



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Testimony of:

Michael G. Gerber
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Hearing on:

“Ensuring State and Effective Housing Programs
in the Wake of Natural Disasters”

Committee on Homeland Security
United States House of Representatives

January 29, 2008

Chairman Thompson, Ranking Member King, and Members of the Committee:

My name is Michael Gerber and I am Executive Director of the Texas Department of Housing and Community Affairs (TDHCA). TDHCA has been designated by Governor Rick Perry as the lead agency in Texas responsible for Hurricane Rita recovery. Thank you for inviting me to update you on these efforts.

I would like to start by saying that TDHCA is clearly not a first responder agency. Rather, we are Texas' lead agency responsible for affordable housing, community and energy assistance programs, and colonia housing activities. The Department annually administers funds in excess of \$400 million, the majority of which is derived from federal grants, federal tax credits, and mortgage revenue bond financing.

Our enabling legislation allows the Governor to assign additional programs not contemplated in statute, which is how we became active in the disaster recovery business. The disaster recovery program was assigned to TDHCA because local communities and officials identified housing as the overwhelming need after Hurricanes Rita and Katrina impacted Texas.

Primary among the missions TDHCA statutorily serves is to assist *local communities* in overcoming financial, social and environmental problems to help put housing on the ground. Another legislative charge is to contribute to the preservation, development and redevelopment of neighborhoods and communities.

We have an excellent track record in accomplishing these goals and we like to think that is one of the reasons we were asked to take on the disaster recovery program that impacted individuals and entire neighborhoods throughout Southeast Texas.

With the first allotment of federally appropriated funds, \$74.5 million, we worked closely with and listened to local elected officials, community leaders and faith based organizations. We clearly heard the message that because the funds were so limited, local governments wanted to be directly involved with their distribution so that they could maximize these funds. TDHCA utilized local Councils of Government, organizations made up of local elected officials and key staff that serve as a regional planning board. There are three Councils of Government in Southeast Texas that we contracted with in July 2006 for the distribution of \$40.3 million in housing funds, which came from the \$74.5 million appropriation.

These Councils of Government are responsible for identifying and qualifying eligible families for help, and then hiring contractors to make emergency repairs or rebuild a home, or to replace a manufactured housing unit. The balance of the \$74.5 million is being used for infrastructure repair throughout Southeast Texas, including fixing water and wastewater systems

Given the funds available at the time, we believed that working through the Councils of Government would allow local governments to weigh the needs of all the residents of the region and provide the greatest impact. In all instances, the intended beneficiaries of these funds are the lowest-income Texans, those at well below 80 percent Area Median Family Income, and we've given priority to seniors, persons with disabilities, and other vulnerable populations.

This process took some time to get up and running because of the complexities of the Community Development Block Grant program, and the overriding desire to rebuild communities—restoring both the region’s tax base and people’s lives—and to not just simply issue checks providing only temporary relief.

It is important to note that Texas identified over \$2 billion dollars in need in the region from both Hurricane Rita direct damage and Hurricane Katrina needs with the flood of over 400,000 evacuees that Texas welcomed with open arms. That is why we also welcomed the second appropriation of funds by Congress which raised our total allocation of disaster recovery funds from \$74.5 million to \$503 million. That gave the state about twenty five cents for every dollar of documented need. However, that second round of funding, \$428.6 million, was not fully available to Texas until just ten months ago.

This is not to say that we are not grateful for the efforts of Congress to assist our communities with the funds we did receive. Our Texas Congressional delegation did an outstanding job understanding the rebuilding needs of the region and securing these funds. However, the State still had to make tough choices about how to help communities recover.

After much public discussion again with local officials, community groups and faith-based organizations, Texas chose to continue on the path of assisting individuals and communities by focusing on actual housing and infrastructure construction. Building a home, repairing a home, or replacing a manufactured housing unit takes a greater amount of time than qualifying someone and simply issuing a check to cover their storm damage. Again, Texas chose because of our limited funds to do a rebuilding program and not a compensation program that other states have opted to do because of their more generous allocations from HUD. Also, because of the limited funds available, we had to tell people who had already rebuilt that we were going to assign first priority to those who could not rebuild without government assistance.

The decision to undertake a rebuilding program caused us to move more slowly than we wished in qualifying residents and ensuring that they were eligible for the program. Qualifying residents has been a challenging process, but you should know that the State of Texas has added no additional requirements. The factors causing many of the delays – environmental clearance, historic preservation requirements, flood plain limitations, and duplication of benefits restrictions – are all requirements of federal law or HUD rules. The only limitation Texas has regards the amount of funds an individual may receive so as to distribute disaster help as broadly as possible. I would also like to note that HUD is also an agency not typically in the disaster recovery business; yet, we have received tremendous technical assistance from career staff at HUD to navigate these complicated issues.

I expect that we will have all housing funds from the first round of \$74.5 million distributed and homes built by Labor Day. Most of the work we are doing are full rebuilds of homes, and we expect that for the \$40.3 million in housing funds, we will rebuild or replace nearly 550 homes. For critical infrastructure in round one – again, mostly water and wastewater repair projects – these projects will be completed and all funds drawn down by October.

For the second round of funds – \$428.6 million – Congress approved this appropriation in the summer of 2006. We received approval from HUD of our action plan on how to best use these funds for the second round in April of 2007.

TDHCA awarded all \$428.6 million in funds by September 2007. It took some time because several of the programs were competitively run, and required communities to submit applications and to be judged on the number of low-income persons who would benefit or be helped. In the case of the Homeowner Assistance Program, for which \$222 million has been dedicated, TDHCA used a competitive bid process to select a group of contractors to help the state to expedite the delivery of funds to qualified homeowners and to build homes and make repairs.

The contractor team has already been working on the delivery process and has held meetings in Southeast Texas to take over existing applications that remain unfunded from round one.

On a separate track, we have also been working with FEMA as part of their alternative housing pilot program to look for new ways to assist disaster victims with alternatives to trailers. The program FEMA selected for Texas to work on involves the HESTON Group and will provide rapidly assembled housing that can be built and disassembled and stored quickly.

Texas will use these funds from FEMA – \$16 million – to relocate residents currently living in temporary housing, including trailers. Some of the models will ultimately be disassembled to determine how the program works for short term disaster housing, but the vast majority of the homes will be used as part of a set of options for disaster victims to provide permanent, safe, and decent housing. We expect to have all of the pilot homes – approximately 150 to 180 – built and deployed by the end of 2008.

On a final note, we also know that starting over in a new community is difficult. That is why the State has dedicated \$60 million of the \$428.6 million in round two to the City of Houston and Harris County to assist and provide services for evacuees from Hurricane Katrina.

For the entire disaster recovery program in Texas, we believe that we have turned the corner from the planning stage and have moved fully into building and reconstruction throughout the region. We expect that all funds – all \$503 million – will be fully used within the next two and a half years.

We welcome the Committee exploring the capacity of first responders to a major disaster and asking tough questions about who should have ultimate responsibility for the inevitable longer-term recovery. In Texas, we have done some things very well. When you look back at our program, I believe you will find strong accountability and controls and no instances of the widespread fraud, waste and abuse that have plagued other disaster recovery programs as has been reported in the press. You will also find that our program actually built homes and repaired infrastructure for those whom the program was intended – our lowest-income Texans, seniors, and persons with disabilities.

Again, I thank you for this opportunity and I would be pleased to respond to any questions you may have.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rebuilding Texas: Disaster Recovery from Hurricane Rita First Supplemental Update

Timeline

- September 24, 2005: Hurricane Rita makes landfall near Sabine Pass approximately one month after Hurricane Katrina sends 400,000 evacuees into Texas
- December 30, 2005: Congress appropriates \$11.5 billion in Community Development Block Grant funds for disaster recovery. Texas has identified more than \$2 billion in needed assistance
- February 2006: HUD announces availability of \$74.5 million in CDBG funds for Texas from Congressionally appropriated funds
- February – May 2006: TDHCA produces draft plan and obtains significant public comment on proposed State of Texas Action Plan (application for CDBG funds) and holds public hearing where the TDHCA Governing Board approves the plan representing the comments of the public.
- May 2006: Texas submits Action Plan; HUD approves Plan and awards \$74.5 million to Texas, some nine months after hurricane hits state but less than four months since funds made available
- May – July 2006: Office of Governor coordinates with TDHCA and COGs to determine funding amounts for each community to be represented by their COG based on most severe impacts
- July 2006: TDHCA Governing Board awards funds to Councils of Governments (COGs) at first available meeting
- August 2006: Contracts are developed and signed and COGs begin intake of applications and planning for other elements of process
- October 2007: Intake completed having reached more than the number of applicants who could be funded
- November 2007 – present: Applicant certification process, manufactured home replacement process, and, bid and construction process for conventional homes
- September 2008: All construction, home replacement projected to be complete

Status of Housing Funds
\$40.3 million

Key Accomplishments:

- Sixty-six percent (355 of 538 applicants) of eligible Texas families have completed necessary paperwork to receive funding, additional applicants are in process and nearing completion. All applicants that have filed applications but have not yet been approved will be forwarded to next round of funding
- Eighty nine (89) homes have either been completed or are near completion
- Eighty eight (88) additional homes are ready to begin construction
- Bid packages are being developed for all additional applications that have been approved

Key Projection:

- Eighty (80) homes will be completed/constructed in each month between February 2008 and June 2008

INFRASTRUCTURE

Status of Infrastructure Funds
\$30.2 million

	Current Budget	Amount Drawn To Date	Projects Awarded
ETCOG	\$2,049,997	\$42,064	14
DETCOG	\$12,178,209	\$3,372,108	88
SETRPC	\$12,450,000	\$3,894,314	74
H-GAC	\$3,616,156	\$246,227	17
Totals	\$30,294,362	\$7,554,713	193

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rebuilding Texas: Disaster Recovery from Hurricane Rita Second Supplemental Update

Timeline

- September 24, 2005: Hurricane Rita makes landfall near Sabine Pass while Texas is working to help over 400,000 refugees displaced from Hurricane Katrina
- June 15, 2006: Congress appropriates a second round of CDBG funds for disaster recovery after Texas has identified \$2 billion in need and received \$74 million from the initial funding
- October 30, 2006: HUD announces availability of \$428.6 million for Texas
- October through December 2006: Governor Perry meets with leaders of affected communities to determine how to divide funds to help the largest number of impact people from both Hurricanes Katrina and Rita
- December 2006-January 2007: Using a comprehensive plan worked out with community leaders, TDHCA drafts an action plan and holds public hearing throughout the region to solicit and receives significant public comment on proposed State of Texas Action Plan (application for CDBG funds)
- February 2007: TDHCA Board approves plan and State submits plan to HUD at it first available meeting after the public comment is incorporated
- April 2007: HUD awards \$428.6 million in Community Development Block Grant funds to State of Texas for disaster recovery to help Texans rebuild their homes which have gotten worse with homes damaged in the fall of 2005 having been subjected to almost 100 inches of additional rain
- April-August 2007: Working with experienced federal contracting attorneys at Vinson & Elkins, TDHCA issues a Request for Proposals for third-party administrator to oversee housing assistance program; collects and evaluates proposals; and, selects top proposal and analyzes the submitted information to determine the best proposal and conducts initial clean up of the top proposal to make certain they can perform the work before making a recommendation
- August 2007: TDHCA Board approves the selection of the nationally recognized ACS State and Local Solutions, Inc. team that includes Katrina-experienced consultants Reznick Company and Shaw Engineering, as the third-party administrator who will manage \$232 million in funds to repair or rebuild homes in the region thereby assuring the money will go toward rebuilding communities and providing safe affordable housing

- August 2007: TDHCA awards \$6 million to Memorial Hermann Baptist Orange Hospital to replace damaged equipment in Orange County deemed by the community to be the most important medical resource in the area
- September 2007: TDHCA Governing Board also award 82 million dollars in rental housing stock restoration, the full amount mandated in the application to rebuild safe affordable rental housing for the communities
- October 2007: TDHCA awards \$10 million to Hardin County for timber and debris removal to help stop additional flooding that has isolated neighborhoods and caused additional home loss because of “natural damming” of the local rivers
- October 2007: TDHCA executes contract with City of Houston for \$40 million based on a plan to specifically help Hurricane Katrina victims who are relocating to Texas
- November 2007: TDHCA executes contract with Harris County for \$20 million; total of \$60 million for the City of Houston and Harris County Public Service and Community Development Program to provide much needed support to Katrina refugees now residing in Harris County
- November 2007: TDHCA awards \$26 million in non-housing (infrastructure) funding and prioritizes an additional \$48.6 million amount of need in the region if funds become available
- December 2007: TDHCA awards \$3.8 million to Bridge City to repair water treatment facility and all funds are now awarded to administrators under the second round of funding eight months after funding was made available to Texas
- December 2007: State and ACS reach an agreement on how to protect Texans and still provide safe affordable housing to victims of Hurricane Rita that have been waiting for assistance. The contract allows for significant expediting of approving existing applications that were collected but not funded in Round 1 and calls for contracts with local builders to provide cost efficient reconstruction or manufactured home replacement where necessary by local builders thereby assuring a commitment to the home by the builder and helping the local economy
- December 2007: All funds are allocated as State of Texas/TDHCA finalizes contract with ACS

Funding Breakdown:

Activity	Available Funding for Activity
Homeowner Assistance Program (“HAP”)	\$210,371,273
Sabine Pass Restoration Program (“SPRP”)	\$12,000,000
Rental Housing Stock Restoration Program (“Rental”)	\$82,866,984
City of Houston and Harris County Public Service and Community Development Program (“Houston/Harris”)	\$60,000,000
Restoration of Critical Infrastructure Program (Infrastructure)	\$42,000,000
State Administration Funds (Used to Administer Funding)	\$21,433,592
Total Plan Funding	\$428,671,849

Execution of Contract with ACS State & Local Solutions, Inc.

- TDHCA will partner with ACS State & Local Solutions, Inc., to administer the \$222 million Housing Assistance Program and Sabine Pass Restoration Program. TDHCA executed terms of the contract in December 2007 and chose ACS due to its extensive experience in disaster recovery work. The ACS Team includes nationally recognized Shaw Environmental & Infrastructure, Inc., and The Reznick Group. The Department will maintain close oversight of the ACS Team as terms of the contract as well as milestones are met.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**Disaster Recovery from 2005 Hurricanes
Alternative Housing Pilot Program Update as of January 24, 2008**

**Execution of the Grant Award from FEMA
for the Alternative Housing Pilot Program (AHPP)**

- The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes for a time period of twenty-four months. The Heston Group was selected by pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population.
- The Heston Group will be the administrator of the portion of AHPP that relates to the private sites in East Texas as well as providing the actual units to be distributed to applicants. The Heston Group has extensive knowledge in the quick deployment of the Heston Homes due to the work that they have done and continue to do for the Department of Defense.
- TDHCA is working with The Harris County Housing Authority (HCHA) to possibly appoint HCHA as administrator of the group site portion of the AHPP; HCHA is capable of handling this task due to their experience operating a large and complex Housing Authority as well as numerous additional development activities.
- It is anticipated that there will be up to 20 units for the Harris County group site, and between 100-150 units in East Texas on private sites.
- Once the sites have been established and units have been deployed, the HCHA will own both the units and the land that the group site is located on and the Households participating in the program in East Texas will own the units they receive from the program.

AHPP Milestone	Start Date	End Date
Using FEMA data, TDHCA identifies anticipated East Texas sites for Priority 1 households and the eligible Priority 1 households for Harris County group site. TDHCA will provide anticipated East Texas sites to Heston Group for preliminary budget analysis.		01/28/08
TDHCA and Heston kick-off meeting in Austin to execute contract.		01/30/08
TDHCA, Heston, and Harris County kick-off meeting to discuss the program roll-out and schedule (including site selection, household selection procedures, and other program requirements).		02/01/08
TDHCA, FEMA, Heston, FEMA, and HUD AHPP kick-off		Early

meeting to discuss the program roll-out and schedule. TDHCA to provide draft selection procedures for Harris County and East Texas set-asides, and East Texas preliminary sites for FEMA approval.		February 2008
TDHCA contacts all Priority 1 households in East Texas to determine if households agree to Program. Once households agree, TDHCA will provide required information to FEMA to begin environmental clearances. Also, TDHCA executes contract with Harris County to administer the program.		Mid-late February 2008
AHPP Milestone (cont.)	Start Date	End Date
Harris County deadline for final group site selection and purchase. FEMA to start environmental review of site as soon as possible for selected Harris County site.		Late February 2008
Harris County Lease sent to FEMA General Counsel for approval		03/18/08
FEMA completes all Priority 1 environmental and historical clearances for Harris County and East Texas Sites.		03/28/08
Groundbreaking for Harris County and first East Texas homes.		Early April 2008
Infrastructure complete for Harris County group site.		06/30/08
All East Texas and Harris County units are deployed and ownership transferred to households or Harris County.		08/01/08
All Harris County units leased up.		09/01/08
Harris County units demobilized and returned to storage.		09/01/10
AHPP Period of Performance ends		12/31/11