



Dear Mayor:

It has been two years since Superstorm Sandy made landfall and devastated homes, businesses, communities and infrastructure across New Jersey. Thanks to the strong collaboration at all levels of government, the critical contributions of philanthropy, volunteers and stakeholders and, most importantly, the hard work and perseverance of our residents, our State has made substantial strides in recovering from the worst disaster in our history. Together, we are meeting recovery challenges head on, and we are building back better and stronger.

We would like to take this opportunity to update you on the status of recovery efforts, identify improvements that have been made, discuss challenges we still face, and describe the direction the recovery is headed. While we have launched nearly 80 recovery programs, we focus here on some of the larger housing, economic and infrastructure initiatives. As always, if you would like to discuss these programs or any other initiatives not mentioned in this letter, please do not hesitate to contact me directly.

Housing

Housing remains a central priority in the State's recovery. State agencies are administering more than \$1 billion in recovery programs to help homeowners rebuild and to repair or replace affordable rental housing stock damaged or destroyed during Sandy.

We have seen considerable progress over the last year in our largest housing recovery program, the Reconstruction, Rehabilitation, Elevation, and Mitigation or RREM program. The Department of Community Affairs (DCA) increased staffing and took over the day-to-day program administration, which meaningfully accelerated the program's pace. The Quarterly Performance Report submitted to the U.S.

Department of Housing and Urban Development (HUD) in August 2014 showed that DCA disbursed more RREM funding during the second quarter of 2014 (\$97.3 million) than in any prior quarter. DCA then improved on that mark, disbursing more than \$103 million in RREM funds during the third quarter of 2014.



DCA continues to build on the progress made in recent months. To do so, DCA has streamlined the RREM program to make it easier for applicants while adhering to the complex federal statutes and regulations that govern. Examples include:

- Upon signing a grant agreement, DCA will make an advance payment of up to 50 percent of the grant award to homeowners who choose



their own contractor so homeowners can get started on rebuilding right away.

- DCA streamlined the process so that applicants can now mail in vital documents and work remotely with their housing advisor rather than go to a housing recovery center.
- DCA reduced the number of site inspections to accelerate repair work.
- Following HUD guidance earlier this year that homeowners could be reimbursed through RREM for any repairs begun after the completion of a federally-required environmental review, both DCA and the New Jersey Department of Environmental Protection (DEP) immediately increased staff to perform environmental and historical reviews for all RREM applicants, including waitlisted applicants. Upon clearing these reviews, homeowners can proceed with rebuilding immediately and seek reimbursement for eligible expenses once a grant agreement is signed.

To date, more than 8,800 RREM applicants have received preliminary award letters, including approximately 3,300 households who were moved off the program waitlist in June 2014 after the State received the second round of CDBG-DR funding from HUD. More than 4,500 homeowners have signed RREM grant agreements for rebuilding. And approximately 3,700 applicants either are in active construction or have completed construction on their homes. Additionally, in September, HUD announced the third round of CDBG-DR funding for New Jersey, and we expect to receive these funds in spring 2015. The State projects that this additional funding will allow DCA to serve all individuals on the RREM waitlist.

Beyond RREM, the State is assisting homeowners through the Hazard Mitigation Grant Program (HMGP)

Elevation Program administered by DEP. Working closely with DEP, FEMA has approved more than 1,000 program applicants for home elevations. DEP also has worked to streamline the Elevation Program by limiting the number of documents required to support reimbursement requests and accelerating environmental and historic reviews. Additionally, DEP changed the reimbursement policy for the Elevation Program to allow homeowners to request that grant proceeds be paid directly to the contractor. This means homeowners will not have to front the \$30,000 for the contractor and be reimbursed by the HMGP grant after the fact.

State recovery programs focused on repairing or replacing damaged rental housing also continue to move forward. As of September 2014, through the Fund for Restoration of Multi-Family Housing (FRM), the New Jersey Housing and Mortgage Finance Agency (HMFA) has obligated nearly \$170 million across 36 projects that will repair or replace nearly 3,000 units of affordable rental housing. Construction already has begun on 22 of these projects, which will create more than 1,400 affordable units. FRM has a robust pipeline, which will be addressed, at least in part, through \$200 million in second round funding from HUD as well as monies that will be allocated to the program in the third CDBG-DR funding round.

Additionally, more than \$20 million has been obligated through the Sandy Special Needs Housing Fund (SSNHF) for projects that will create nearly 250 units of affordable housing for special needs populations, which faced unique challenges following Sandy. As with FRM, second- and third-round CDBG-DR funds committed to SSNHF will allow the State to continue to approve important projects to develop housing for special needs households.

The robust construction activity generated by the Sandy recovery provides a significant ancillary benefit to our most-impacted communities. Since the storm, construction activity has averaged approximately \$1



billion per month (based on construction permits issued), with a record high of approximately \$1.56 billion in July 2014, providing a boost to local economies. We anticipate that this pace will continue for the foreseeable future.

While thousands of homes and rental units are repaired, many Sandy survivors have had to juggle mortgage payments, rent, and repair costs. The State implemented two critical recovery programs to address this need. DCA awarded more than 18,500 homeowners \$10,000 grants through the Homeowner Resettlement Program. The New Jersey Department of Human Services also distributed close to \$80 million through the Working Families Living Expenses Voucher Program (also called SHRAP), which provides assistance to homeowners and renters of up to \$15,000 per household to cover mortgage, rent and utility payments, and also to replace necessary household items. Although the program ceased accepting new applications over the summer, eligible households will continue to receive benefits through March 2015, at which time we anticipate all program funds will be expended. Both of these programs supplemented funding that various households received through FEMA's Individual Assistance program and the philanthropic community.

Business Recovery

Superstorm Sandy affected thousands of businesses across New Jersey. The storm caused significant physical damage as well as short-term and long-term business operations losses. To address these impacts, the Economic Development Authority (EDA) implemented the Stronger NJ Business Grants Program and the Stronger NJ Business Loans Program. These programs have awarded a total of \$159 million to support small businesses. The Stronger New Jersey Grants program provides grants of up to \$50,000 for working capital or construction costs to eligible businesses. Through September 2014, 839 applications had been approved totaling \$41.2 million in funds

obligated, and nearly \$33.5 million in disbursements under this program. The Stronger New Jersey Loan program provides loans of up to \$5 million for new construction, renovation and expansion to spur economic development in storm-impacted communities. Through September 2014, 54 applications had been approved, totaling nearly \$42.1 million in funds obligated and nearly \$10.7 million in disbursements under this program, with an additional 6 applications totaling over \$9.1 million pending environmental review. Various business owners have indicated that without this assistance, their businesses would have failed. EDA projects that the Grants program will conclude early next year with all eligible applicants having been served.



In addition to direct financial assistance to impacted businesses, EDA supported the tourism sector through aggressive advertising campaigns in 2013 and 2014. These efforts directly contributed to a 2013 summer tourism season that largely exceeded expectations, though some of the hardest hit shore communities saw significant reductions in tourism revenues. While comprehensive data will not be available until early 2015, preliminary metrics reflect a strong 2014 tourism season.

EDA also is assisting hard hit communities through the Neighborhood and Community Revitalization Program.



The program includes three initiatives: (i) the Development and Improvement Projects initiative that provides grants up to \$10 million for catalytic, transformative and innovative projects in hard hit communities; (ii) the Streetscape Revitalization initiative which provides grants up to \$1.5 million to support main street revitalization initiatives such as streetscapes, sidewalks and other upgrades to commercial areas; and (iii) funding for Community Development Financial Institutions to support microlending, building off EDA's existing Loans to Lenders program. All funding under these initiatives has been obligated.

Infrastructure and Resilience Initiatives

Sandy highlighted vulnerabilities in our region and underscored the need to build more resilient communities. State agencies have incorporated strategy and planning throughout the recovery process to address these vulnerabilities and rebuild better and more resilient. We have done so by, among many other things, establishing enhanced rebuilding standards, allocating funding for critical recovery planning, and aggressively pursuing available resources to harden critical infrastructure. Some of the larger infrastructure initiatives are described below.

Energy Resilience

Following Sandy, the State partnered with the federal government to study New Jersey's energy vulnerabilities and identify opportunities to leverage commercially available technologies to address back-up power generation needs at critical facilities. New Jersey is encouraging the use of innovative technologies, which combine energy efficiency, cleaner energy and enhanced resilience. The State announced \$40 million in HMGP Energy Allocations to municipalities, counties and critical facilities that can be used to support a variety of alternative energy solutions -- microgrids, solar power with battery back-up, and natural gas-powered

emergency generators, among others -- so they can operate even if the power grid fails.

The State also established the New Jersey Energy Resilience Bank, a first-of-its-kind in the nation energy financing initiative, capitalized with \$200 million of second round CDBG-DR funds. The Energy Bank will provide financing to critical facilities to invest in resilient distributed energy resource technologies that will allow the facilities to continue to operate when the power grid fails. These technologies should mitigate many of the severe impacts that occur following a major outage. The initial Energy Bank funding product, which was launched last week, is tailored to assist water and wastewater treatment plants. Subsequent funding rounds are expected to benefit other critical facilities such as hospitals and long-term care facilities, shelters, and transportation assets.

To address the liquid fuel shortages experienced during Sandy, the State has formulated a multi-pronged approach. The State established a \$10 million initiative whereby targeted retail fuel stations along key evacuation routes across New Jersey will receive grants for backup generators or quick connect devices that allow the station to quickly connect to a portable generator. The New Jersey Office of Emergency Management also procured a cache of portable generators, which are strategically positioned across the State and can be mobilized in the time of emergency to power, among other critical facilities, retail fuel stations. To address longer-term supply issues, the New Jersey Office of Homeland Security and Preparedness partnered with the U.S. Department of Homeland Security to conduct a detailed assessment of the State's liquid fuel supply and distribution system to explore ways to enhance resilience. The joint assessment is ongoing.

Transportation

Sandy's strong storm surge and high winds wreaked havoc on New Jersey's roads, bridges and transit



systems. In rebuilding, the State has incorporated best practices and a layered approach to hazard mitigation to make transportation infrastructure less susceptible to future storm damage.

Rebuilding Route 35 is one example of the types of layered mitigation projects being implemented across New Jersey. The State is installing a two-foot thick stone-and-asphalt roadway, providing a more stable road and smoother driving surface. A new storm-water drainage system for Route 35 has been designed to handle 25-year storms and will feature nine pump stations and treatment facilities to filter and purify the storm water prior to discharge into Barnegat Bay. In addition, the State has undertaken the installation of more than four miles of steel sheeting -- funded by the Federal Highway Administration -- to further protect Route 35 and surrounding communities. The steel sheeting project is expected to be completed by the middle of next month, and will be incorporated into a dune system as part of the U.S. Army Corps engineered beach project. In addition to protecting the road infrastructure, these measures also provide increased protection for the surrounding communities.

On the transit side, more than \$2 billion is being invested to enhance resilience. Just last month, the State was awarded \$1.276 billion by the Federal Transit Administration to fund five projects designed to enhance energy resilience and harden NJ Transit key infrastructure assets. One of the projects -- "NJ TransitGrid" -- will be a first-of-its-kind microgrid capable of providing highly reliable power to support regional transit services even when the power grid is compromised. In addition, NJ Transit is pursuing other resilience initiatives for its system, including: raising substations in flood prone areas; building new storage, service, and inspection facilities; and implementing various flood control strategies for vulnerable facilities.

Water and Wastewater Treatment Plants

To address the impacts of Superstorm Sandy on water and wastewater infrastructure, the DEP, in concert with the New Jersey Environmental Infrastructure Trust, has targeted \$1.2 billion to modernize and improve the resiliency of approximately 200 water and wastewater treatment facilities across the State.

We also have sought to leverage other funding sources to support the recovery needs of these critical facilities. FEMA Public Assistance provides grants to address storm-related repairs, but also will allow an applicant to seek funding to incorporate mitigation measures into a repair project. The State has successfully incorporated this mitigation funding into 87 percent of all large projects (i.e., projects over \$500,000) funded by the Public Assistance program -- an unprecedented figure. Most significantly, this past summer the State secured a \$260 million FEMA Public Assistance mitigation award -- the largest mitigation award in FEMA history -- to incorporate storm-hardening measures and energy resilience at the Newark wastewater treatment plant operated by the Passaic Valley Sewerage Commission, which serves more than two million customers in New Jersey and New York. As detailed above, the State also is targeting Sandy-impacted water and wastewater facilities in the first round of funding through the New Jersey Energy Resilience Bank.

Flood Protection

Approximately 3.8 million New Jersey residents live in the flood plain and are susceptible to flooding. The State's plan to address this flood risk includes enhancing building standards, studying both the cause of flooding and cost-effective, practical solutions to mitigate the risk, and funding initiatives to implement identified solutions.

When Sandy struck, many of the FEMA flood maps for the State's coastal areas were more than two decades old



and did not reflect present day risks. Consequently, in January 2013 the State adopted by emergency regulation the FEMA Advisory Base Flood Elevations in order to incorporate the best available science and data allowing our residents to better mitigate damage from future flood events, avoid higher flood insurance costs, and begin the rebuilding process without waiting for the FEMA flood map regulatory process to run its course. Federal agencies subsequently adopted this standard for all reconstruction activities funded by the Disaster Relief Appropriations Act of 2013.

To evaluate New Jersey's flooding vulnerabilities, the State collaborated with the U.S. Army Corps of Engineers on a \$20 million comprehensive study funded through the Disaster Relief Appropriation Act of 2013. In addition, DEP engaged six universities to devise flood mitigation strategies for particularly flood-prone communities located near the Hudson River, Hackensack River, Arthur Kill, Barnegat Bay and Delaware Bay. The studies focus on repetitive flooding regions that are not already being addressed by current or planned U.S. Army Corps projects and incorporate local perspective and data.

DEP and the Army Corps also are working together to advance beach and dune construction projects that will reduce risk to life, property and infrastructure by rebuilding 44 miles of New Jersey coastline -- from Cape May to Sandy Hook -- providing the State with the most comprehensive and continuous coastal protection system it has ever had at a cost of more than \$1 billion. Many of the previously approved but unconstructed projects are slated to begin construction within the next couple of months.



The State continues to make substantial progress in DEP's Blue Acres program, which acquires properties in flood-prone areas in order to remove residents from harm's way and, through the creation of open space, enhance natural protections against future severe weather events. Approximately 500 voluntary buyout offers have been made, and 306 willing sellers have accepted. The State continues to evaluate homes located in repetitive flooding communities. The buyouts program also serves as one of many examples in which the State has leveraged multiple funding sources to maximize resources for critical recovery initiatives. Thus far, New Jersey has leveraged funding through HMGP, CDBG, and the federal Natural Resource Conservation Service, as well as State monies, to purchase properties in flood-prone areas.

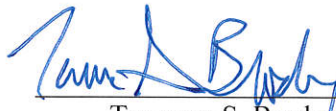
DEP also is moving forward on two large-scale flood mitigation projects in the Meadowlands region and along the Hudson River. Both projects were selected by HUD and funded through HUD's Rebuild by Design (RBD) initiative. Working with HUD, our local communities, and stakeholders, DEP will focus on scaling these projects to available funding to realize flood protection measures consistent with the vision in the RBD project submissions.

Finally, DEP continues to evaluate and fund other critical flood protection initiatives leveraging various funding sources, including State funds, and funds from HUD, EPA, FEMA, and the U.S. Department of Interior, among others. These initiatives will continue to focus on critical risk reduction initiatives, which include, among other things, addressing flood risks posed by coastal lakes and inland waterways, enhancing storm water management systems, and incorporating both man-made flood barriers and nature-based solutions where appropriate.



The programs and initiatives described in this letter are only a subset of the many ongoing recovery initiatives in New Jersey designed to bring much-needed relief to our residents, businesses and communities, and realize New Jersey's vision of a holistic approach to disaster recovery. Through the implementation of nearly 80 recovery programs and initiatives, we have realized substantial progress in the two years since Sandy. Despite this progress, a full recovery from Sandy will take years. The State remains committed to the recovery process, and we continue to take steps today to ensure a more resilient future for our great State.

We sincerely appreciate your ongoing collaboration in the Sandy recovery effort and look forward to continuing to work with you on critical recovery initiatives. As always, should you have questions regarding the State's recovery efforts, please do not hesitate to contact me.



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