall: Actually, as you're developing your plan and as you're developing your programs you can consult with us at any time, because we're there to provide that ongoing technical assistance to you. So if you had an activity or something that you wanted to run by us you have that flexibility to do so.

Female: I would note to follow up on Earl's correct guidance. When you're trying to document that you're benefiting a low-mod population, when he went through that you can do so by showing that a low and moderate-income person will be hired or that their job has been retained that's one way of demonstrating compliance with the low-mod national objectives that's through jobs.

You can also do it for businesses that serve low-mod areas if they're providing goods and services that benefit low-mod areas. What you're describing did not have a tie to jobs or area and it doesn't appear clear at all how that benefits the low-mod community directly. It may have economic impacts, but it doesn't describe in the ways that he laid out how it's providing benefits to low-mod persons.

And my colleague from Colorado notes, it would be questioned in the action plan if it came in just as you described it. So when you have questions, to your point, of whether an activity would meet national objective or eligibility this is where you call your CPD representative, your CPD specialist and say, can I run this by you and this is what I'm thinking.

I encourage write it up so that the answer you get from HUD is specific to what you asked us and lots of things change on your end and it could've changed or our answer could change if you change the circumstances after we've given you a response. So put your questions in an e-mail so that we can respond accurately.

A: Can you provide an example of housing not damaged by the disaster?

Earl Randall: Okay. Housing not damaged by disaster, if you look at your community and let's say your community was 65 percent rental, the housing stock was decimated and

it's in an area that you can't rebuild, that housing. You could do new construction in a habitable area to accommodate your rental needs. So if you're doing a piggyback project or project that allows you to do an affordable rental complex, but that's new construction and it wasn't damaged by a disaster, it allows you to do that new construction.

Or if you're rehabbing maybe an older dilapidated building downtown that you're going to convert to affordable housing downtown or downtown living. You can address that rehab to that downtown facility to meet the needs of your rental affordable housing style. So you don't necessarily have to have a disaster touched damaged property, but if you're doing rehab or new construction on something that wasn't damaged you can meet your housing needs. That would be an example. Any other questions? You're more than free to go to lunch.

Tennille Parker: Before we let you go, just a reminder before we break for lunch concerning our next session, don't forget there's lunch outside, they're waiting for us, but also, I want to make sure that you're aware we're doing roundtables for the next two sessions. And there are posters outside of the door that help direct our roundtable hosts to which table they should participate in and which tables are available.

Those are on the bulletin board near the water just outside the room. Keep in mind, there'll be roundtables both in this room and in the breakout room down the hall. So you want to be sure that you are at the right place. For those who have interest, the housing activities will be in the larger room right here and the economic and infrastructure activities will be in the smaller breakout room. So enjoy lunch and we look forward to seeing you at the roundtables.

Earl Randall: And before you all leave, I want to thank you all for your attention. And as my mother would say, you're all set up and you look very important from up here.

Tennille Parker: This is someone above that. To be able to guard against those measures, to design your internal controls properly so that you can see some of those things, to take your things through a test run. Look, if every Jo-Jo on the street wanted to apply for your program under false pretenses, is there a way to do that? That's part of that process and that's something to be mindful of.

There are cases out there of folks who have taken advantage and with the OIG's help they've been prosecuted and you've been alerted of them. But we have a responsibility, you have a responsibility for due diligence upfront to ensure that there aren't those loopholes. For us, as many of you have been CDBG grantees for several years, a part of that is very clear documentation and quality control.

If it says you have to show proof income then every applicant and every file must have proof of income, no pseudo proof, no partial proof, the whole thing and that you've defined what that proof is. That's very basic CDBG, but that helps to ensure that there's a clear, equitable mechanism for ensuring benefits get to those citizens and those

businesses. Any other questions from the floor? Which grantee organization are you from?

A: Connecticut.

Tennille Parker: You know we want to know, we're so curious.

A: Oh, that's nice.

Tennille Parker: And we want to offer you some TA.

Tennille Parker: We so want to come see you.

A: It's a rhetorical question.

Tennille Parker: No rhetorical, only things that will help you and your peers move forward.

A: Semi-rhetorical. I'm caught up on the timeframe again, as usual. Okay. Are there any negative consequences in terms of how your second tranche may be affected in terms of submitting these partial action plans? I'm not quite sure we assumed this, but we're thinking that if we don't submit the entire amount and try to do a partial or whatever it is it may come across as not needing the entire amount of money. So I don't know how that's going to work, but it's something floating around in somebody's head.

Tennille Parker: I'm pointing to our data person as well. I'm going to ask him a question in a few moments. One thing to consider for context, what you are referring to, and this is something the secretary has identified, \$5.4 billion was allocated for the initial tranche of money through Sandy. After that will be the 2011 and 2012 disasters. After that will be another round of funds for the Sandy grantees and after that, ultimately the 2013.

So if you will, you have these four different events, one of which having taken place with the \$5.4 billion. I understand your question to be then, as you're planning out your share of the \$5.4 billion and putting together action plans and partial action plans for that money, if you have not fully identified 100 percent of your allocation from the initial pot does that in any way negatively impact your receipt of funds under the second Sandy appropriation; is that correct?

A: Yes. I like how you said it.

Tennille Parker: That's why we work hard here, to make sure we understand the question. And Todd, chime in if I'm missing anything. One of the things is understanding why you received the funds in the first place. In the allocation methodology of the notice we laid out that this first pot, the \$5.4 million was largely informed by FEMA individual assistance data, SBA data on homeowner damage and SBA data on of course, applicants, who having applied, but were rejected.

That's the bulk of what informed the first allocation. The second Sandy allocation, one not exclusively limited to, but is largely expected to be informed by the public assistance data from FEMA, which covers a lot of the infrastructure damage. And so those are two different pots. It doesn't mean that the department couldn't pull in some of the updated data, but those are two different considerations as part of the formula.

And so knowing, as it's spelled out in the notice, what the allocation methodology was for the first tranche and looking at what I've just explained that gives you an idea of some of the data we would be using going forward. And Todd, did I leave out anything that grantees should consider as they're thinking about a potential second tranche from Sandy and partial action plans from their first tranche?

Todd: So what you say in your action plan doesn't have any bearing on the allocations. We're going to use data that we get from the other federal agencies, calculate it the way we usually do on unmet needs and do a distribution accordingly. So I think with your action plan it's useful for us to see what you say your unmet needs are and we want to look at that, but we think it's your plan, it's for you to think about how you're going to allocate your funds within your state or your local jurisdiction and that's where you should focus your attention.

A: Okay. And I don't mean to offend, but you twisted the answer just a little away from the question. The question is, if we only allocate what we realistically believe we can spend in the first two-year window with our action plan, will that affect how much we get in the next allocation? What I heard you say is you're going to look at what our unmet need is. Well, our action plan is going to identify our unmet need, but we may not realistically be able to commit or spend all of Connecticut's \$71.8 million in the first two years.

So if we do the responsible thing, which is maybe we're only going to be able to spend \$45 million or \$50 million of it is the fact that we don't say we're going to spend the additional \$20 million hurt us later?

Todd: No.

A: Okay. Thank you.

Tennille Parker: And I just want to come to his defense, he didn't twist the question. The two allocations are informed by two different things and criteria on expenditure is not one of the things listed.

Earl Randall: And keep in mind, in your action plan your needs assessment tells your story of what your need is. So it won't have any bearing on how they do the calculation receiving additional information. Your need is already expressed in your first action plan. So if you express your need your need is there, you're telling your story.

Tennille Parker: Any other questions from the floor? Therese, where are you? Is she in the room? Okay. We're good. I think some of you actually sent some questions through our TA provider who did registration. So a few of these come from those. One of the questions that came up and offered by one of your peers is questions pertaining to staffing. And so let's start off with the cautionary tale and then something that you need to consider. I'll use the example, let's say your CDBG program right now has five people and you get \$20 million on average from HUD.

A: [inaudible]

Tennille Parker: There is no way that you can demonstrate to HUD that you have the capacity to implement this program if all you have is five people running it for \$1 billion, double dollars. Heck, if it's even double your annual allocation there's no way you can do it, it just can't happen. There's too many other things moving at the same time for you to just have five people doing it. You have admin money. That allows you to hire accordingly. We've heard from grantees in our existing portfolio.

Well, there are restrictions on adding state FTEs. There are restrictions on adding additional permanent liabilities. You must determine then, are there restrictions on hiring at-will, contract or temporary employees, the ones that you may end up having to hire to launch these programs? Those must be considerations, but I can't emphasize enough, please do not submit an action plan telling us you have inadequate staff.

And you know we know this, because we talked to the other CDBG folks, we know what you have so far. And we understand the challenge that goes with it, but if you need us to have a conversation with those who do make the staffing decisions on behalf of your unit we'll be happy to say that. But capacity is a big concern for those who think, we can just take on another grant. This isn't just any other grant. There'll be more people than you've ever served in the history of your programs, probably for years on end.

A: You've mentioned the 5 percent admin set aside from the disaster grant, but can you discuss what work might be done by the grantee, the state staff that would not be charged to that 5 percent, but that might come out of program costs?

Tennille Parker: That's an excellent question. And I hope to give a few examples in it. So the 5 percent in the CDBG regulations under administration -- and I should just say, the administration category under the CDBG program speaks to overall administration, the things that you can't specifically ascribe to a specific program, specific project or specific activity.

This could be the person who does performance tracking for all of your dollars. They're on the quality control side, they're not assigned to any particular unit. They may incur an administrative expense that you charge to admin. This is different than the rehab specialist who's working with contractors and homeowners, who's working with the inspections division and informing them about what's going on. They're working on a specific project, program or activity and their staff cost should be charged to the project.



That's not admin, because you can identify specific to an activity, project or program that you set up. To get then back to your initial question, grantees should spend some time in their planning identifying and understanding what are administrative costs that could be incurred, what are the types and where you'll have project delivery costs. Many of you have existing CDBG programs and you have the staff that that's it, that's what they work on.

They're solely on the rehab, they're solely on the economic development, they're solely on this and their costs can be easily tied to, because you have timesheets and things of that nature, to those projects and activities versus your quality control staff, the staff that is primarily management, but not assigned to any project. That's what you would look for on the administrative side. Any other examples that I'm missing, Steve or Earl, while you have the mike?

Steve: Gosh, I never had a microphone that could silence me. Yeah. Actually, a good example of that, and Tennille, you can chime in on this. This is a question to Tennille.

Tennille Parker: Dang.

Steve: So we have a -- so one state entity then uses another one, perhaps and you can have development authority to do business assistance, loans to businesses. They'll be doing an admin function, of course, the EDA, but they'll also be going out and doing underwriting and doing those things. You know, that's two separate functions. So how would an entity go about figuring out how to assign some of those funds to admin and then some of those funds to direct assistance or assistance to a business?

Tennille Parker: I think your question, Steve and I know a couple of you are partnering with other local government agencies or other state government agencies to deliver your programs, this is good, one of the things to consider, start it with your opening statement, which is the local government or the state government is providing funds to the local government agency or another state government agency to perform a specific activity, a specific program.

What I heard was just that, they're doing economic development. So right now it sounds like everything is under the economic development umbrella and whatever the programs or projects in there, that staff can put it in the umbrella of those specific projects, programs and activities. This would be different than, again, having a partner agency delivering something that perhaps is critical to your recovery, but you can't ascribe it to a specific project, program or activity that you're undertaking and it benefits the program as a whole. That would be admin.

A: Such as a procurement office?

Tennille Parker: Oh, you love the questions. I encourage this, some of you have to start having conversations with your procurement office, not only to brush up on the state

requirements, but to ensure they're helping you respond to our questions related to your procurement standards. The procurement serves the whole program. All components of the recovery program could have procurement components to it. And so since they can't point to a specific project, that sounds like an administrative piece.

One could argue, this is the program where we know we're doing procurement, because it's going to be required, the other things that's not anticipated in that context. Project delivery becomes more of an option, because you can assign it to a specific program, project or activity. But just in general, the funds that you provide to your procurement office partners that covers your whole recovery program sounds like an administrative cost.

A: Exactly. And the reason I did that is because I knew you would give the correct answer --

Tennille Parker: Aren't you're lucky.

A: -- and I wanted these people to see how we have to reason through all these things. These are complex things that we have to reason through. So we understand that you have to as well. But now you know the process that you have to go through, the steps that you have to go through to make that determination, it's not a slam dunk. Thanks, Tennille.

Tennille Parker: I can hear the voice of Jon Mabry in my head. For those of you who have had traditional, again, CDBG programs, rehab and small business assistance, we're pretty proud of our paper applications. We worked hard, it's cute, we have boxes, it's succinct. This stuff, people copy it off the Internet. We are the envy of our peers. In disaster recovery, however, you're serving hundreds, possibly thousands of people.

It's great to have paper applications, but if you're not turning that into a digital format you will be in some deep trouble, one, not only the next disaster, but ultimately when you have to call that information in response to your own internal controls or an IG review. Have that information loaded electronically so that you will have it accessible and be able to review it. Keep in mind, HUD has to be able to review it as well.

So please don't rely on just paper copies, have that additional backup electronically. And for those of you who are taking your paper copy applications and loading it into an electronic format so you're literally typing in data that allows you one more step of being able to understand your population, what you've done, [inaudible] and extract information out of there to allow you to do some quick inquiries, like press inquiries related to folks you served, who you served, etc.

But we encourage you, if all you have is paper that's so 1990. Come on, it's 2013. Other questions? A reminder that we heard as well in terms of reaching out to underserved populations, limited English proficient populations. It's one thing to know they exist, it's another to ensure that they have the same access to information as your primary English

speaking population. Please ensure that based on the demographics of your population and consistent with the notice that HUD references, what we call the LEP notice, you're ensuring that information is made available to them and in some cases, you may have to translate that.

It's imperative that you understand what your demographics are. And a reminder to states who don't typically do business with PHAs, Public Housing Authorities and states who don't typically do business with entitlement communities, you probably don't know what the LEP populations are in those communities and you need to find out so that you can be sure you're being accessible, providing equal opportunity of information and to ensure that those residents can also receive benefits.

That's part of the consultation piece that you can have when meeting with the units of local government, particularly on the state side. Other questions? All right. I'm looking at the time. I have 3:45. Therese is on at -- is it 4:00 or 4:15? Okay. I'm going to suggest we hold our break until 4:00 and then give her time to come in. Hi, Therese. Therese, we were going through some Q&A's. If you are comfortable we can start your session earlier.

So why don't we do this, why don't we go ahead and take the 15-minute break and then we'll start right after that with Therese's environmental presentation.