

**Testimony of
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for Neighborhood Development
City of New Orleans, LA**

**Before the House Subcommittee on Housing
and Community Opportunity**

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On behalf of
National Community Development Association
National Association for County Community and Economic Development
National Association of Local Housing Finance Agencies
National Association of Counties
Council of State Community Development Agencies
United States Conference of Mayors

Good morning, Mr. Chairman, Ranking Member Waters, and distinguished members of the Subcommittee. Thank you for the opportunity to testify before you on the “Emergency Housing Needs in the Aftermath of Hurricane Katrina.” My name is Ellen Lee and I am the Deputy Executive Assistant for Neighborhood Development for the City of New Orleans. My Department is responsible for administering the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) Program, Emergency Shelter Grants Program, and HOPWA. I am here before you today representing the National Community Development Association, National Association for County Community and Economic Development, National Association of Local Housing Finance Agencies, National Association of Counties, Council of State Community Development Agencies, and the U.S. Conference of Mayors.

On August 29, the states of Louisiana, Mississippi, and Alabama were hit by Hurricane Katrina, a devastating category 4 hurricane that decimated most of the gulf coast. My city of New Orleans, as you know, was almost completely destroyed by the ravages of the hurricane. In the wake of the hurricane, thousands of residents were left with no food, clothing, or shelter. Across America, cities and counties opened their doors and their hearts to these displaced residents.

CDBG and HOME Are Needed in the Short-Term and Long-Term Recovery Efforts

The Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) are two critical resources for providing housing and services to the areas damaged by the hurricane as well as to those areas that have accepted evacuees. They are being used to provide assistance to the immediate housing needs of the hurricane victims. Both programs have a long history in assisting communities with their housing and community

development needs, including in times of disasters. Supplemental emergency funds have been appropriated for CDBG for use in many past hurricane recovery efforts. In the short term recovery effort, communities which are assisting the evacuees can and are using CDBG funds to develop public facilities to provide temporary housing to disaster victims, rehabilitate units within the community to house evacuees, and provide much needed services to the victims of the hurricane, including food, child care, health care, case management and temporary shelter. For communities directly hit by the hurricane, CDBG funds can be used in the short-term to repair water, sewer, electrical and telephone systems, provide security patrols, clear debris, demolish unsafe buildings, and many other activities. In the long-term recovery effort, CDBG funds will be needed to provide rehabilitation assistance to homes and businesses damaged by the hurricane, build new ownership and rental housing, provide infrastructure improvements, and continue to provide services to the victims of the hurricane. Case management will become an important component of any long-term assistance as many of the displaced residents are suffering from post-traumatic stress disorder and need long-term follow-up on mental health issues, as well as basic services, such as transportation and employment. In the short-term housing relief efforts, the HOME Program is needed to provide tenant-based rental assistance to the evacuees. In the long-term, HOME funds will be needed to rehabilitate and construct new housing for low- and moderate-income people devastated by the hurricane. State and local governments in federally declared disaster areas are using existing CDBG and HOME funds that were previously programmed for other uses towards the disaster recovery. We ask that authority be included in the supplemental appropriation for these funds to be reimbursed to these grantees in order for them to carry on their regular program activities for their citizens.

Recommendations to Make the Relief Effort More Efficient and Effective

We understand that HUD has recommended to the Office of Management and Budget a supplemental appropriation of \$25 billion in CDBG funds and \$50 million in HOME funds for tenant-based rental assistance to aid in the relief and recovery efforts. We strongly support these funding levels and urge Congress to act quickly upon the request once it is received. We further urge that the supplemental appropriations legislation include language authorizing HUD to waive any statutory or regulatory requirement to both CDBG and HOME, except those related to fair housing, nondiscrimination, or the environmental requirements of the Environmental Protection Agency (EPA). Waivers to the statutory and regulatory requirements of the CDBG and HOME programs are needed now and must be approved by HUD quickly. We urge that language be inserted in either the supplemental appropriation bill or through other legislation that would require HUD to approve any waivers submitted by the State or local governments in the federally declared disaster areas within 30 days. If HUD does not approve the waivers by this deadline, we ask that they be considered automatically approved. The following waivers to the CDBG program are needed in order to make the relief efforts more efficient and effective.

1. Waive the CDBG's statutory requirement that new housing construction be permitted only through a nonprofit entity. To help in the long-term recovery effort, disaster area communities, and those communities accepting victims who wish to remain in their new location, need to be able to use CDBG funds for new housing construction. Currently, the statute prohibits this. This will slow the building of housing in these areas. In addition, some of the evacuees may want to remain in the areas in which they have been temporarily relocated. Those communities which have directly assisted the evacuees should also have the ability to construct new housing for these victims using CDBG funds for as long as it takes to get the job done.
2. Waive the requirement that 70% of funds are for activities that benefit low and moderate income persons at 42 USC 5304 (b) (3) (A) and 24 CFR 570.484.
3. Permit use of some of the funds for technical assistance to grantees aiding in the recovery effort.

4. Provide for a temporary increase in HUD staffing to administer the funds provided.
5. Waive the 20% cap on the use of CDBG funds for administrative costs.
6. Waive the restrictions on the repair or reconstruction of buildings used for the general conduct of government at 42 USC 5305(a)(2) and (a)(14) and 24 CFR 570.207(a)(1).
7. Waive the 50% of downpayment limitation on direct homeownership assistance for low or moderate income homebuyers at 42 USC 5305(a) (25) (D).
8. Waive the provision at 24 CFR 570.483 (b)(4)(ii) that requires units of general local governments, for job retention activities, to document that either or both of the following conditions apply to at least 51% of the jobs at the time CDBG assistance is provided: 1) the jobs are known to be held by low or moderate income persons, or 2) the jobs can be expected to turn over within two years and be filled by or made available to low or moderate income persons upon turn over. Instead, units of local government in the hurricane impacted areas will be able to presume that all jobs retained as a result of the CDBG funds meet one or both of these conditions.
9. Waive the one-for-one replacement requirements at 42 USC 5304(d)(2) and 24 CFR 570.488, for low and moderate income dwelling units (1) damaged by the disaster, (2) for which CDBG funds are used for demolition and (3) which are not suitable for demolition requires that all occupied and vacant occupiable low/moderate income dwelling units that are demolished or converted to use other than low/moderate income dwelling units in connection with a CDBG activity must be replaced with low/moderate income dwelling units. By not waiving this provision grantees would be discouraged from the demolition and clearance of dwelling units that would otherwise be appropriate for CDBG assistance. Such inaction would inhibit recovery efforts and add to health and safety problems.
10. Waive requirements that state grantees in the federally declared disaster areas must match the amount of CDBG funds used for the administration and limits administration to two percent of the aggregate amount received by the of the state CDBG program at 42 USC 5306(d)(3)(A) and 24 CFR 570.489(a)(1). Waiving these provisions would prevent undue hardship on the state due to the economic hardships that the state is currently facing because of the horrendous damage done by Hurricane Katrina.
11. Waive requirements at 42 USC 12706 and 24 CFR 91.325(a)(6), that housing activities undertaken with CDBG funds be consistent with the strategic plan and 24 CFR 570.903 which requires HUD to annually review grantee performance under the consistency criteria. Waiver of these provisions will provide maximum flexibility and allow the supplemental funds to be distributed quickly and effectively.
12. Waive citizen participation requirements at 42 USC 5304(a) (2) and (3) 42 USC 12707, 24 CFR 570.486, 24 CFR 10003.604, and 24 CFR 91.115(b). Due to time constraints this would allow faster disaster recovery and disaster relief.

13. Waive the requirement at 42 USC 5306(d)(1) and 24 CFR 570.480(a) that requires states to distribute CDBG funds to units of general local government in the state's nonentitlement areas. This provides the State the flexibility to meet a wide range of needs in disaster impacted areas.
14. Streamline the citizen participation requirements at 42 USC 5304 and 24 CFR 570 consistent with what HUD's Office of Community Planning and Development (CPD) has already done with respect to a substantial amendment to a consolidated plan.

Already, HUD has eased certain regulatory requirements in both programs for victims of Hurricane Katrina, and we strongly support HUD's efforts. For example, the CPD office within HUD has agreed to allow grantees to reprogram CPD funds for use in assisting the disaster victims and have decreased the public comment period for a substantial amendment to a consolidated plan from 30 days to 3 days. In addition, HUD has lifted the 15% cap on public services in the CDBG program.

For the HOME program, HUD has waived a substantial number of requirements both for disaster areas and those areas accepting the victims outside of disaster areas. They include:

1. allowing, for a one-year period, victims to self-certify that they meet the income requirements of the program. Many families whose homes were destroyed by the hurricane will not have any documentation of income and would not be able to qualify for HOME or American Dream Downpayment Assistance Initiative (ADDI) funds.
2. waiving the tenant selection criteria and property standards (HQS), other than state or local health and safety requirements, for tenant-based rental units. This waiver will allow grantees to expeditiously meet the critical housing needs and is available for a one year period.
3. waiving the 10% cap on the use of HOME funds for administrative costs.
4. waiving the maximum per unit subsidy requirement.
5. eliminating the matching requirement in disaster areas.
6. waiving the first-time homebuyer and amount of assistance ceiling (the greater of 6% of purchase price or \$10,000) for ADDI funds.

One HOME requirement that needs to be waived is the one-year lease requirement for HOME-assisted units. The HOME final rule requires that a lease between the owner and tenant be executed and that the lease not be for less than one year, unless mutually agreed upon by the owner and tenant. Owners may want to push for a year lease, but some of the evacuees may not want to stay in the area for that length of time. Many will want to return to Louisiana, Mississippi or Alabama to rebuild their lives as soon as possible. A year lease requirement is too restrictive.

FEMA

Some communities that are assisting the evacuees have reported that the Federal Emergency Management Agency (FEMA) committed to providing 18 months of rental assistance to the evacuees. Many communities worked with the evacuees to execute leases for this time period (for those that want to stay in the area for that length of time). They were later told by FEMA officials that only 12 months of assistance would be provided. This has left these local governments holding the bag, so to speak, for 6 months of rental assistance. We urge the Subcommittee to investigate these claims and act promptly to ensure that FEMA provides the full 18 months of rental assistance, as originally promised to these communities.

Other States Need to be Declared Disaster Areas

Finally, while most of the states that are assisting the evacuees have been declared federal disaster areas, some have not. California, Ohio and Rhode Island have accepted evacuees and need to be declared federal disaster areas in order to receive funding from FEMA, supplemental appropriations, and be allowed to use their CDBG, HOME, and other funding to assist the hurricane victims.

Tax Relief

Although not under the jurisdiction of this Subcommittee, we will be asking the tax writing committees to provide relief from certain tax code restrictions affecting tax-exempt housing bonds. We are asking them to build on the targeted area provisions of the Mortgage Revenue Bond program by adding a generic provision to the Internal Revenue Code to help Louisiana, Mississippi, and Alabama. Under this tax relief recommendation, any Presidentially-declared disaster area jurisdiction would be considered a targeted area for purposes of the MRB program. In a targeted area the first-time homebuyer requirement is waived, which is very important. The income limits are increased, with two-thirds of the proceeds available to assist homebuyers with incomes up to 140% of area median income for households of three or more (120% for households of two or fewer) and one-third available without an income limitation (this would be a valuable incentive for attracting higher income persons to cities like New Orleans), and purchase price limits up to 110% of the applicable purchase price limits for the jurisdiction. These MRB changes should be available without regard to the volume cap (no one really knows how many need to be issued) for a period up to three years. Additionally, they should be exempt from the Alternative Minimum Tax. Households assisted by these bonds should have access to downpayment/closing cost assistance under CDBG and HOME.

We thank you for the opportunity to express our views on the federal response to Hurricane Katrina and look forward to working with you to help the disaster victims.

