

New Jersey Department of Community Affairs

SUPERSTORM SANDY COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY

Public Law 113-2; January 29, 2013

FR-5696-N-01; March 5, 2013

FR-5696-N-06; November 18, 2013

FR-5696-N-11; October 16, 2014



ACTION PLAN AMENDMENT NUMBER 16 - SUBSTANTIAL AMENDMENT AMENDMENT FOR THE TRANSFER OF SANDY CDBG-DR FUNDS

- **Transferring Funds from the Homeowner Resettlement Program, the Neighborhood Enhancement Program and the Essential Services Grant Program to the LMI Homeowners Rebuilding Program**

PUBLIC COMMENT PERIOD: July 6, 2015 - August 4, 2015

DATE SUBMITTED TO HUD: August 13, 2015

DATE APPROVED BY HUD: September 16, 2015

Chris Christie
Governor

Kim Guadagno
Lt. Governor

Charles A. Richman
Acting Commissioner



SECTION 1: OVERVIEW

New Jersey received approval from the U.S. Department of Housing and Urban Development (HUD) for its CDBG-DR Action Plan on April 29, 2013. The Action Plan described the State's allocation of the \$1,829,520,000 of first round CDBG-DR funds allocated by HUD to support New Jersey recovery efforts. Since that time, the State has submitted, and HUD has approved, fifteen amendments to the Action Plan, including Substantial Amendment Number 7, which described the allocation of \$1,463,000,000 of second round CDBG-DR funds across recovery programs, and Substantial Amendment Number 11, which described the allocation of \$501,909,000 of the third (and final) round of discretionary CDBG-DR funds intended to address unmet recovery needs.

This **Action Plan Amendment Number 16 (APA 16)** is considered a substantial amendment according to the definition in the HUD Federal Register and in accordance with the State's Citizen Participation Plan because it involves a re-allocation of more than \$1,000,000 of CDBG-DR funds.

This Amendment is being made available in English and Spanish via the Internet at DCA's website -- <http://www.renewjerseystronger.org> -- and also can be obtained through email to sandy.recovery@dca.nj.gov or by contacting Constituent Services at 609-292-3750. If additional language translation services are needed please call 1-855-SANDYHM (1-855-726-3946). When the agent answers the line, inform them of the appropriate language. For Hearing Impaired Users, Text Telephone Service is available at (TTY/TDD) 609-984-7300 or 1-800-286-6613.

The public comment period for APA 16 will be open from July 6, 2015 to 5:00 PM (EST) on August 4, 2015. Per HUD requirements, a public hearing also will be held during the comment period on the following date and at the following location:

- July 21, 2015; Brookdale Community College (Monmouth County); Robert J. Collins Arena; 765 Newman Springs Road, Lincroft, NJ 07738; 4-7 pm

Comments on this proposed amendment can be submitted at the hearings, or via email to sandy.publiccomment@dca.nj.gov or U.S. mail addressed to Sandy Recovery Division, Constituent Services, NJ Department of Community Affairs, 101 South Broad Street, Post Office Box 823, Trenton, New Jersey 08625-0823. All comments are given the same consideration regardless of the method of submission.

SECTION 2: FUNDING TRANSFER

Housing remains the State’s foremost recovery priority. Of the \$3,794,429,000 of discretionary CDBG-DR funds that the State has been allocated by HUD, more than \$2.5 billion (~66%) has been dedicated to homeowner- and renter-focused programs and initiatives. Moreover, the Christie Administration is committed to fully funding every eligible applicant to the Rehabilitation, Reconstruction, Elevation and Mitigation (RREM) Program, as well as to the LMI Homeowners Rebuilding Program, which seeks to serve all eligible low- or moderate-income (LMI) applicants who meet all RREM eligibility criteria but did not apply to the RREM program.

Using second round CDBG-DR funds, the State allocated \$40 million to establish the LMI Homeowners Rebuilding Program, which includes a \$10 million initial reserve for eligible applicants who own manufactured housing units/mobile homes. The application period for the program opened in January 2015 and extended to March 20, 2015. Outreach for the LMI Homeowners Rebuilding Program, driven by DCA and non-profit partners, was extensive.

In total, 538 applicants have been determined to be preliminarily eligible for the LMI Homeowners Rebuilding Program based on the established eligibility criteria and the information provided by applicants in their applications. Based on this figure, additional funds need to be transferred to the program in order to avoid having to create a program waitlist. If further CDBG-DR funds prove necessary to fully fund all eligible applicants that proceed through the program, additional CDBG-DR funds will be shifted into the program to meet the need.

To avoid having to create a waitlist for the LMI Homeowners Rebuilding Program, Table 1 describes the funding transfer of CDBG-DR funds to the LMI Homeowners Rebuilding Program from three different existing CDBG-DR funded recovery initiatives. Importantly, none of these transfers will affect any existing funding commitments to individuals or projects.

Approved NJ Action Plan Program	Activity Previous Allocation	Amount of Transfer	Activity Revised Allocation
Homeowner Resettlement Program	\$215,000,000	(-) \$10,000,000	\$205,000,000
Neighborhood Enhancement Program	\$50,000,000	(-) \$10,000,000	\$40,000,000
Essential Services Grants Program	\$145,000,000	(-) \$9,000,000	\$136,000,000
LMI Homeowners Rebuilding Program	\$40,000,000	(+) \$29,000,000	\$69,000,000

Homeowner Resettlement Program (\$10 million)

The State allocated \$215 million of CDBG-DR funds to the Homeowner Resettlement Program, which provided \$10,000 of non-construction-related financial assistance to eligible Sandy-affected homeowners. As a condition of receiving program funds, applicants committed to continued residence within one of the nine most-impacted counties for a period of at least three consecutive years.

The program served all eligible applicants, disbursing more than \$185 million across more than 18,500 households. Among other things, the Homeowner Resettlement Program along with FEMA Individual Assistance (approximately \$190 million), the Working Families Living Expenses Voucher Program, also known as SHRAP (approximately \$100 million) and, now, the Rental Assistance Program (\$9.5 million) has provided funding to support households paying both a mortgage and rent while displaced by Sandy-related damage or reconstruction.

DCA currently is in the process of reviewing compliance of Resettlement grant recipients to ensure that they fulfill the three-year residency commitment that was a condition of receiving program funds. While DCA will continue to incur compliance review and other program delivery costs until the official close-out of the Homeowner Resettlement Program, DCA has concluded that \$10 million of program funding can be transferred without materially affecting DCA's ability to satisfy program obligations. These funds will be transferred to the LMI Homeowners Rebuilding Program based on the identified unmet needs.

Neighborhood Enhancement Program (\$10 million)

The State allocated \$50 million of CDBG-DR funds to the Neighborhood Enhancement Program (NEP), previously termed as the Blight Reduction Program in the CDBG-DR Action Plan, including \$20 million from the second round of CDBG-DR funds. NEP was established to fund the rehabilitation or re-use of foreclosed, vacant or abandoned properties that present risk of neighborhood blight to create affordable housing.

Of the \$20 million of second round NEP funds, the first \$10 million has been made available for Community Development Financial Institutions (CDFIs) and Community Housing Development Organizations (CHDOs) to submit applications for funding based on projects that further program goals and satisfy program guidelines. The application period opened in March 2015, and closed on June 26, 2015, with applications to be reviewed and funded based on the established objective program criteria. The remaining \$10 million of second round NEP funds was held in reserve to evaluate the demand for the initial \$10 million of second

round NEP funds by CDFIs and CHDOs and the nature of the projects submitted. As a result, none of that funding is currently committed to any existing projects.

The uncommitted \$10 million of second round NEP funds will be transferred to the LMI Homeowners Rebuilding Program to address the identified unmet needs.

Essential Services Grants Program (\$9 million)

The Essential Services Grant Program (ESG) provides competitive grants to eligible counties, municipalities, school districts and other local government entities hit hard by Superstorm Sandy that, but for ESG funding, would not be able to provide essential public services (public safety; public works; sanitation; education; etc.) to residents. As an ancillary benefit, ESG mitigated risk of unsustainable property tax increases to community members in hard-hit municipalities with budgets strained by recovery-related expenses and, in many cases, depleted ratable bases. Among others, this program has benefitted hard-hit areas like Atlantic City, Brick, Keansburg, Sea Bright, Seaside Heights and Toms River.

ESG, administered by DCA's Division of Local Government Services, was allocated \$145 million of CDBG-DR funds and has disbursed grant funding in three separate funding rounds -- one in each of 2013; 2014 and 2015. Accounting for distributions across all three years, including the recently announced 2015 ESG awards to eligible applicants, as well as program administration costs, the Division of Local Government Services has concluded that \$136 million will be sufficient to fully fund the program. As a result, the remaining \$9 million will be transferred to the LMI Homeowners Rebuilding Program to satisfy the identified unmet need.

SECTION 3: PUBLIC COMMENTS/RESPONSES

As required by HUD, this proposed Substantial Amendment was made available for public comment over a period of at least 30 days. Moreover, on July 21, 2015, the State held a public hearing at Brookdale Community College in Monmouth County to solicit comments in connection with this proposed amendment. Commenters were able to submit comments to this proposed amendment (i) via email to sandy.publiccomment@dca.nj.gov (Subject: APA 16); (ii) via U.S. mail; or (iii) via oral or written comments at the public hearing. All comments are given the same consideration regardless of the method of submission.

The State reviewed all public comments provided during the comment period and, per HUD guidelines, below has synthesized and responded to the comments. State departments and agencies are contacting commenters whose comments raised issues relating to their personal recovery needs to provide information and assistance.

COMMENT 1 SUPPORT FOR ACTION PLAN AMENDMENT NO. 16

Commenters expressed support for Action Plan Amendment No. 16.

Staff Response:

DCA appreciates the commenters' support for Action Plan Amendment No. 16.

COMMENT 2 LMI PROGRAM - APPLICATION STATISTICS & MANUFACTURED HOUSING

A commenter asked for the number of applications submitted to the LMI Program, and for the reasons why applications were deemed ineligible. Another commenter emphasized the need to closely examine LMI Program applications of any owners of mobile/manufactured housing deemed ineligible. Both commenters sought to ensure that the LMI Program also has sufficient funding for applicants initially deemed ineligible that may later be determined to be eligible.

Staff Response:

The LMI Program was established to ensure that homeowners most likely to have the greatest need for rebuilding assistance are served. Any LMI homeowner who would have been eligible for the RREM Program but did not apply during the RREM Program application period was eligible for assistance through the LMI Program. The State has committed to fully fund all eligible applicants to the LMI Program, and this transfer of \$29 million of CDBG-DR funds ensures that there will

not be a need to create an LMI Program waitlist.

By way of background, to further ensure that all households affected by Superstorm Sandy have access to the services they need to recover, DCA, in connection with rolling out the LMI Program and the Tenant-Based Rental Assistance Program, developed and executed a comprehensive plan for outreach to Limited English Proficiency (LEP) communities and LMI communities in each of the nine “most-impacted” counties as determined by HUD.

The outreach campaign incorporated various activities such as: door-to-door canvassing; participation at community events, meetings, presentations, health fairs, issue-specific events (e.g., mold remediation; lead paint removal); distribution of outreach material in affected communities; posting information through online community bulletin boards and municipal websites; and ads placed on cable TV stations, mobile devices, websites, movie theater screen, radio stations, newspapers, billboards, transit shelters, buses and social media.

As a result of this encompassing outreach effort, DCA received 1,005 applications to the LMI Program of which 568 were deemed preliminarily eligible based on the application. Within the list of applicants deemed preliminarily eligible, DCA has requested additional documentation to substantiate federal and program requirements (e.g., proof of ownership of the damaged property) from 31 applicants. DCA continues to provide one-on-one assistance to LMI Program applicants to help them obtain the necessary documentation to support their applications, including in some cases by sending program staff to applicants’ homes to provide assistance. The primary reasons that LMI Program applicants, including those living in MHUs, have been deemed ineligible are: (i) applicant was a renter, not a homeowner; (ii) applicant’s income exceeded HUD’s LMI threshold; (iii) applicant already had applied to the RREM Program for assistance; or (iv) the home was not the applicant’s primary residence or was not owned by the applicant.

At this time, 56 applicants -- or 12 percent of the applicants deemed ineligible -- have filed an appeal. Twenty-two (22) of those appeals -- less than five percent of applicants deemed ineligible -- have resulted in a determination that the applicant is eligible.

By and large, applicants were determined eligible on appeal because they provided verifiable proof that their home sustained at least \$8,000 worth of damage related to Superstorm Sandy and/or that their home was their primary residence during Superstorm Sandy. In other words, the information supplied prior to the appeal was insufficient to demonstrate eligibility for the LMI Program. Moreover, of the 22 appeals, 13 were from applicants who live in manufactured housing units (MHUs) who received a letter from DCA requesting that additional documentation such as a New Jersey Motor Vehicle Certificate of Title/Registration or a Land Lease/Rental Agreement be provided so that DCA could make a determination regarding their eligibility for the program.

If the applicant files an appeal and is deemed eligible, the application will be

fully funded. Again, the State has committed to fully fund all eligible LMI Program applicants.

**COMMENT 3
LMI PROGRAM – SUBSTANTIAL DAMAGE LETTERS**

A commenter asked whether a substantial damage letter was required for applicants to be deemed eligible for the LMI Program.

Staff Response:

A substantial damage letter -- i.e., a letter from a local floodplain manager stating that the repair cost for damage caused by Sandy to the home exceeds 50% of the home's pre-storm value -- is not required to be eligible for the LMI Program. Nor was one required to be eligible for the RREM Program. As with the RREM Program, an applicant to the LMI Program only must show at least \$8,000 of structural damage caused by Sandy to his or her primary residence.

In the RREM Program, because the State did not initially receive sufficient CDBG-DR funds to fund all RREM applicants, substantial damage letters were used only to prioritize funding in order to ensure that limited available funds went first to applicants whose homes sustained the most damage. In May 2015, following receipt of the third (and final) round of CDBG-DR funds from HUD, DCA was able to eliminate the RREM waitlist and commit to fully funding all eligible RREM applicants. A funding prioritization based on extent of damage to the primary residence is not required for the LMI Program because, by this proposed amendment, DCA will have funds to move all eligible applicants forward and will not need to create a waitlist.

**COMMENT 4
HOME IMPROVEMENT CONTRACTORS**

A commenter suggested that the State provide more guidance to CDBG-DR program applicants on steps that home improvement contractors must take in order to comply with governing CDBG-DR regulations and New Jersey law. The commenter also asked if DCA could provide form contracts for engaging home improvement contractors performing Sandy recovery work that will be funded, in whole or in part, by CDBG-DR funds.

Staff Response:

The State provides considerable guidance to RREM Program applicants on the requirements their contractors must follow to guarantee construction meets CDBG-DR standards. For example, once homeowners sign a RREM grant agreement, they meet with their RREM Project Manager to review their scope of work and the relevant federal requirements that apply to their remaining construction. These requirements are summarized on a form known as the Certification of Construction Requirements. All homeowners in the RREM Program must sign this form,

acknowledging they agree to and understand the conditions that must be met as they perform their remaining construction.

The Contractor Addendum is another mandatory form used to protect homeowners in the RREM Program by ensuring that they use a contractor who has agreed to complete their construction compliant to the rules of the RREM Program. Homeowners must have the contractor they hire sign this Addendum. Additionally, all homeowners in the RREM Program receive tip sheets on Insurance and Bonding, Managing Your Project, and avoiding home repair scams and must acknowledge receipt of the tip sheets.

DCA always listens to input from the public and seeks to improve its recovery programs based on such input. Therefore, the Department will continue to evaluate additional mechanisms to assist and inform homeowners and builders in the recovery process.

COMMENT 5 HOMEOWNER RESETTLEMENT PROGRAM

A commenter asked whether the transition of funds from the Homeowner Resettlement Program accounts for the potential need of individuals who may still be appealing a determination of ineligibility for that program.

Staff Response:

The transition of \$9 million of program funding to the LMI Program will not affect DCA's ability to fund any Homeowner Resettlement Program applicants deemed eligible following the appeals process. Currently, there are 18 applicants pending appeal who never initially received a Resettlement grant award. All 18 appeals are awaiting a hearing before the New Jersey Office of Administrative Law (OAL), which sets the schedule for these hearings.

COMMENT 6 ESSENTIAL SERVICES GRANT PROGRAM (also referred to as Essential Public Services)

A commenter suggested that the State should transfer \$9 million of CDBG-DR funds from a source other than the Essential Services Grant (ESG) Program so that ESG grants can be provided to local government entities in 2016, as they were in 2013, 2014 and 2015. The commenter stated that the ESG Program was an important tool for helping hard-hit communities recover while mitigating property tax increases. Another commenter asked for more information on obligations and disbursements from the ESG program in 2013, 2014 and 2015.

Staff Response:

DCA agrees that, over the last three years, the ESG Program has successfully alleviated financial burdens for hard-hit communities caused by Sandy and

mitigated the risk of unsustainable property tax increases. In the second quarter of 2015, as the third ESG funding round, DCA's Division of Local Government Services awarded \$44.6 million to 13 local government entities. That funding will be disbursed in coming months. In 2013, 11 local government entities were awarded more than \$44.5 million, all of which has been disbursed. In 2014, eight local government entities were awarded \$42 million, of which more than 95 percent has been disbursed. The total obligation of ESG Program funds from 2013 through 2015 is approximately \$131.1 million.

The ESG Program was conceived as a three-year program. Shifting an uncommitted \$9 million from the ESG Program ensures that this transfer of CDBG-DR funds to the LMI Program does not affect any existing funding commitments.

That said, DCA's Division of Local Government Services will continue to actively engage hard-hit communities to address any budget concerns that arise, whether or not related to Sandy. DCA also recognizes that there may be a few hard hit communities that may substantially benefit from some ESG Program assistance next year. DCA will continue to analyze this need, as it will all unmet needs arising from Sandy, in case other CDBG-DR programs close without expending all CDBG-DR resources allocated to them. DCA therefore is not foreclosing the possibility of operating a small ESG Program funding round next year.

COMMENT 7 RENTAL PROGRAMS

A commenter stated that if there are more application requests than funds for eligible applicants in the State's rental recovery programs, excess funding from other CDBG-DR funded programs, if any, should be allocated to oversubscribed renter programs.

Staff Response:

DCA agrees that ongoing support for rental recovery programs remains an important recovery priority. As stated above, the State continues to evaluate unmet needs after Sandy so that, in the event other CDBG-DR programs close without expending all CDBG-DR resources allocated to them, the State is positioned to target those limited resources to remaining unmet needs arising from the storm. Unmet needs still far exceed available resources. Additionally, proposed future funding transfers, if any, will comply with all applicable provisions of the Voluntary Compliance Agreement.