

TESTIMONY OF
MAYOR’S OFFICE OF HOUSING RECOVERY OPERATIONS
BEFORE THE NEW YORK CITY COUNCIL
COMMITTEE ON RECOVERY AND RESILIENCY

September 26, 2017

Good Afternoon Chairperson Treyger and members of the Committee on Recovery and Resiliency. I am Amy Peterson, Director of the Mayor’s Office of Housing Recovery Operations.

Thank you for inviting me to testify today on enrollment for the Build It Back program. As the Build It Back program is nearing completion and the fifth anniversary of Hurricane Sandy is approaching, and especially as hurricanes are devastating communities across the country, it is a good time to step back and review the lessons learned from the program

FUNDING ALLOCATIONS

Build It Back is funded fully through HUD Community Development Block Grant – Disaster Recovery (CDBG-DR) funds. These Federal funds are meant to be used as a last resort, after funding from FEMA, private insurance, National Flood Insurance Program payments, and SBA loans have been exhausted.

The first commitment that the City would receive funding from HUD occurred three months after Sandy when on January 29, 2013, President Obama signed into law the Disaster Relief Appropriations Act of 2013, which provided \$16 billion in HUD Community Development Block Grant – Disaster Recovery (CDBG-DR) funds to aid in long-term recovery, restoration of infrastructure, housing and economic revitalization. The use of the City’s first tranche of this funding was approved on May 10, 2013, when the Department of Housing and Urban Development approved the City’s initial Action Plan for the first allocation of CDBG-DR funding. This was the first tranche of funding and while it was expanded in 2013 with the second tranche, it was not until a year later in May 2014, when this administration working with our partners, including Senator Schumer, was able to secure funding in the third tranche to commit to serving all eligible applicants. HUD's approval to use those funds was approved in an Action Plan on April 13, 2015. Until the funding was secured by this administration in 2014, homeowners earning more than 80% of AMI (area median income) were not eligible to receive repair or elevation assistance. The de Blasio administration has consistently committed to ensuring that enough funding is available to serve all eligible homeowners.

As a note, the Congressional appropriation for the recent hurricanes includes an allocation for HUD CDBG-DR funding. This commitment that HUD funding will be available to these communities earlier will allow them to more effectively plan and best serve the impacted community.

BUILD IT BACK REGISTRATION

In June 2013, Build It Back opened registration through the 311 Call Center, urging all homeowners, landlords, and tenants to register before the October deadline. By October 31, 2013, 20,275 homeowners registered for the Program from across the five boroughs, with the majority of registrations coming from the hardest-hit neighborhoods. This includes Edgemere, Arverne, Far Rockaway, Broad Channel, Howard Beach, Belle Harbor, Breezy Point, and Hamilton Beach in Queens; Canarsie, Brighton Beach, Coney Island, Gerritsen Beach, Sheepshead Bay, Manhattan Beach, Sea Gate, Red Hook, and Mill Basin in Brooklyn; and New Dorp Beach, Midland Beach, and Tottenville in Staten Island. Of the total registrants, approximately 43 percent are located in Queens, 32 percent are in Brooklyn, 24 percent are in Staten Island, and one percent are in the Bronx.

The Build It Back Centers opened their doors on July 8, 2013 to start processing intake. Problems ensued from the start. The short duration between the announcement of initial funding and the start of enrollment contributed to some early implementation challenges, resulting in significant delays in the early months of the program. The contractor experienced difficulties hiring and training the workforce, and the case management system was still under development when the doors opened. Program procedures and forms kept evolving as new federal guidance was received, requiring applicants to resubmit or provide additional paperwork. Priority levels were set limiting who could be served as program officials did not know how much funding would ultimately be available, hampering the ability to budget and plan.

These challenges were highlighted by the City Council, and homeowners, in its hearing in early 2014. In the first half of 2014, the de Blasio Administration overhauled the program focusing on important program reforms and most importantly on securing additional funding to ensure that all eligible homeowners could be served. This was announced in early summer 2014, with HUD approval of the third tranche of funding in the Action Plan in 2015.

In an effort to resolve program delays and increase efficiency, the City took direct control over the Build It Back Centers replacing contractor staff with experienced city personnel. We renegotiated vendor contracts to include clear and enforceable deliverables and goals. We launched a new performance management tool called RecoveryStat to expedite application processing. With the City Council's help we engaged community groups and civic associations, and with local elected officials we opened up satellite centers to expand access to services. To ensure that hard to serve and vulnerable populations remained in the program, we conducted extensive outreach with the help of our not-for-profit partners. Today, I am pleased to say that we have served 98 percent of eligible homeowners.

APPLICANTS RETENTION/ATTRITION

As of today, we have served 8,146 homeowners. I will provide a snapshot of the universe of registered applicants and provide some preliminary findings from our research partner, the CUNY Center for Urban Research, who helped us study patterns in retention and attrition from the Program.

At the onset of the program before it was even fully developed, the City cast a wide net encouraging everyone to register by calling 311 or registering on-line. The June 3, 2013 press release stated “NYC Build It Back complements the assistance already provided by FEMA, private insurance claims and other sources. Homeowners, landlords and cooperative and condominium owners with primary residences in the five boroughs are encouraged to apply to find out how they may be eligible for the program.” As a result, 20,275 homeowners registered for the program.

- A full quarter of this initial group of registrants (approximately 4,900) didn’t take the next step to complete an application.
- An additional quarter (approximately 5,000) started an application at the center but dropped out before selecting a program option.
- Approximately 1,100 applicants were deemed ineligible for reasons including that the property was not a primary residence and lack of compliance with flood insurance requirements.

Our team fully recognized the struggles that many had with the program in the first year, along with the complex federal requirements. Build It Back made every effort to allow applicants who had withdrawn back into the program, including a targeted outreach effort in partnership with your offices in 2015.

Since early 2014, our focus has been on partnering directly with local elected officials to ensure

that all eligible registrants with remaining housing recovery needs could be served by Build It Back. After hiring our Borough Operations team, we established office hours in many of your offices to provide direct communication between your teams, our staff, and the homeowners. Office hours were held at the offices of Council Members Maisel, Deutsch, Treyger, Ulrich, and Richards, and with State Senators Addabbo, Golden, and Persaud, and former Assembly Member Goldfeder. Your direct assistance in helping us engage with your communities has been a critical part of this program, and should serve as a model for other programs.

A total of 9,300 homeowners completed an application and selected an option. Of those:

- Approximately 8,300 are still active in program, representing approximately 11,500 families, with 98% of those homeowners served to date through a check or construction start, and 86% complete.
- Approximately 1,000 selected program options but dropped out before receiving a benefit. This is a group we will continue to evaluate in the coming months.

NUMBER SERVED BY BUILD IT BACK AND OTHER RECOVERY PROGRAMS ALIGNS WITH 2013 ESTIMATES OF HOME DAMAGE

The number served by Build It Back and other recovery programs aligns with 2013 estimates of home damage. Build It Back currently expects to serve approximately 8,300 applicants, comprising approximately 11,500 households. Out of the homes with severe or major damage approximately two-thirds are receiving construction assistance and one-third acquisition of

their homes. Based on 2012 and 2013 FEMA and DOB Damage Assessments, 2,160 homes including 230 destroyed homes had severe or major damage, defined as flooding of basements and ground floor living spaces. Approximately 2,200 homes are projected to receive assistance through HUD CDBG-DR funded construction assistance for rebuilding or elevation, or through the State or City buyout or acquisition programs. Per the 2012 and 2013 FEMA and DOB damage assessments approximately 15,000 homes experienced moderate damage defined as basement flooding with little or no impact to ground floor living spaces. Approximately 6,500 applicants are projected to receive moderate repair or reimbursement assistance from Build It Back and 9,000 homeowners who are no longer active with Build It Back received assistance from one or more sources outside Build It Back including FEMA IA Assistance, Rapid Repairs, the National Flood Insurance Program (NFIP), or SBA.

PRELIMINARY FINDINGS

HRO partnered with CUNY Center for Urban Research to study what contributed to retention and attrition from the Build It Back program. CUNY analyzed Build It Back administrative data as of September 2016, and conducted a survey of 1,300 Build It Back applicants. The study findings and recommendations are being finalized and the report will be released shortly. I am happy to share some of the highlights with you today.

Program Retention and Applicant Need

Notably, the research team found that Build It Back is serving the applicants the federal grant is intended to serve. Like other CDBG-DR programs, many more people will register than will ultimately participate. The fact that nearly 25 percent of Build It Back registrants left the Program before setting foot in an intake center and handing over key documents, is proof that many self-selected out of the program, perhaps because they knew they were not eligible or had already received adequate storm-related benefits. In fact, CUNY found that Build It Back called these registrants an average of 7 times to try to get them to come in to complete an application. Build It Back staff made more than 71,000 outgoing phone calls across all program registrants to initiate the application intake process.

The researchers examined whether the Program is serving the communities with the most need. They uncovered two important findings which demonstrate that the Program is fulfilling its mandate to be the funding source of last resort and address only otherwise unmet needs. First, applicants who received less in other storm-related benefits stayed with the Program at higher rates. Substantially damaged homeowners who left the Program, received on average 51 percent more in Small Business Administration benefits and 56 percent more in private insurance funds compared to those who stayed with the Program. Second, the Program is serving the majority of those who sustained the most storm damage. The mean “substantial damage” calculation for homeowners who stayed in the Program is 79 percent, versus 56 percent for those who left.

Program Retention and Applicant Contribution

The Federal Stafford Act requires that beneficiaries of Federal funds do not receive a Duplication of Benefits or funding received from two different sources for the same repair work. As a result, applicants who had remaining repair benefits from other sources were required to contribute those funds to the cost of completing all remaining repair work under the Build It Back program, ensuring that the Build It Back program's funding was only used for repair work that hadn't been funded from another source in compliance with Federal regulations. Applicants required to contribute excess funds from other benefit programs toward the cost of the Build It Back work, known as the "transfer amount" left the Program at high rates. The study data shows that a greater proportion of applicants who left the program had a transfer amount (66 percent) compared to those who stayed (34 percent). The researchers also found that the amount of the transfer amount was a factor. A greater proportion of the applicants who left had a higher dollar transfer amount. The fact that the *median* transfer amount for applicants who left (\$14,792) was twice that of applicants who stayed (\$7,269) suggests that for many applicants the transfer amount was a deciding factor.

HRO and its not-for-profit partners worked very hard to remove obstacles to participation for homeowners. Center for New York City Neighborhoods counselors, Disaster Case Managers, and HRO staff referred homeowners who were experiencing storm-related financial distress to the Unmet Needs Roundtable for assistance. In many cases, the financial assistance from the Roundtable helped homeowners cover their household expenses and debt so they could pay the Transfer Amount and continue with the program. In total, the Roundtable distributed over

\$500,000 in financial assistance to Sandy impacted homeowners, many referred by Build It Back and its partner agencies.

The online survey of applicants by CUNY showed that nearly half of the applicants who left the Program were dissatisfied with the way the Program accounted for the other storm benefits they received. When specifically asked about how they felt about the inclusion of the Small Business Administration loan, 85 percent of the applicants who left the Program said they were dissatisfied.

Reimbursement as a Program Option

The majority of applicants who were found eligible for the reimbursement benefit remained with the Program. Of the approximately 6,000 applicants who were eligible for reimbursement, almost 97 percent continued through the process to receive a check for repairs they completed after the storm and before Build It Back started.

Program Retention and Not-for-Profit Assistance

Administrative data analysis demonstrates that interventional measures appear to impact program retention. Namely, the legal and financial counseling provided by Build It Back aided in Program retention. Build It Back contracted with the Center for NYC Neighborhoods (CNYCN), a non-profit agency who partners with local community-based organizations to

provide housing counseling and legal services to applicants. CNYCN provided counseling for almost 4,000 applicants handling 6,000 cases for these homeowners for issues ranging from foreclosure to SBA loans. Applicants who received financial counseling (including assistance reconciling other storm-related benefits, mortgage distress, property ownership, SBA loans, and flood insurance) experienced a significantly higher Program retention rate than those who did not engage with the counseling services.

The online survey of applicants by CUNY also points to counseling as a factor in program retention. Half of the applicants who stayed in the Program said that counseling helped them move forward and that the staff provided useful guidance.

CONCLUSION

HRO is grateful to CUNY for its partnership. We believe strongly in the value of engaging researchers to help to build a body of evidence on what works in housing recovery. We are anxious to share the findings from this study with our colleagues around the country, particularly in Texas, Florida, and Puerto Rico. With respect to Program enrollment and related to these initial findings, we have the following recommendations:

- 1) Cast a wide net for registration and set up a two-step process - registration and submitting an application.
 - It is important to cast as wide a net as possible for early registration to

ensure that anyone interested has an opportunity to participate and that the City can review the potential overall program needs.

- Outreach for registration should be done in partnership with local elected officials, civic groups, and non-profits.
- Registration should be distinct from the application process which will follow the registration process and have clear requirements and timelines for completing an application.
- Simplifying the application process is critical and is a focus of the City in our preparation for future disasters.

2) Target outreach and application processing: The City should prioritize application processing for the most vulnerable homeowners (e.g., displaced households, seniors, and disabled). Partnering with local elected officials, civic groups, and nonprofits HRO conducted this type of targeted outreach in 2015 but more robust targeting of applications received from the start of the process will enhance efficiency and direct staff time and energy to those applicants most in need of resources.

3) Eliminate federal impediments so that a more flexible benefit package can be designed that can disburse cash benefits quickly: It is critical that federal funding enables homeowners to begin repairs on their own immediately after the storm and then not be penalized when and if CDBG-DR funding is made available, generally a year or more later. One of the big limitations in disaster response that we witnessed after Sandy was the uncertainty and unfairness associated with what homeowners could and couldn't do

on their own after the storm without jeopardizing potential federal funding. Federal environmental requirements and related deadlines for federal reimbursement resulted in a slowdown in the recovery as homeowners tried to make sense of what they were allowed to do. The federal government should eliminate impediments to homeowners conducting their own work for later reimbursement, like environmental review requirements and time limitations. Homeowners should receive immediate and clear messaging about what they can and cannot do in order to maintain their eligibility for federal grant awards.

- 4) Advocate for greater flexibility in calculating duplication of benefits: To minimize issues related to duplication of benefits, including the payment of the transfer amount, Congress should authorize future programs to have greater flexibility when it comes to the treatment of the SBA loan as a storm-related benefit that must be deducted from CDBG-DR assistance. A major issue in the calculation of duplication of benefits surrounded the impact of the SBA loan on a homeowner's Build It Back grant. Due to lack of information and dissemination of misinformation after Sandy, many homeowners didn't clearly understand their options related to these different housing recovery benefits. The SBA loan program was announced before the CDBG-DR grant program and homeowners received conflicting information about the consequences of applying for SBA loans on future grant eligibility. There are a number of ways that future federal disaster response programs could address this issue, including by eliminating the treatment of SBA loans as a duplicative benefit when considering CDBG-

DR grant eligibility, or by allowing all or a portion of SBA loans to be converted to grant funding, should CDBG-DR funding become available.

5) Plan for future disasters now: Plan now for a more efficient storm recovery delivery system so that the City does not repeat the same mistakes in the next disaster. This includes:

- advocating for the alignment of federal eligibility requirements, specifically among FEMA and CDBG-DR programs;
- continuing to develop integrated data systems and data sharing across city, state and federal disaster service agencies;
- building training programs to develop a professional housing recovery workforce;
- developing agreements with not-for-profit organizations; and
- continuing to engage researchers to build a body of evidence; and developing a framework that allows local storm recovery managers to share research and best practices.

These are just a few of the recommendations the City will be including in its comprehensive review of the Build It Back program. We look forward to working with the Committee to record the Program's successes and failures and design a model housing recovery program that meets the needs of homeowners in future disasters. I'm happy to take your questions.