

DISASTER RECOVERY TOOLKIT

MODULE 5 PROGRAM IMPLEMENTATION

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FOR STATE COMMUNITY DEVELOPMENT AGENCIES





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MODULE 5

HOW TO USE THIS MODULE

The Toolkit is comprised of five separate Modules. The Modules are sequentially numbered for ease of identification. However, the Toolkit is NOT a linear document. Each Module is designed to stand-alone and allows target users to simply pull out the module that is appropriate to their mission.

While State Community Development Agencies are the primary audience for this Toolkit, the Governor's office, other State agencies, and Local Government can also benefit from the information and guidelines contained in this Module and the Toolkit.

The audience for this Module may vary from State to State and will vary depending on how the recovery effort is organized in each State.

MODULE 5 Program Implementation	
TARGET AUDIENCE	<p>Target Audience</p> <ul style="list-style-type: none"> • State CD Agencies • Governor's office <p>Other Audience</p> <ul style="list-style-type: none"> • Other State Agencies • Local Government
OBJECTIVE	<ul style="list-style-type: none"> ➤ Provide examples of lessons learned and best practices to assist the State CD Agencies in designing their recovery implementation approach and mechanisms, such as programs for delivering recovery resources to evaluating outcome, to mutual aid and surge staffing
TOOLS	<ul style="list-style-type: none"> ▪ Disaster Recovery Scenarios, Examples and Web links.
Module 5 - Subsection Contents & Focus	
A. INTRODUCTION	Module 5 addresses the specifics of disaster recovery and the CDBG program by providing process and procedure with scenarios and case studies in a manner that ties them to practical application.
B. DISASTER RECOVERY APPROACH	Depending upon a variety of influences, the State CD Agency may approach the use of disaster CDBG funds in a variety of ways. This section discusses those influences, identifies two major approaches to recovery from which the following sections on design and delivery will be compared.
C. PROGRAM DESIGN	Each State has a unique way of matching their program to fit the approach taken to recovery. This section identifies the elements of program design and any alternatives that states have used to accomplish their desired results.
D. CDBG ACTION PLAN	The Action Plan document serves as the "application" to HUD and the "contract" with HUD for the use of CDBG funds. This section covers key Action Plan elements for disaster recovery (also discussed in Module 3).
E. PROGRAM DELIVERY	This section covers the Method of Distribution of the Funds; staffing and human resources; building capacity at the state and local level; communication, and program evaluation.
F. STAFFING AND HUMAN RESOURCES	With the large amount of work to be done following a disaster, additional assistance will be needed. This section reviews the methods to address short- and long-term capacity.
G. CONTRACTING / MEMORANDUMS OF UNDERSTANDING	This section reviews formal contracting methods and memorandums of understanding to develop capacity and provide adequate program delivery.
H. EVALUATING THE PROGRAM	This section discusses the establishment of disaster recovery program tailored to the disaster and the reporting requirements for such an evaluation.
I. PRE-DISASTER PREPARATION FOR THE STATE CD AGENCY	This section offers a checklist for the State CD Agency in order to prepare for disaster conditions and enable the organization to provide the highest level of service during a disaster.



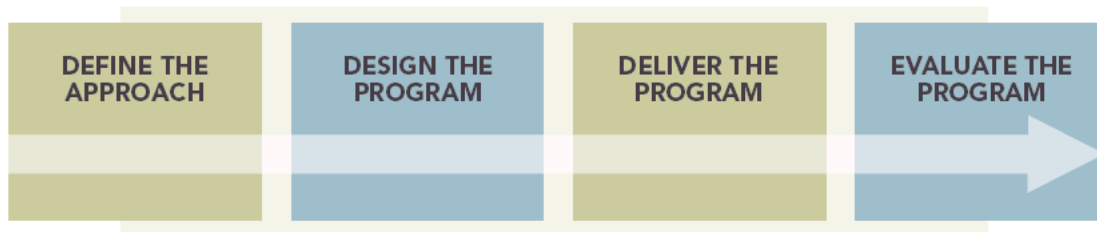
A. INTRODUCTION

Every disaster is unique and every response by a State Community Development Agency may be just as unique. Although the use of Community Development Block Grant funds are a typical part of disaster recovery for communities, the application or use of those funds does not fit into a single method or practice. CDBG funds by definition are flexible and just as no two State CDBG regular programs are identical, neither will any two-recovery programs. When a supplemental appropriation is provided in response to a disaster, the legislation is often drafted with unique guidance, focus, requirements and uses language with specifics directed at the unique disaster. This factor alone requires that the program design and delivery be specific to the circumstance. The CD Agency may become familiar with the process, but the art of creating the recovery program will be theirs alone.

Module 5 addresses two distinct approaches to disaster recovery by State Community Development Agencies: a Recovery Approach and a Community Enhancement Approach. Often, both of the approaches are used in any disaster recovery process. Program design and program delivery are presented, the components of which include the action plan, method of distribution, waivers, and program evaluation. Program design and delivery should be developed in a way to meet the recovery approach and the desired outcomes. Examples and scenarios are interspersed through the Module to add practical application to the processes described.

Finally, the Module concludes with a section on pre-disaster planning as it relates to the State Community Development Agency.

THE RECOVERY PROGRAM PROCESS



B. DISASTER RECOVERY APPROACH

A major disaster will disrupt every aspect of normal life for a community, region or in extreme cases over multi-state areas. Approaching recovery from a disaster must consider the fact that in many ways the affected area has much in common with less developed countries where basic needs, individual physiological needs and community safety needs are not being met. After a disaster, affected residents may find that they cannot drink the water; they must receive food from others, are sleep deprived, or may lack medical services. During early response phases Local, State and Federal agencies are striving to meet these “present needs.”

There are three items to consider as a State CD Agency develops a disaster recovery approach to transition from immediate needs in early response to long-term recovery needs. The first relates to the size and scope of the disaster, the second relates to what the affected community can handle and the third relates to the political and cultural organization and operations within your State.

SIZE AND SCOPE OF THE DISASTER

If a major disaster affects a densely populated metropolitan area and significantly impacts housing and/or the economy, then the State CD Agency approach should consider assisting with both immediate needs and the community recovery goals. Similarly, if a disaster impacts a large percentage of the population over a wide geographic area (both urban and rural), then the impact to local capacity may necessitate a State led approach to recovery.



If the disaster has a significant impact on a small rural community there may or may not be Federal supplemental funding available. Local elected officials may develop their own vision, goals and objectives and a plan to implement these elements. In this setting, this plan may drive how the State CD Agency approaches program design.

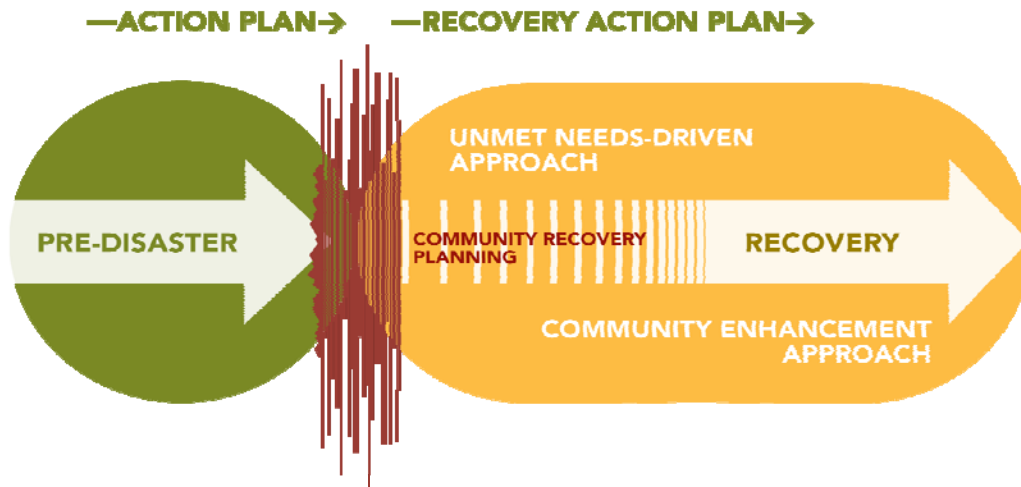
WHAT THE COMMUNITY CAN HANDLE

State CD Agency may participate in short term recovery where “need” is driving funding decision. This approach to recovery attempts to address some of the immediate funding gaps for individuals, businesses, and key infrastructure facilities in the community; often these programs focus on “restoring pre-disaster conditions.” This approach is depicted in the Disaster Recovery graphic by the brown circle.

Over a period of time, the community transitions from short-term to long-term recovery community. Residents and community leaders begin to focus less on the emotional and individual needs and place more emphasis on rebuilding the social fabric of the community. There is not a specific point in time where this will occur. Each individual re-establishes balance and is ready to take on broader issues at his or her own pace. Once a critical mass of the community has reached this point, the program approach can be driven by goals that define what is needed.

While the community is still focused on the individual needs, the community recovery planning effort (as described in **Module 4**) may begin. The community recovery planning process ends when the community begins moving forward to a new vision, has set strategic goals and objectives and identified, and prioritized projects that will foster recovery. One of the most important benefits of the community recovery planning process is that it assists communities in the shift from a focus on individual needs into a mode where they can envision a future and set goals as a collective community.

APPROACHES TO A STATE DISASTER RECOVERY PROGRAM



POLITICS & CULTURE

The political structure and cultural that your State has will also influence your approach to disaster recovery. Politics can and will play a major role. In fact, it is possible that strong State leadership might define the program and your agency takes on the role of putting the details into the delivery program. Another option is that the Governor gives your agency the task of determining the approach, designing and delivering the program. Or something in between might occur. What is important is that you know the political landscape and prepare your agency to be responsive in supporting State and Local recovery objectives.

Remember that there is not a single best approach; it might be that the program will need to address present needs in the early stages of recovery and shift to a “goal” approach as the community becomes stronger. It might be that the political structure defines your approach to fit specific State goals or it could be that the size and scope of the disaster have other agencies stepping in and addressing the needs driven aspect of recovery. Having a solid assessment of the situation and the players will enable you to take an approach that will meet the affected community’s needs. Additional discussion on State politics and culture may be found in **Module 3**.

C. PROGRAM DESIGN

Thoughtful evaluation to the approach that is proposed for disaster recovery will help the State CD Agency design a program that implements the approach. It is important to recognize that people and communities will not progress from “response” to the next level of need until their current needs are addressed. It also becomes a matter of State choice about how to use the resources of the CDBG program in a disaster recovery. Which level of need is covered; individual needs or community needs? Can your Agency cover work to cover needs in more than one level at a time?

DISASTER RECOVERY AND MARKET DEMAND

In addition to determining the approach used for recovery, a community’s pre-disaster condition and post-disaster market must be analyzed. Public assistance and public incentives can only go so far to create a vibrant economy where nature has struck a harsh blow, especially if all of the sectors were heavily affected. If the community was struggling prior to the disaster, in any sector, the disaster may represent an opportunity. But in order to take advantage of that opportunity, close attention has to be paid to personal reactions of people and businesses. Signs of private investment (people rebuilding homes and businesses cleaning up and reopening) are excellent indicators that the market demand is still there. It is the private dollars that will drive the recovery.

Public dollars are typically used to stage the opportunity for private investment to take place. Timing is important since the longer people have to wait for a good or service, the more likely they will seek that good or service somewhere else. The private sector is risk averse. Using public dollars in a manner that alleviates that risk, may aid in restoring the market and advancing the recovery.

Even in non-disaster times, the economic well being and the balance of the community is dependent upon the health in the job and business sector, available and suitable housing, solid dependable infrastructure, and a favorable environment in which to live, work and play. Communities address those issues daily and may even neglect one for the other with little consequence, but when a disaster hits and if they are all affected the game changes. The sectors are inter-related and dependent upon one another.

Program design will be driven by the sectors affected and the strategies developed to create the opportunities for each to gain their vibrancy and health.

State CD agencies will be asked by localities for assistance with a variety of recovery needs. In many cases, the assistance will be driven by unmet needs from other resources or programs. In other cases,

RECOVERY SECTORS



desire for community enhancements will shape the approach and design for community development disaster recovery programs. A combination of the two approaches is also quite common.

UNMET NEEDS-DRIVEN APPROACH

If the approach is “needs driven” it is influenced heavily by the existing circumstances in any of the four main sectors: economic, housing, infrastructure, and environment. Deciding how to apply the CDBG resources to alleviate an unmet need for the short- or long-term will be the first step in program design.

Characteristics of program design that focuses on an “Unmet Needs Driven” approach often include:

- Speed
- Efficiency
- Capacity to deliver funding to a broad audience in a short time period
- Clear and concise eligibility standards
- Narrower field of categories or classifications
- Minimal award levels
- No discretionary evaluation or point scoring systems

The outcomes of “Unmet Needs-Driven” approach are measured by whether or not the immediate need was alleviated. The approach does not purport to obtain any further outcomes. Success is measured simply by addressing the immediate need and is not held to any future goals or expectations.

EXAMPLES OF CDBG USED IN A “UNMET NEEDS-DRIVEN” APPROACH

- Compensation for loss of housing where a single award amount is provided as an entitlement to all eligible parties
- Participating in levee repair
- Participating in utility restoration or temporary infrastructure for temporary housing

COMMUNITY ENHANCEMENT APPROACH

While an “Unmet Needs Driven” approach is influenced by a present circumstance, a “Community Enhancement” approach is influenced by a desire to create a different set of future circumstances at the community level.

Characteristics of a program design that focus on a “Community Enhancement” approach include:

- Grant distribution - process to design, receive and evaluate applications, but still timely enough to get the funding to the local community
- State and Local coordination on planning to identify priorities and outcomes
- Different categories of funding
- Funding minimums and maximums to meet detailed needs
- More discretionary decisions
- Prioritization of resources
- “Investment Approach”
- Assure maximum leveraging of funds
- Designed to promote private investment

The outcomes of a “Community Enhancement” approach are defined by the goal itself and measures for success may be more complex. The questions for evaluation may require an analysis of whether the cause and effect relationship that was designed into the program actually worked and whether the outcome was actually what was proposed.

EXAMPLES OF CDBG USED IN A “COMMUNITY ENHANCEMENT” APPROACH

- Filling the gap on a community project using FEMA Public Assistance “Improved or Alternate” funds in order to better meet the current and future needs of the community
- Creating a local revolving loan fund for small business with participating local banks
- Flood buyout and relocation
- Incentive programs for property owners to rebuild and relocate

HUD NATIONAL OBJECTIVE

The Community Development Block Grant funds are some of the most flexible funds provided to States and localities for development needs. By design and by statute, the funds work particularly well when used to fund disaster recovery activities. The *Housing and Community Development Act of 1974*, the law

that established the CDBG program, cites the use of the funds to “meet an urgent threat to health and safety” as one of the programs three overarching national objectives (the other two national objectives are: benefiting low and moderate income and elimination of slum and blight).

The “urgent threat to health and safety” national objective may be used by a State for CDBG funding in order address an urgent need in the community. A need is considered urgent if it:

- Poses a serious and immediate threat to the health or welfare of the community
- Has arisen in the past 18 months
- Cannot be addressed by the local community
- There are no other sources of funds to address the need

The [HUD Guide to National Objectives and Eligible Activities](#) offers the following related to records necessary to establish the use of the national objective:

- A description of the nature and degree of seriousness of the conditions requiring assistance
- Evidence that the State grant recipient certified that the CDBG activity was designed to address the urgent need
- Information on the timing of the development of the serious condition
- Evidence confirming that other financial resources to alleviate the need were not available.

LEGISLATION

Applicable legislative language and any program waivers sought or offered may affect how a disaster program is developed and designed. Supplemental CDBG language may direct the State to offer disaster assistance in some arenas that will require program design to capture that directive. Waivers may allow different eligible uses of the funds that then also dictate program design.

The [HUD Guide National Objectives and Eligible Activities](#) is located in the **Reference Library**.

This Guide offers the following commentary:

HUD may waive any provision of the regulations covering the CDBG program that is not required by the statute. The statute itself also provides that HUD may waive certain statutory provisions in the case of the use of CDBG funds to respond to a federally designated disaster (Section 122 of the Housing and Community Development Act of 1974, as amended). If a grant recipient wants to determine if a particular provision of the regulation can be waived, it should contact its local HUD field office to discuss the matter. Under the General HUD Program Requirements regulation at 24 CFR 5.110, HUD may waive a requirement for good cause if the grant recipient can show that applying the provision in the particular situation would result in “undue hardship” and “adversely affect” the purposes of the HCD Act. The applicability of the Part 5 waiver thresholds to the State program is cross-referenced at 24 CFR 570.480(b). Again, the local HUD field office can help the grant recipient with determining whether the test can be met. Waivers may only be granted by the Assistant Secretary for Community Planning and Development and must be published in the Federal Register describing the basis upon which the waiver was granted. Since rulemaking involves public participation, waiving any provision can have serious implications for the proper administration of the program. HUD therefore uses its waiver authority judiciously.

Some of the more commonly used regulatory waivers and suspended statutory requirements related to the CDBG program include ones to:

- Allow repair/replacement of buildings used to conduct the business of local government (which allows for repair or replacement of city halls and county courthouses destroyed by a disaster when local resources are not available)
- Achieve the required threshold of 70% of funds used to benefit low and moderate income over a 3-year aggregate period, instead of one year
- Minimize the requirements (timing, number of hearings) related to the Citizen Participation plans
- Eliminate or reduce certain Action Plan requirements such as certifications, level of narrative detail, certain content required in method of distribution
- Allow the change of the States program year (in order to gain quicker access to the regular allocation of CDBG funds)
- Eliminate certain Uniform Relocation requirements such as the 60-month tenant assistance in favor of 42 months

- Eliminate the one for one replacement requirements
- Eliminate the 50% limitation of costs related to down payment assistance for direct homeownership for LMI
- Remove the retention documentation requirement related to economic development programs
- Eliminate the match requirements for administration dollars that come as a result of the appropriation.

“DECLARED” DISASTERS

The description of the nature and degree of serious criteria listed above may be established through a “Presidential disaster declaration.” A declaration occurs when the extent and cost of the damage achieves thresholds defined by Federal statute. The State makes an appeal to the Federal government when needs exceed resources and when damages meet or exceed the thresholds. The documentation associated with that type of a declared disaster would satisfy the CBDG criteria necessary to prove the “urgent threat” requirements.

There are circumstances where a State or Local disaster may not qualify for a “Presidential” declaration. CDBG funds may still be used in these circumstances. State CD Agencies must compile the records to assure the documentation listed above is met for disasters occurring without a Federal declaration. That may include a Governor’s declaration or local government declaration in addition to the other evidence required.

An example of a Presidential disaster declaration may be found at:
<http://www.fema.gov/news/dfrn.fema?id=10516>

[Click here for examples of a Governor’s Executive Order](#)

PROGRAM DESIGN AS A STRATEGY

Many States design their regular CBDG programs with an “Emergency” category, where they assign an allocation intended to meet emergencies and disasters that may occur on an annual basis. Normally, the amount of money prescribed to this category is small and is based on historical amounts needed.

When a larger disaster strikes, the State CD Agency is faced with either amending the existing CDBG Plan or drafting a new plan specific to any supplemental appropriation provided.

Once a determination is used to place CDBG funds into disaster recovery, the State CD Agency will have to design a program. The program design should be considered one of the strategies to accomplishing the outcomes identified. Regardless of the “approach” (need driven or goal driven) there are outcomes desired. The design of the program will play a large part in accomplishing those outcomes in a timely and efficient manner. Using the design as a strategy means the State will ask what, when, where, and who the funding may be directed to in order to most directly accomplish the result:

- What use of funds best reflects the ultimate goal?
- At what point (when) would the investment of the funds offer the best result?
- Where should the funds be directed in order to accomplish the best result?
- Who should the funds go to in order to accomplish the result?

Samples of program design found within Action Plans in the [Reference Library](#) and at the following HUD website see all active CDBG programs may be found at:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/drsi/activegrantee.cfm>

EXTERNAL INFLUENCES ON PROGRAM DESIGN

As discussed under the Approach section, there are external factors that may guide which approach is to be taken. That is also true for program design. External factors that impact program design include:

- The size and scope may dictate and necessitate more simplicity since the funding will likely reach a broader audience
- The State/Local capacity may allow for more or less personalized or packaged uses of the funds. Lack of capacity may mean program design is limited to existing areas of expertise
- The availability of other resources or the unavailability of other resources will play a larger part in any restrictions, match requirements, or other strategies implemented in design to maximize leveraging and other investments

- The amount of CDBG funds as they relate to disaster needs may drive a narrow program design in order to spread the funds further or one that “raises the bar” on the proposals submitted for consideration
- Politics can dictate program design by dictating the priorities or restricting the use of funds
- Environmental factors such as the capacity within the community to absorb displaced businesses and housing may dictate the use of the funds for particular activities
- Redevelopment timing and regulations (permitting Local/State/Federal) may impact design in order to have fund sources available at the right time
- A dispersed population may impact program design by requiring new mechanisms for communication, input and feedback, training, and access to applications

PROGRAM DESIGN INFLUENCES

Scenario A

After a major disaster where the Governor assumes a strong role in recovery, a State CD Agency may find that the recovery program is pre-determined and the role involves working with the local jurisdictions to administer a supplemental funding program.

Scenario B

The local community may have strong planning capacity and frequently utilizes Community Development or CDBG resources. A State CD Agency may only be responsible for allocating existing (or reallocated) CDBG program dollars to the disaster recovery effort because the community is familiar with the process and procedures and has adequate resources and capacity.

Scenario C

A community that has not utilized CDBG funds previously or only utilizes CDBG funds infrequently and is not familiar with the process and procedures. In this case, a State CD Agency may need to provide some additional technical assistance (either directly or through a contractor) to support the community in the utilization of Community Development resources.

PROGRAM DESIGN AS A STRATEGY SCENARIO

If the approach is to address an immediate human need, the state may request that HUD allow a direct allocation of funds from the State to the beneficiary, without granting an allocation to the local government. The immediate human need may also imply or call for a direct compensation payment in order to accomplish that goal. In contrast, if the approach is goal driven, the community development agency may create appropriate categories to reflect the goals, establish a priority point scoring system for evaluating the application and use discretion to choose those which will accomplish the desired result.

D. CDBG ACTION PLAN

Depending upon the appropriations law and subsequent Federal register guidance, the State may have a limited amount of required information to compile for the Action Plan. HUD has not eliminated the requirement altogether, but may streamline components in order to facilitate a timely access to funds for recovery.

HUD notifies eligible governments that must then develop and submit an Action Plan for Disaster Recovery before receiving CDBG Disaster Recovery grants. The Action Plan must describe the needs, strategies, and projected uses of the Disaster Recovery funds.

Samples of disaster Action Plans may be found in the [Reference Library](#) and for all active CDBG programs may be found at:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/drsi/activegrantee.cfm>

Sample Action Plans for NYC Lower Manhattan and Louisiana may be found in the [Reference Library](#) at the following web links:

<http://www.renewnyc.com/FundingInitiatives/HUD.aspx>

<http://www.doa.louisiana.gov/cdbg/dractionplans.htm>

At a minimum, the CDBG Action Plan content related to program design contains:

- A description of the State's plan
- A description of the need
- Identification of funding sources
- A list of proposed activities
 - A description of those activities
 - Applicable national objectives identified for each activity
 - A location description for the proposed activity
- Applicable dates
- Accomplishments and beneficiaries

Many supplemental appropriations require the Action Plan to also address how the State CD Agency will address and avoid any duplication of benefits. It is up to the administrators of disaster recovery funds, to establish a system to avoid the duplication of benefits (double funding from two or more government agencies of the same costs, or duplication of payments for losses paid by private insurance). Section 312 (a) of the Stafford Act, as amended States that no entity will receive assistance for any loss for which financial assistance has already been received from any other program, from insurance, or from any other source. The use of Federal and/or State funds granted for the same purpose clearly constitutes a duplication of benefits. Grant or cash donations provided by a third party also **may** constitute a duplication of benefits.

FEMA Disaster Assistance Policy 9525.3 describes the [Duplication of Benefits](#) policy associated with Non-Government Funds. Click on link above to see information in the Reference Library go to:

http://www.fema.gov/government/grant/pa/9525_3.shtm.

DUPLICATION OF BENEFITS

The effect of Duplication of Benefits (DOB) will vary dependent on how the state designs the program.

Mississippi and Louisiana designed programs as compensation grants, allowing the applicant unrestricted use of the grant funds received. Because the compensation payments were made to the households, the amount had to be reduced by the Duplication of Benefit amount. For example, if an individual household was eligible for \$150,000 in State disaster CDBG funds through the compensation program, and the household received a \$10,000 SBA loan, then the compensation grant was simply reduced by the amount of the SBA loan, and a check would be issued to the household for \$140,000 (\$150,000 less the \$10,000 SBA loan).

The Texas program design for single-family homeowners awarded funds for the reconstruction or rehabilitation of qualified applicant homes. This program distributes funds to contractors performing the work, but the DOB provisions caused significant delay in getting the money dispersed. For example, if the cost to rehab a home is \$30,000, and the household received a \$10,000 SBA loan, the state can only award \$20,000 toward the rehabilitation costs (\$30,000 less the \$10,000 SBA loan). The SBA loan is awarded to the household and the CDBG rehab/restore grant is awarded to a contractor. The applicant must find the necessary financing to cover the \$10,000 funding "gap." Funding these "gaps" has proven very difficult for households.

A New York program design included an interpretation that Duplication of Benefits equals the amount of interest savings from SBA's below market interest rates. Therefore the SBA loan amount is NOT deducted dollar-for-dollar from the CDBG program design.

Another issue occurs when households receive FEMA funds for costs associated with home repair, reconstruction, replacement housing, etc. (all considered Duplication of Benefits). These same households also faced daunting financial issues to sustain their day-to-day lives. In many cases the FEMA funds were not used for their intended purposes resulting funding gap issues.

E. PROGRAM DELIVERY

When the State CD Agency is developing the program design, they must also be thinking of how it will be delivered. The capability to deliver any portion of the program may also be listed as a factor influencing the design. No matter how well designed, a program cannot be successful without a manner to deliver it.

METHOD OF DISTRIBUTION

The strategy used to implement the program delivery is commonly called a method of distribution. The regulation that prescribes a CDBG Method of Distribution may be found at: 24 CFR 91.320(k)(1)(i) and 24 CFR 570.490(a)(2). HUD provides guidance on the subject through a Notice published in 2006. The website for that notice, titled **Notice CPD-06-11 - Guidance on Preparation of the State CDBG Method of Distribution in Accordance with the Final Consolidated Plan Rule** may be found at: <http://www.hud.gov/offices/cpd/lawsregs/notices/2006/06-11.doc>

The following represents specific excerpts from that Notice. The notice may be used as guidance even if a waiver for certain detail has been provided for a supplemental CDBG appropriation.

- The final rule clearly States that the Method of Distribution (MOD) must provide sufficient information so that units of general local government (UGLG's) will be able to prepare responsive applications. The regulation says that the MOD **shall** contain a description of **all** criteria used to select applications from local governments for funding including relative importance of the criteria. The MOD must include a description of how all CDBG resources will be allocated among funding categories and the threshold factors and grant size limits that are to be applied. The final rules also States in 24 CFR 91.320(k)(1)(i) that HUD may monitor the MOD as part of its audit and review responsibilities in order to determine compliance with program requirements.
- A major change in the February 9, 2006 Consolidated Plan regulations permits States to provide a summary of their selection criteria in the MOD as long as each of the criteria is summarized and the details are promulgated in application manuals or other official State publications that are widely disseminated to eligible applicants. The selection criteria summary must include a summary of the State's funding thresholds, number of applications allowed per grantee, as well as any grant limits that the State has imposed on the CDBG program.
- Section 570.490(a)(2) provides that the State shall keep records to document its funding decisions reached under its MOD including all the criteria used to select applications from local governments for funding and the relative importance of the criteria (if applicable), regardless of the organizational level (e.g. career staff or political-level officials) at which the final funding decision is made, so they can be reviewed by HUD, the Inspector General, the Government Accountability Office, and citizens.

ADDITIONAL METHOD OF DISTRIBUTION DETAIL

The method of distribution also refers to the national objectives for each activity, the criteria for application, the priorities established for the use of the funds, the amounts both allocated to a particular category, any maximums and minimum amounts allowed for any applicant, and the selection criteria used to award CDBG funds. It also includes any thresholds for participation such as damage thresholds; dollars per job created or per job retained, local match requirements and private investment requirements as a result of the use of public dollars. The goal of the detail of the method of distribution is to be such that the applicant understands how to respond, how to prepare their application, and what it takes to be successful.

The method of distribution of the recovery program may range from using the existing structure of the State CDBG program as it is established for the State's regular program and simply incorporating the disaster recovery activities into the recovery program; designing a completely new and separate disaster recovery program with new categories, different activities, different priorities, and different maximums and minimums.

DUPLICATION OF BENEFITS – CALCULATION EXAMPLES

It is up to the administrators of disaster recovery funds, to establish a system to avoid the duplication of benefits (double funding from two or more government agencies of the same costs, or duplication of payments for losses paid by private insurance).

Section 312 (a) of the Stafford Act, as amended states that no entity will receive assistance for any loss for which financial assistance has already been received from any other program, from insurance, or from

any other source. The use of Federal and/or State funds granted for the same purpose clearly constitutes a duplication of benefits. Grant or cash donations provided by a third party also **may** constitute a duplication of benefits.

Refer to the [Reference Library](#) for FEMA Disaster Assistance Policy 9525.3 describes the Duplication of Benefits policy associated with Non-Government Funds. The policy may also be found at: http://www.fema.gov/government/grant/pa/9525_3.shtm

DUPLICATION OF BENEFITS – CALCULATION SCENARIOS

Mississippi Homeowner's Grant Program Phase I is designed to provide financial assistance to those homeowners outside the flood plain whose homeowner's insurance did not cover structural flood damage. Single-family homes, owner-occupied duplexes and manufactured housing including mobile homes are eligible for grants under this program.

Under Hurricane Katrina Homeowner's Grant Program, the Mississippi Development Authority (MDA) did damage assessments. Eligible homeowners may receive up to \$150,000 or the insured value of their home multiplied by the percentage of damage the home received (whichever is less), less any insurance or FEMA payments for structural damage. If homeowners have a SBA disaster loan, SBA performed a duplication of benefit analysis to determine if the grant proceeds would be used to repay the loan. In addition, if homeowners must elevate their houses when rebuilding to reduce the risk of damage from future storms, they may be eligible for up to \$30,000 to cover the higher cost of construction. The calculation:

\$145,000 damage assessment
 (\$50,000) insurance proceeds
 (\$35,000) FEMA
 (\$20,000) SBA Loan
 \$40,000 MS Development Authority grant
 \$30,000 Home Elevation Grant (if eligible)
 \$110,000 Eligible Benefits from CDBG Supplemental program

Missouri Buy-out program with relocation (duplication of benefits calculation):

Acquisition Payment = Post flood value of the land and building
 Relocation Payment = Cost of a comparable relocation home outside the floodplain; less the acquisition value paid; less any insurance proceeds; less any FEMA Real Property IA payments; less any SBA proceeds
 = Relocation Payment not to exceed \$22,500.

PROGRAM STRUCTURE

A large part of any method of distribution is the structure of the program. Structure refers to the categories and activities decided upon to deliver the funds. In order to remain in line with the approach selected (needs driven or goals driven, or both, and the program design, the method of distribution must reflect that approach and design in a manner that drives applications and projects in that direction.

How will the funds be delivered?

- Via the usual process using units of local government?
- Using an approved direct method from the State to the beneficiary?
- Using an approved intermediary organization designed to add capacity (regional planning commission, entitlement community, contracted national non-profit community development organization)

What type of funding will be promoted?

- **Compensation for Loss**
 - Implies a flat amount entitled to a qualified disaster victim

- **Incentive Funding**
 - Implies a prescribed amount intended to gain a consequence or action
- **Repair, replace, restore**
 - Fills a gap, fulfills a local match requirement, or funds any ineligible FEMA or other agency funding meant to restore the loss to its pre-disaster condition
- **Redevelopment Funding**
 - Offers an opportunity for “improved” projects to meet current community need and current community plan for recovery
- **Other Funding**
 - Allows for a strategic investment (more on this concept can be found in **Module 4**) of discretionary funds in to projects that represent both a high priority for the community, but also represent a high probability for stimulating other recovery activities, including leveraging other funds and promoting private investment.

Which sectors may be addressed with funds and how?

- **Economic Development** (including, but not limited to):
 - Bridge Loans – Louisiana established a \$45 million program to assist businesses with working capital loan guarantees (small business only)
 - Business Recovery Grant – Louisiana grant for businesses with 50 or fewer employees to help them overcome the disaster’s impact. Objective was to create jobs.
 - Small Firm Attraction & Retention Grant – New York distributed \$29 million to small business that employed fewer than ten people. The program intended to help retain and create 65,000 jobs
- **Infrastructure** (including, but not limited to):
 - Local Match for FEMA Public Assistance Funding
 - Gap Financing For “Improved” Projects Using FEMA Public Assistance
 - Demolition And Debris Removal Not Eligible For FEMA
 - Public Facilities
- **Housing** (including, but not limited to):
 - Down Payment Assistance For Homeownership
 - Housing Rehabilitation
 - Tenant Rental Assistance
 - Buyout Including Acquisition And Relocation
- **Environment** (including, but not limited to):
 - Remediation
 - Water Quality
 - Wetland Restoration

COMPENSATION PROGRAMS

In a major disaster where significant upheaval in the population occurs, the State CD Agency may need to design the program to address immediate human needs. Examples of this include the incentive program in New York and the compensation programs in Mississippi and Louisiana. In these cases, there was an immediate need to stabilize the community by either attracting people back, or getting a commitment for them to stay in a disaster affected area. This program may have its basis in political interests, public outcry and the desire to stabilize the market within the disaster affected area.

This tool kit has shown that a disaster is a tragedy and an opportunity. The opportunity begins at the point where citizens, business representatives and local leaders come together to develop a vision for recovery; develop measurable goals and objectives that will help them attain the vision and then develop and prioritize recovery projects. These are the actions that enable the State CD Agency to design a program that facilitates implementation of a community recovery plan. This may include funding the gap for FEMA Public Assistance grants for improved or alternate projects. It may also include a business incubator project as a catalyst to restore the downtown.

It is important for the State CD Agency to be aware of the immediate needs related to the disaster as well as be a participant in the community's effort to develop a recovery plan. These activities will enable the design of a program or programs that will be of greatest benefit to the recovering community.

Louisiana

Provided direct compensation from the State to homeowners through the Road Home Program.

Mississippi

Offered compensation for households that had flood damage outside of the floodplain. Program covered the gap that homeowners insurance would not cover (wind only).

Missouri

Civic buildings, like city hall, are not typically eligible for CDBG funding. Under disaster circumstances this requirement can be waived. After a tornado in Missouri, this waiver enabled the State to rehabilitate a community service center that was also a historic structure using CDBG funds to fill the gap between the FEMA Public Assistance grant and local share. FEMA considered the project an "improved project" because it combined and expanded the types of community services provided out of the public facility (beyond pre-disaster conditions). Leveraging FEMA Public Assistance grant funds with CDBG funds allowed the community to meet a recovery priority.

New York

Lower Manhattan Development Corporation provided a monetary incentive to businesses within the disaster-affected area

- The program was intended to provide compensation for economic losses to affected firms
- Objective was to retain 225,000 jobs at assisted businesses and up to an additional 150,000 jobs at businesses indirectly affected by the activities of assisted businesses
- Compensation was calculated based on days of lost gross revenue, with the maximum number of days and amounts determined by business location

Texas

Allocated funding to Council of Governments to distribute within their region under the program.

Texas and Florida

Both Florida and Texas turned post-disaster recovery housing rehabilitation programs into an opportunity to improve housing stock for low and moderate income households victimized by the hurricane disasters that hit their communities.

In Florida, the State ensured that all units damaged by the disaster rehabbed by CDBG funds were repaired beyond their damage to meet the Housing Quality Standards (HQS) established by the Federal Section 8 program, which is a code with higher standards than many local housing codes. In Texas, the State CDBG funds were used to rehabilitate the entire damaged unit while the storm damage was being repaired, improving the housing stock in many communities.

F. STAFFING AND HUMAN RESOURCES

Program delivery, in whole or in part, takes place in the hands of the State CD Agency staff. Obviously, the size and scope of the disaster and the amount of Federal CDBG assistance provided to address the disaster recovery would indicate the need for changes in staffing. The complexity of the sectors affected and the need for expertise in certain areas will also indicate the need. Finally, the program delivery will also dictate any changes in CDBG program staffing including any consultant contracting necessary, or cooperative agreements with local or regional agencies who may take on part of the administrative activities related to the disaster recovery funds.

CDBG personnel typically come in a few classifications. They may be generalists, who understand program rules and regulations and may serve a particular field area while providing services “A to Z” for to local governments undertaking all types of projects.

They may be specialists either in a compliance area (fair housing and equal opportunity, environmental review, labor standards, financial management, contracting) or specialists in a development sector (business, housing, infrastructure, environment).

CDBG staff may work directly with the grantees and the public, or they may serve to administer the program in-house; such as accounting, data entry and reporting, or support services.

EXAMPLES FOR STAFFING A DISASTER RECOVERY PROGRAM

There are a couple of options and models that States have used for staffing a disaster recovery:

- Use existing staff and integrate into regular program duties – Alabama utilized existing staff for program administration.
- Hire separate new staff and create separate independent program – Louisiana hired new contract employees to administer the disaster recovery program. New York City set up the Lower Manhattan Development Authority for administering all aspects of the recovery process.
- Use a blend of existing (specialists) and new (field) staff
- Add new jobs not typically used in regular programming:
 - Communications / Public Relations
 - Governor / Legislative Liaison
 - Attorneys
 - Certified Public Accountants and Auditors
 - Development Finance professionals

In each State where major disaster recovery activities were undertaken a common lesson learned was that communications and public relations is an essential element that should be in place at the earliest stage of program design.

CAPACITY

State and Local capacity will often dictate a particular staffing or delivery mechanism chosen by the State CD Agency. Capacity is also a function of decision-making and the degree of complexity created in the program design. If States are allocating funding to regions for their award and distribution, the capacity for project decision-making is diminished beyond creating the program parameters in the Action Plan.

Likewise, if State’s are making decisions but leaving the delivery to a regional organization, then capacity in the decision-making arena increases, but capacity needed to deliver the funds decreases.

Increasing Capacity

Increasing capacity in your agency at either the management level or technician level is another challenge. Funding may be available through administrative components of the grant (supplemental funding) to cover the costs of additional staffing. The challenge is getting adequate staffing in a timely manner. One suggestion is to bring a State human resources person into your organization so that day-to-

day personnel issues and needs can be quickly addressed. Another recommendation is to work with your human resources staff ahead of the disaster and prepare policies like they have in California where a management level position in one agency can temporarily transfer into your agency to manage a short-term project. This person maintains their tenure and salary from the donating agency and is guaranteed their position when the project is complete. This may or may not be the right solution for your State; the importance of the point is to establish the relationships and policies that will help increase disaster recovery capacity ahead of a disaster.

Expertise also defines capacity. If the recovery activities require housing finance professionals, housing rehabilitation professionals, real estate professionals, engineers, architects, or other professional service providers, the State CD Agency must respond by either hiring internally or contracting externally.

Volume will also define capacity. There are circumstances where the disaster recovery dwarfs the regular CDBG program in amount of funds and numbers of projects. Staffing for adequate local representation for technical assistance and project management will cause one increase in staff numbers. Fund management, budgeting, accounting and auditing may cause another increase in staffing.

Local capacity after a disaster is a concern that must be addressed. Typically, all of the human resources at the local level are expended dealing with disaster response and other disaster resources. The State should be prepared to provide a lot of training, technical assistance and perhaps to build capacity by using the Public Service and Technical Assistance categories of CDBG funding.

G. CONTRACTING / MEMORANDUMS OF UNDERSTANDING

Capacity and program delivery may be accomplished through formal contracting and memorandums of understanding (MOU) or agreement (MOA).

Procurement – Is the process that a State or Local agency can undertake to hire contractual assistance for program administration. This can range from a single task effort all the way to planning, designing and implementing the program under a contract or series of contracts.

Sample MOU / MOA RFP language is included in the [Reference Library](#)

To help put the appropriate proposal together, there are a couple of things to keep in mind. First, check your State legislation related to procurement. Make sure that this legislation addresses procurement procedures related to disaster conditions including sole source contracting. Second, make sure that all programs, software, and related documentation become the property of the State at the conclusion of the project and include a transition element so that proper training can occur prior to the close out of the contract. Third, CDBG knowledge and experience is important for program administration but, so are other skills such as customer service, public relations and accounting to name a few. Make sure the team being hired has the diverse skill set to accomplish all elements of the proposal.

Contracting with national organizations or professional service providers requires a detailed scope of services, a contract written by an attorney, and a request for proposals or request for qualifications (depending upon State procurement law) that is designed in a manner to capture the most qualified candidate to do the job. Passing the responsibility of any part of the program delivery to a contracted agent should be a decision made to accomplish a task in a manner that adds value to the process. If the Scope is not clearly defined, or the candidates are not qualified, the State will lose value. Disaster recovery is so widely viewed by the audience that it is intended to assist, as well as by the rest of the nation and, in some cases, the rest of the world, the State CD Agency cannot afford to lose value.

H. EVALUATING THE PROGRAM

Recovery takes many years, a major disaster could take 20 or more years and it is possible that the affected community never completely recovers from every aspect of the disaster. Evaluating a disaster recovery program should be tailored to the size and scope of the disaster. Establishing and maintaining an evaluation program for the recovery process is an important step in program evaluation. There will be reporting requirements related to the supplemental funding and the recovery plan / program should establish benchmarks for measuring progress. These reporting requirements are the starting point for Evaluation.

The evaluation process for disasters will vary based on the intensity of the recovery effort and the funding used to implement recovery. At the end of this section is an evaluation process checklist that may be used toward developing an evaluation process that fits the disaster.

Compiling an evaluation process based on this listing of criteria will help your agency go beyond the simply closing out projects and grants. This type of evaluation process can provide a reporting mechanism that will satisfy Federal, State and Local needs. It will also provide solid information to develop press releases and newsletters that communicate recovery progress. Some additional Evaluation Program Considerations include interviewing key community leaders and recovery committee members and documenting recovery plan amendments that have occurred.

One of the most important uses of the data collected in the evaluation process is to determine if recovery programs and strategies are working and to refine the recovery planning process and programs for future efforts. This is why the evaluation process might occur over a period of several years.

I. PRE-DISASTER PREPARATION FOR THE STATE CD AGENCY

This Toolkit provides a **process** for States and communities to identify policies, activities and tools to implement a recovery program after a disaster. This process has four key steps:

- Organizing resources
- Assessing risks
- Developing an approach or plan
- Implementing the plan and monitoring progress

Being prepared for a disaster is not left solely to the communities or the State Emergency Management Agency; disaster preparedness is applicable to the State CD Agency as well. At the end of this section is a checklist of actions and activities that a State CD Agency should undertake during periods of non-disaster.

The checklist will enable the State CD Agency to plan and prepare for future disaster recovery activities.

WORDS OF WISDOM

"To be prepared is half the victory . . ." Miguel De Cervantes

"The best preparation for tomorrow is doing your best today . . ." H. Jackson Brown Jr.

"Before everything else, getting ready is the secret to success . . ." Henry Ford

"The time to repair the roof is when the sun is shining . . ." John F. Kennedy"

EVALUATION PROCESS

✓	<p>Have HUD CDBG Supplemental funds been used in the disaster recovery?</p> <p>a. If yes, describe how they have been used in terms of partnering with other agencies and leveraging with other sources</p> <p>b. If no, describe the CDBG funding source used</p>
✓	<p>Have State CDBG (set-aside or re-programmed) funds been used in the disaster recovery?</p>
✓	<p>Who is the lead agency for the recovery project?</p>
✓	<p>Who are the partners related to recovery projects</p>
✓	<p>Project Information</p> <p>a. Number of projects approved through the program</p> <p>i. By jurisdiction</p> <p>ii. By Sector (housing, economic, infrastructure and environment)</p>
✓	<p>Community statistics:</p> <p>a. Population (households) pre-disaster</p> <p>b. Current population estimate for the community (at time of report)</p>
✓	<p>Relate the recovery project(s) being implemented to the community vision, goals and objectives.</p> <p>a. Housing</p> <p>b. Economic Development</p> <p>c. Infrastructure</p> <p>d. Environment</p>
✓	<p>Housing Sector Project success:</p> <p>a. Number of units destroyed and/or households displaced</p> <p>b. Number of units restored, rehabilitated, reconstructed and/or constructed under the program.</p> <p>i. Number that qualify as low/moderate housing units</p> <p>c. Number of displaced households that have returned home (from FEMA trailers or other temporary housing options)</p> <p>d. Number of new households attracted to the community</p>
✓	<p>Economic Sector Project success</p> <p>a. Percent unemployed pre-disaster</p> <p>b. Number of jobs lost and/or businesses closed or relocated due to the disaster.</p> <p>c. Current estimated unemployment rate.</p> <p>d. Number of businesses restored due to the program</p> <p>e. Number of businesses attracted due to the program</p> <p>f. Number of jobs restored due to the program</p> <p>g. Estimated unemployment rate (at time of report)</p>
✓	<p>Infrastructure Sector Project Success</p> <p>a. List the community infrastructure that was destroyed in the disaster</p> <p>b. List the community infrastructure that was damaged in the disaster</p> <p>c. Identify infrastructure facilities that received program funding for restoration or repair</p> <p>d. Identify the status of the infrastructure projects (program funding) by percent complete</p>
✓	<p>Environmental Sector Project Success (mitigation)</p> <p>a. Number of homes and/or businesses in the floodplain prior to the disaster</p> <p>b. Number of homes and/or businesses relocated out of the flood plain through the program</p> <p>c. Number of homes and/or businesses elevated through the program</p> <p>d. Disposition of land acquired through a buy-out program (that used program funds)</p> <p>i. Wetland restoration</p> <p>ii. Park land development</p> <p>iii. Natural protective barriers installed</p>
✓	<p>Can documentation be provided to substantiate "spin-off" impacts related to project implementation?</p> <p>a. Housing</p> <p>b. Economic Development</p> <p>c. Infrastructure</p> <p>d. Environment</p>
✓	<p>Has the recovery planning advanced into an updated comprehensive or master plan for the community?</p>
✓	<p>Has the local committee structure, developed for recovery planning continued as an effective community voice for recovery?</p>

DISASTER PRE-PLANNING CHECKLIST

- ✓ Coordinate with, and conduct an inventory of, the agencies that will be involved in the disaster and the resources of the development agencies.
- ✓ **Sectors Affected – Identify professional expertise to assist with affected sectors:**
 - Housing
 - Economic or business
 - Public infrastructure/public facilities
 - Environment
- ✓ Establish a liaison for disaster coordination with the gov office legislature state agencies and other agencies involved in disaster recovery.
- ✓ Establish the frame work for decision making within the State CD Agency.
- ✓ Reward communities for completed hazard mitigation plans.
- ✓ Suggest state legislation that will make other fund sources applicable to disaster recovery.
- ✓ Identify other community development fund sources that may be used in disaster recovery such as tax credits.
- ✓ Establish a communications organization with a media and communications person.
- ✓ Determine what information in the HUD system is eligible for sharing with other disaster recovery agencies.
- ✓ Establish a relationship with your federal legislative delegation to be identified as a resource for them for CDBG to assist with crafting bill / statutory language.
- ✓ Identify all of the state development agencies as potential partners to participate in long term recovery.
- ✓ Suggest emergency procurement language to allow for contracting for professional services enabling you to “surge” your staffing capacity.
- ✓ Establish a relationship with the state and local emergency management agency.
- ✓ Participate in disaster preparation exercises in your state.
- ✓ Complete FEMA training courses on the National Response Plan, Incident Management, Public Assistance and Individual Assistance.
- ✓ Attend the FEMA ESF-14 Conference.
- ✓ Get a copy of your state emergency management plan.
- ✓ Suggest a long-term recovery strategy or section in that plan if it does not exist. Define your agency role in this plan.
- ✓ Communicate or interview other state CD Agencies regarding their response to disaster recovery.
- ✓ Familiarize yourself with the waiver process.
- ✓ Review any state disaster recovery action plans.