



**TESTIMONY OF THE MAYOR'S OFFICE OF MANAGEMENT AND BUDGET AND  
THE MAYOR'S OFFICE OF RECOVERY AND RESILIENCY BEFORE THE NEW  
YORK CITY COUNCIL COMMITTEES ON RESILIENCY AND RECOVERY, AND  
FINANCE**

Wednesday, April 9, 2014

**Introduction**

Good morning Chairperson Treyger, Chairperson Ferreras, and Members of the Committee on Recovery and Resiliency, and the Committee on Finance. My name is Daniel Zarrilli, Director of the Mayor's Office of Recovery and Resiliency. It's a pleasure to be here today on behalf of the de Blasio administration. You heard on March 31, 2014, from Amy Peterson of the City's Office of Housing Recovery Operations, or HRO, on efforts to make the Build it Back housing recovery program work better for all program participants. Today, I'm joined by John Grathwol, Deputy Director from the City's Office of Management and Budget, OMB, and we will provide testimony on the City's overall Sandy recovery, focusing on infrastructure recovery and resiliency efforts, and details on funding and key milestones.

I'd first like to thank the hundreds of professionals, elected officials, and City employees – and the thousands of New Yorkers who came to public workshops or volunteered – who have dedicated themselves in service to the City's effort to rebuild stronger and more resiliently these last 17 months. Hurricane Sandy was a test of the city's physical strength. It was also a test of its people, and it is clear that in this test we have found a resolve to work with our neighbors across the entire city to make our communities even stronger.

Now, I would like to provide a brief overview of the recovery and resiliency effort to give some context for why the rebuilding effort and ultimately, the strength of the city, depends on taking a serious look at our risks not just from Hurricane Sandy, but from the effects of long-term climate change.

On Saturday March 29, Mayor Bill de Blasio announced the establishment of the Office of Recovery and Resiliency (ORR). This is a commitment to the ongoing work of recovery and resiliency that began with the Special Initiative for Rebuilding and Resiliency (SIRR), which produced the City's first climate resiliency plan, *A Stronger, More Resilient New York*. This establishment of ORR is a strong statement that this Mayor is dedicated to implementing this plan and making sure that the city is more resilient and safer for all New Yorkers.

**Sandy and its impacts**

As you know, Sandy had a devastating impact on New York City, with tragically 44 lives lost and thousands of homes damaged and destroyed and many businesses disrupted and shuttered.

But the story of Sandy was also about the disruption to City infrastructure and critical services, like energy, transportation and telecommunications. These systems exist in a complicated and inter-connected fabric that allows us to live and work in one of the most dense and diverse urban environments in the globe. Sandy highlighted just how vulnerable and damaging a storm can be to these critical systems and ultimately to our own safety and livelihoods.

To demonstrate NYC's dependence on and vulnerability of these systems, here is just a brief recap of Sandy's impacts:

- **Buildings:** Sandy flooded an area that included 88,700 buildings or 9percent of the city's total building stock
- **Utilities:** 800,000 power customers lost electricity, some for weeks, which affected approximately 2 million people; natural gas fared better but 84,000 customers still lost service; 1/3 of the city's steam customers experienced outages, including 5 acute care hospitals
- **Liquid fuels:** during Sandy, a breakdown occurred at almost every level of our regional fuel supply chain – for 3 days after Sandy, 100 percent of the region's refineries and pipelines were shut-down; after 7 days 21 percent of them were still shut-down with another 3 percent at reduced operations and 21 percent of the refineries and pipelines were shut down for 10 or more days after Sandy. The result was a crippling effect on the fuel supply chain that affected everyone from taxi drivers and food delivery trucks to first-responders
- **Telecommunications:** In addition to loss of telecommunication systems from power outages, 35,800 buildings saw flooding of 1-3 ft or more which usually resulted in damage to basement and exterior telecommunications equipment, several critical telecoms facilities were also damaged, further disrupting service
- **Transportation:** NYC's regional transportation network carries 1/3 of all transit riders and 2/3 of all rail riders in the U.S.A.; it has 6,000 miles of streets and nearly 800 bridges; Sandy caused major damage to this system, impacting 8.6 million transit riders, 4.2 million drivers, and 1 million airport passengers; for example, for 3 days after Sandy all 12 East and Hudson River subway tunnels were out of service, with 3 of them out of service for at least 10 days after Sandy
- **Parks:** Parks cover 14 percent of NYC, often providing critical natural buffers to hazards; Sandy flooded 5,700 acres of NYC parks and caused nearly \$800 million in damage to park assets and facilities; additionally city beaches lost up to 3 million cubic yards of sand
- **Water/Wastewater:** On average, NYC consumes 1 billion+ gallons of water a day and thanks to a resilient supply system, the drinking water supply fared well throughout Sandy; however 10 of the city's 14 wastewater treatment plants were damaged or lost power, with 3 of these plants non-operational for some time after the storm; approx. 560 million gallons of untreated sewage, stormwater and seawater were released into NYC's waterways during Sandy and around 800 million gallons of partially treated wastewater were released

Overall, the estimated cost to the city was at least \$19 billion in damages and lost economic activity, with much of this cost being borne out by damage to the critical infrastructure systems on which we depend. We simply can't afford not to rebuild our infrastructure in a way that reduces the risk of repeating those events, especially when we know the risks are actually getting greater.

### **Cost of Inaction**

Through our work with the New York City Panel on Climate Change (NPCC) we have seen that by the 2050s, we may expect to see another 1-2 feet of sea level rise, with a high end projection 2.5 feet. That's on top of 1 foot of sea level rise seen since about 1900. All of this makes flood levels experienced during Hurricane Sandy more likely in the future. We may also see an increase in precipitation, higher temperatures and longer heat waves. During SIRR, the City did some initial loss-modeling with Swiss-Re, a global reinsurance company, and estimated that a storm that causes \$19 billion in damages, a 1-in-70-year loss event – like Sandy – is, due to climate change, 40 percent more likely in the 2050s with a 1/50 probability. Put another way, a storm with the same probability as Sandy – 1/70, would cause \$90 billion in damages in the 2050s, even if no additional development happens in the floodplain..

The amount of money needed now to restore New Yorker's homes, businesses and infrastructure is staggering – the cost to do so as the city's risk gets greater would be crippling. This translates directly into the coastal protection and infrastructure needs the City must invest in to make sure New Yorkers are effectively managing this risk. This can not only save lives but also save money. FEMA estimates that \$1 spent in mitigation will save \$4 in reduced future damages.

Fortunately, we as a City have a unique opportunity to invest in our infrastructure with Federal funds in order to buy down this future risk. The City, through *A Stronger, More Resilient New York* has laid out a roadmap for how we as a city can meet these new risks from climate change while also rebuilding after Hurricane Sandy. The time is now to make these investments to prepare our City and its infrastructure and neighborhoods for the long-term risk of climate change.

### **Recovery and Resiliency Plan**

The City's plan, based on the best available science as generated through the New York City Panel on Climate Change, consists of 257 specific initiatives to strengthen the coast, improve buildings, protect infrastructure, and make neighborhoods safer and more resilient. This plan includes immediate, short-term, and long-term recommendations and is expected to take approximately 10 years to complete, subject to council-required updates to that plan every four years starting in 2015.

The new Mayor's Office of Recovery and Resiliency, working closely with OMB and many other City agencies, will lead the City's efforts as we implement this plan, using the roadmap set out in *A Stronger, More Resilient New York*. This effort will also require partnership and action at all levels of government, and will need support and assistance from the private sector, philanthropic organizations, and, most importantly, from New Yorkers in all five boroughs in order to be successful

As outlined in *A Stronger, More Resilient New York*, ORR will oversee the first ever comprehensive coastal strategy for New York City that includes a first phase of a \$3.7 billion, 37-initiative plan to protect and strengthen our coastline. This is already underway across the City, working with the US Army Corps of Engineers and others to increase edge elevations, minimize upland wave zones, protect against storm surge, and provide for improved coastal design and governance. Existing authorized USACE projects are under study in Jamaica Bay and the Rockaways, in Staten Island, and in Coney Island. Already, 1.2 million cubic yards of sand have been replaced on city beaches, with another 2.9 million cubic yards of sand to come this year. We've launched a feasibility study of a multipurpose levee in Southern Manhattan, and have secured funding for vital wetland and living shoreline projects in Queens and flood protection projects in Red Hook. As we look into the future, it was also clear that we needed to continue to invest in resiliency research and so have launched, in partnership with NPS, a scientific consortium led by CUNY, and others, the Science and Resilience Institute at Jamaica Bay to investigate resiliency and urban environments and provide scientific input into policy decisions.

Likewise, upgrades to our building stock and building code are already underway. Thanks to the City Council, 17 of 22 resiliency bills were passed into law in 2013, including many building code upgrades to ensure that new construction is resilient with respect to floods, wind, and prolonged power outage. The ORR staff will also continue to pursue programs to upgrade existing buildings.

To protect existing City infrastructure and City services, ORR will work with City agencies to rehabilitate and upgrade assets like treatment plants and will call on utility providers to make similar investments. This effort has already secured \$1 billion in resiliency investments in the power grid. The goal is to create redundancy and strength in critical systems to improve recovery and restoration times after a disaster. The City will then work to incorporate resiliency guidelines across operations and into long-term capital planning.

Finally, *A Stronger, More Resilient New York* also details neighborhood rebuilding plans that consist of infrastructure upgrades, land use options, capacity-building with local nonprofits, and economic development measures to secure local job creators in our coastal communities.

In addition, the City has been engaging with State and Federal rebuilding and resiliency programs to ensure complementary recovery approaches in the development of neighborhood-specific plans to promote sustainable, resilient, and affordable community recovery and development. The City is coordinating with both the State's New York Rising program and HUD's Rebuild by Design program as they roll out and fund locally-supported plans and projects.

Of course, the need for financial assistance to complete this very aggressive and important work is great and my colleagues from OMB and I will detail how the city is working to draw these resources, including that of the City's efforts as reflected in CDBG-DR and FEMA sources of funds, and a brief description of other potential sources of funds.

## **Federal Funding**

Thank you, Dan. My name is John Grathwol, and I am a Deputy Director at the Mayor's Office of Management and Budget, where I oversee Federal and State Grants, among other things.

As Dan mentioned, I will provide for you an overview of the funding available from the Federal government for recovery, with a particular focus on FEMA's funding for municipalities, referred to as Public Assistance, or PA, and on the Community Development Block Grant-Disaster Recovery, or CDBG-DR funds, from HUD. My focus today will be on FEMA funding and the other activities funded by CDBG-DR.

Thank you also to the Council for having made recovery efforts a priority and we look forward to working with you all in being transparent and providing you with information. After I have concluded the testimony, Dan and I look forward to answering your questions.

## **Background**

Hurricane Sandy's impact on New York City is proving to be one of the costliest single municipal disaster in FEMA's history. The storm cost an estimated \$5.4 billion, of which about \$400 million is anticipated to be covered by insurance proceeds.

On January 29, 2013, President Obama signed into law the "Disaster Relief Appropriations Act, 2013" (Public Law 113-2) which appropriated \$51 billion for disaster relief operations, funding not only Sandy but recovery efforts for other natural disasters as well.

In addition to FEMA funding, the City also receives disaster recovery assistance from a variety of Federal agencies receiving appropriation from this act. Some of those Federal agencies include: the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), US Department of Labor (DOL), and the US Department of Housing and Urban Development (HUD).

Also to note are Federal agencies which are funding projects located in the City of New York, but where the funding does not flow through the City's budget. The US Army Corps of Engineers for example received funding in the Disaster Relief Appropriations Act, and the City is working in collaboration with the Corps on critical coastal protection and beach replenishment projects, but those funds do not flow through the City's budget.

## **The FEMA Public Assistance Program:**

Today I will provide background on FEMA's Public Assistance Program, highlight our progress thus far, and discuss our strategy for securing the remaining federal recovery funding that the City of New York is entitled to through this program.

I will begin by providing an explanation of the Public Assistance Program's purpose and organizational design.

## **The Stafford Act:**

The Robert T. Stafford Disaster Relief and Emergency Assistance Act is the law that provides the statutory authority for most federal disaster response and recovery activities including FEMA's Public Assistance (PA) program. The goal of the PA Program is to provide supplemental assistance to State and local governments and certain types of private nonprofits organizations so that communities can quickly respond to, and recover from, major disasters declared by the President. The PA program makes grants to the State which serves as the grantee. The City then receives funding as an applicant through the State. I would like to take this opportunity to thank our partners at the New York State Division of Homeland Security and Emergency Services (DHSES) for their support through this recovery.

The PA program facilitates recovery by providing reimbursement funding through grants to help communities perform necessary disaster response and recovery work. Generally, this work falls into two broad categories referred to as Emergency Work and Permanent Work.

## **Emergency Work:**

Emergency Work eligible for funding through the PA program includes a number of critical activities that take place immediately before, during, and following a disaster. This work includes activities such as clearing debris, the establishment of emergency operations centers, emergency protective measures carried out by the uniformed workforce (NYPD, FDNY). OMB's current estimate of the costs incurred by City agencies eligible for reimbursement through the PA program for Emergency Work is approximately \$1.9 billion. Immediately following Hurricane Sandy, FEMA provided significant funding for the City's Emergency Work through expedited PA grants. The purpose of these grants was to provide timely support to the City's recovery mission.

While the majority of the actual Emergency Work has been completed, it is now very important for City agencies and OMB to perform this reconciliation and validation process with diligence and attention to detail. By going through this intensive process, additional eligible work may be identified and submitted to FEMA for additional funding, further justification for work performed will be provided, and the City will be better positioned to stand up to anticipated audits and reduce the likelihood of future deobligations of funding.

## **Permanent Work:**

Permanent Work is work that is required to restore facilities and infrastructure and typically includes large capital. Permanent work includes the restoration of damaged public infrastructure such as schools, hospitals, roads and highways, wastewater pumping stations and treatment plants, and parks. In general, the PA Program is designed to return damaged public infrastructure to its pre-disaster design, function, and capacity in accordance with applicable codes or standards. OMB's current estimate of the Permanent Work costs anticipated by City agencies eligible for reimbursement through the PA Program is approximately \$3.5 billion.

Generally, FEMA's PA Program will reimburse applicants for the actual cost of completing eligible restoration work. The process of determining the eligibility of restoration began soon after Hurricane Sandy as agencies began conducting site visits with FEMA recovery personnel to develop detailed damage descriptions. Based on these descriptions, FEMA and the applicant agencies began the process of developing eligible scopes of work to return the damaged facility to its pre-disaster condition and capacity. While it may take additional time and coordination with stakeholders to ensure that complex Permanent Work grants are properly prepared with accurate and fully detailed scopes of work and cost estimates, this methodical approach yields tremendous benefit and reduces the City's risks when these projects are ultimately realized.

Through Permanent Work, the PA program also provides opportunities for additional hazard mitigation funding to protect federal and local investments in public infrastructure from damage caused by similar future disasters.

### **New York's Experience with the Hurricane Sandy Recovery:**

In the 17-months since the storm made landfall, the City of New York's Office of Management and Budget has achieved a number of successes in securing the maximum amount of reimbursement that the City of New York is eligible to receive through the PA program, but we have also experienced a number of programmatic and management challenges. Our experience with the Hurricane Sandy recovery can be divided into three periods. The first period of the recovery focused on Emergency Work and encompassed the first eight months of operations running through June of 2013. The focus of this phase of the recovery was determining the eligibility of applicants for assistance and completing Emergency Work. The next period ran from the end of the eighth month and ran through the end of the 13<sup>th</sup> month of operations, November, 2013. This period marked the conclusion of the majority of the Emergency Work being conducted across the City and the beginning of the transition to more complex project formulations for Permanent Work activities. The third period began in the 14<sup>th</sup> month, early-December 2013 and is currently ongoing.

### **Emergency Work and Eligibility Determination Period:**

In the immediate aftermath of the storm, FEMA's management worked cooperatively with OMB and City agencies to approve a number of innovative projects that recognized the scale of the devastation caused by Hurricane Sandy and the unique challenges posed by a complex and densely populated urban environment like New York City. These successes included the implementation and funding of the Sheltering and Temporary Essential Power (STEP) program which the City utilized to fund the Rapid Repairs Program as well as the development of the Hotel Essential Sheltering Program (HESP) which housed Sandy evacuees in hotel rooms paid for by the City.

The Rapid Repairs Program performed essential repairs to allow residents of damaged homes to shelter in place rather than occupy City emergency congregate shelters. In less than 100 days, Rapid Repairs restored heat, power and hot water service to over 20,000 housing units and addressed the needs of approximately 54,000 New Yorkers. The costs associated with the Rapid Repairs program have been determined to be eligible for reimbursement through the PA

program. This is a first of its kind program, and a major victory for the City and for FEMA. The total cost of the program is estimated at approximately \$640 million, with over \$550 million of these costs eligible. The City is currently engaged in the process of reconciling these costs. At this point, approximately \$358 million has been obligated and the City has received approximately \$228 million in reimbursement for these eligible costs.

Another unique program called the Hotel Essential Sheltering Program provided housing for over 3,000 displaced residents of New York City. This program allowed the City to close congregate shelters located in public school buildings and avoid a further disruption to the school year. Working with FEMA, OMB received a positive eligibility determination for this program through September 30, 2013. To date, FEMA has approved grants in the amount of approximately \$43 million for this program.

In addition to these innovative uses of the PA program to alleviate the housing crisis created by Hurricane Sandy, FEMA management also worked with OMB to determine that a number of quasi-governmental agencies including the Trust for Governors Island, Brooklyn Navy Yard Development Corporation, Brooklyn Bridge Park and the Economic Development Corporation would be allowed to apply for Public Assistance as City agencies providing them with more flexibility as well as access to additional support in their applications through the Office of Management and Budget.

### **The Transition to Permanent Work Project Formulation:**

The second period of the recovery marked the transition from the completion of Emergency Work to the initial formulation of Permanent Work Project Worksheets (PW). In conjunction with this transition, there was also a period of significant staff and management turnover in FEMA's New York City recovery operation. Between July and November of 2013, FEMA's recovery operations in New York City encountered a number of challenges that slowed the forward momentum of the recovery.

In any disaster, the process involved in calculating the eligibility of work and costs for capital projects is more complex than that of calculating eligible work and costs for emergency work. But this fact is even more prominent in New York City's projects. New York City has complex infrastructure and a dense urban environment, making all construction more costly than elsewhere in the US and the region. Density makes material delivery and staging a challenge, a limited construction season for outdoor work, significant crew composition and safety and security requirements, and the Wicks Law, requiring state and local government construction projects costing more than \$3 million to bid separate plumbing, HVAC and electrical contracts for each project. After discussions, FEMA began incorporating these factors into its cost estimating process to account for these conditions faced by New York City.

### **Permanent Work Period:**

The current period of the recovery began in early-December of 2013. This period began with a meeting between New York City, NYS DHSES, and FEMA leadership to address programmatic



issues that had been encountered during the transition to permanent work that had significantly slowed progress for recovery operations.

The December meeting led to a number of significant agreements between FEMA management and the City of New York that have accelerated the pace of the recovery and resolved some of the most difficult programmatic issues that we have experienced over the past 17-months. These agreements include a procedure for the replacement of boilers damaged beyond repair by Hurricane Sandy, the replacement of electrical conduit inundated by storm surge, the replacement of specialty vehicles including first-responder vehicles destroyed by the storm, and resolutions on insurance requirements for the City.

### **Replacement of Boilers:**

Hurricane Sandy caused extensive flooding that damaged at 222 boilers owned by twelve City agencies:

- 80 are located in 33 schools maintained by the School Construction Authority;
- 80 are located in 26 housing developments owned by the New York City Housing Authority; and
- the remaining are across a number of other agencies.

Immediately after the storm, numerous meetings and site visits were conducted to determine whether to repair or replace boilers but FEMA and the City reached an impasse. At the December meeting a process was developed to allow the New York City Department of Buildings, as the jurisdictional regional authority, to make a determination as to whether a boiler is to be replaced or repaired. FEMA accepts this determination.

### **Replacement of Inundated Electrical Conduit:**

As a result of Hurricane Sandy, transportation systems including traffic lights and signals, schools, hospitals, public housing developments, wastewater treatment plants, pumping stations, FDNY alarm boxes, and other critical public infrastructure were inundated in saltwater.

Initially, FEMA prepared scopes of work to clean and reuse this conduit despite local codes indicating that such repairs were potentially unsafe. At the December meeting, a process was determined to allow for the replacement of all conduit that met certain criteria:

- located in a flood inundation zone;
- located where FEMA has already funded or approved the funding for the replacement of wire.

### **Replacement of Specialized Vehicles:**

Hurricane Sandy damaged at least 219 specialized custom vehicles owned by the following City agencies: the Police Department, Fire Department, Department of Sanitation, and Department of Transportation. The vehicles were built to unique specifications developed by each agency's fleet services division and are unavailable on the secondary market.

Despite FEMA policy indicating that if a vehicle is unavailable on the secondary market, the damaged vehicle should be replaced at the full cost of a new vehicle, local FEMA project specialists proposed scopes of work to fund replacements at the value equivalent to the cost of a used vehicle. At the December meeting it was determined that if applicants could demonstrate that a suitable used vehicle is unavailable on the used market, the appropriate level of funding would be for full replacement with a new vehicle. This has resulted in the preparation of grants with the appropriate scope of work resulting an anticipated increase of FEMA funding in the amount of approximately \$22 million.

### **Insurance Requirements:**

FEMA requires agencies accepting a grant to repair a public facility to obtain and maintain flood and wind insurance. While the City will have to obtain and maintain flood insurance under the National Flood Insurance Program (NFIP), FEMA management has accepted the certification from the State Division of Financial Services stating that it is not reasonable for the City to be required to maintain excess flood insurance and wind insurance. The City has agreed to explore funding an additional layer of insurance above the NFIP minimum requirement. In addition, FEMA has agreed to waive the insurance requirement on 14 categories of non-building properties including parks, roads, bridges, docks, piers, and boardwalks.

### **Hazard Mitigation and Building More Resilient Public Infrastructure:**

In addition to providing supplementary funding for disaster recovery, the Stafford Act also authorizes FEMA to provide funding for the protection of public facilities from future disaster events. It is a top priority of the City of New York to obtain as much funding for hazard mitigation as possible. Hazard mitigation funding is provided through two programs, Section 406 Hazard Mitigation and Section 404, the Hazard Mitigation Grant Program.

In general, hazard mitigation funding under Section 406 of the Stafford Act is provided after a disaster to protect damaged elements from future damage caused by similar disasters. Typically, the amount that is available for a specific mitigation measure is related to the cost of repairing damage. Applicants can also choose to complete a Benefit Cost Analysis (BCA) to prove the cost-reasonableness of a specific measure. Cost effectiveness based on the BCA has been used in the past to fund large-scale Section 406 mitigation projects. A significant drawback to this approach to hazard mitigation is that it must be tied to a damaged facility.

In addition to Section 406 Mitigation, the Stafford Act also authorizes the Hazard Mitigation Grant Program (HMGP). The HMGP provides competitive grants to state and local governments to implement long-term hazard mitigation measures after a major disaster declaration. The list of priority projects that will be forwarded to FEMA for consideration is determined by New York State. The State must submit all HMGP project recommendations to FEMA by April 27, 2014. The City currently estimates that New York State will be eligible to receive approximately \$1 billion in Section 404 funding, though the actual amount may vary from this estimate. The City is actively pursuing \$545 million worth of FEMA HGMP funding through New York State in order to implement long-term hazard mitigation measures citywide. The State has announced it is forwarding two of the City's projects to FEMA for review: the 26th Ward

Wastewater Treatment Plant and the Breezy Point Risk Mitigation Systems. The State also announced that it sent its \$50 million Spring Creek project to FEMA, which overlaps with the City's coastal protection initiative in Howard Beach. This is the only state-led application that overlaps with the priorities laid out in *A Stronger, More Resilient New York*. FEMA has approved \$3 million for this project to study the first phase of feasibility.

### **CDBG-DR Background**

In addition to the disaster relief funding from FEMA, the City is receiving significant funding from HUD. The Disaster Recovery Appropriations Act appropriated CDBG-DR funds for HUD to allocate to states and municipalities to address Sandy and other disasters occurring in 2011, 2012, and 2013. The City's first CDBG-DR allocation of \$1.773 billion was announced on March 5, 2013 and approved in an Action Plan last May. On November 18, 2013, an additional CDBG-DR allocation of \$1.447 billion was announced, bringing the total CDBG-DR grant for New York City up to \$3.22 billion. In order for the City to begin spending dollars against the second allocation, we need HUD to approve an Action Plan Amendment programming those funds. That Action Plan Amendment was submitted to HUD on March 21, 2014, and HUD has up to 60 days to approve the Plan.

It is important to note that over 50% of the total CDBG-DR grant must be spent on low- to moderate-income communities. Low- to moderate-income is defined as 80% of the Area Median Income, (AMI) for the New York City region, a metric that is defined by HUD. This translates into an annual income of \$67,100 for a family of four.

Another important thing to realize with the CDBG-DR funds is that there is a two-year clock. HUD makes portions of an approved CDBG-DR allocation available to the City through what is called a "grant agreement." When the City signs a grant agreement with HUD, the funds are considered "obligated." The City has two years from the date of signing the grant agreement to draw down funds. The City cannot drawdown more funding than is obligated, nor obligate more funding than is in an approved Action Plan. Despite the time limitations, the City is able to exercise incremental approvals so as not to start the two-year clock on all CDBG-DR funds at the same time. The City's current Grant Agreement with HUD was signed on August 15, 2013, and obligated an initial \$425 million of the first \$1.773 billion allocation. This means that the City has 2 years (until August 15, 2015) to not only spend \$425 million but also to have been reimbursed by HUD. Shortly before drawing down that full amount, the City would be able to amend the Grant Agreement for additional funds, starting a new two-year clock.

Currently, the Sandy grantees have until September, 2017 to obligate CDBG-DR funds and have until September 2019 to have drawn down all of the funds. The intent of the two-year clock is obviously to ensure that critical dollars are getting into the hands of impacted homeowners, renters, businesses, and communities in as timely a manner as is possible. The City is not waiting until 2017 to disburse assistance.

## **Housing**

Housing programs make up the largest portion of the City's CDBG-DR grant. \$1.695 billion of CDBG-DR funds have been allocated towards the City's housing efforts, with \$1.45 billion specifically for the NYC Build it Back Program, which serves homeowners, owners of rental buildings and very low-income renters. The remainder of Housing funds will go towards repairing and rebuilding storm-damaged public housing infrastructure managed by the New York City Housing Authority.

The Build it Back programs were covered extensively during a hearing in front of the Recovery and Resilience, and Environmental Protection, and Housing and Building committees. Staff from the Mayor's Office of Housing Recovery Operations (HRO) and the Department of Housing Preservation and Development (HPD) will be available in the future to provide updates on progress in the area of Housing recovery, so for now we'd like to provide an quick overview of NYCHA's Housing recovery program, which was not covered last week.

### ***NYCHA***

CDBG-DR funds will be used to benefit the City's public housing facilities. In addition to FEMA funding, NYCHA has been allocated \$300 million of CDBG-DR funds to respond to the impacts of Hurricane Sandy. NYCHA will use \$108 million of these funds to install emergency generators at approximately 100 sites. Permanent emergency generators do not currently exist at any NYCHA residential property. If added, these generators could provide backup power to around 20,000 residents and will support critical elements such as elevators, boilers, emergency lighting, and other crucial life support systems. Design work for this project is expected to be completed this spring and construction should begin shortly after during the summer.

NYCHA has identified several additional projects to be funded by this grant, including the elevation of mechanical and electrical equipment and more advanced resiliency measures such as combined boiler plants, co-generation facilities, and façade improvements that will provide thermal efficiency and reduce heating load.

## **Infrastructure and Other City Services**

Infrastructure and Other City Services (IOCS) is a program defined by the City of New York's CDBG-DR Action Plan which is intended to serve as the FEMA local match program. In some cases these costs reflect work already performed. In other cases, such as long term rebuilding projects, there is remaining work to be done.

CDBG-DR can cover the 10% "non-federal" cost share along with FEMA's 90% federal share, so long as activity is CDBG-DR-eligible. The local match is 20% for FHWA funds and 10% for FTA funds. Generally, the non-federal share is not paid under another federal award, except where authorized by federal statute to be used for cost sharing or matching; in the case of CDBG-DR, this exception is in effect.

The City's first two CDBG-DR allocations for IOCS total \$805 million, including \$360 million from the first allocation and an additional \$445 million pending HUD approval.

Even with these funds, there is a large unmet need in the IOCS program. The allocated CDBG-DR funds do not cover the entirety of costs not covered by FEMA. Also to note, by receiving additional funding from FEMA, the City is not actually closing its funding gap for City infrastructure and other critical services. Because FEMA only covers a portion of costs, more funding from FEMA actually creates additional gaps because the City needs to find a source of fund to cover the local share. Currently, the City is estimating an unmet need of \$1.1 billion dollars in the IOCS program.

### **Milestones**

The City has been successful in processing a CDBG-DR drawdown for costs deemed ineligible by FEMA -- \$183 million for the Health and Hospitals Corporation. HHC found it necessary to retain staff at Bellevue and Coney Island Hospitals in order to sustain operational readiness of its facilities that provide critical medical care to mostly low- and moderate-income individuals.

By enabling Coney Island and Bellevue Hospitals to reopen gradually, rather than waiting until the full reopening of the facilities, the hospitals were able to continue serving large numbers of community members. Without the funding being provided by CDBG-DR, it is possible that neither hospital would have been able to provide services during this interim period, and would likely have remained closed for much longer with an even greater loss of services to the community.

This \$183 million includes \$119 million for Bellevue Hospital and \$64 million for Coney Island Hospital. These payments account for over 50% of the amount for the IOCS program under the first CDBG-DR allocation.

### **Challenges**

To date, FEMA has reimbursed \$633 million for the City's costs. Matching FEMA's reimbursements, CDBG-DR has planned several drawdowns across many program activities. However, CDBG-DR funds for Infrastructure and Other City Services have not been drawn as quickly as expected.

The local match process can be challenging. To be eligible for CDBG-DR reimbursement, HUD requirements must be met even if used as a match for an approved FEMA-PA activity. This has been problematic, since there are many requirements for CDBG-DR funding that are not mandatory under the FEMA-PA program. These include

- adherence to the Davis-Bacon Act, which requires prevailing wages and documentation

- Section 3—targeting local hiring among low- and very low-income individuals

- Environmental Reviews,

- and other procurement standards. Consequently, some activities that were completed in response to Hurricane Sandy do not fully meet CDBG-DR requirements, which limits the possibility of eligibility for local match funding.

The process of finalizing a FEMA-PA claim and submitting a CDBG-DR claim can also be time-consuming. Completing an eligible CDBG-DR claim is dependent on FEMA obligations being determined and FEMA disbursements being completed.

We are in conversation with senior staff at HUD and at FEMA about how best to streamline the Federal coordination issues and draw down CDBG-DR funds.

### **Business**

With regard to rebuilding the economy, the City and EDC have created four programs to revitalize commercial corridors in impacted areas and help individual businesses recovery and become more resilient to future storms.

The *Business Recovery Loan and Grant Program* was officially launched in fall 2013 and to-date has awarded \$503 thousand in grants and \$2.4 million in loans to seven (7) businesses. The program is currently in talks with two Community Development Financial Institutions (CDFIs) to increase the underwriting capacity of the program and diversify the size and types of awards offered to applicants. The most recent Action Plan Amendment sent to HUD and pending approval proposes \$42 million for this program.

The *Neighborhood Game Change Investment Competition* issued a Request for Proposals during the summer and fall of 2013 to solicit ideas for transformative economic investments in the hardest hit areas of the City. EDC is currently in the process of reviewing proposals with finalists expected to be announced sometime this spring. The most recent Action Plan Amendment allocates \$84 million for this competition.

*RISE:NYC, Resiliency Investments for a Stronger Economy*, is a competition to fund new, cost-effective, technologies and innovations that will help protect small businesses and infrastructure networks for future storms. The program just concluded Stage 1 of its RFP process and is currently reviewing proposals to determine which applicants will proceed to Stage 2 of the competition. There is \$30 million allocated for this program.

Finally, the *Business Resiliency Investment Program* provides grants and loans to businesses undertaking certain resiliency measures to protect their business or building from future storms. The program is currently reviewing proposals for a Program Management Office to assist in designing and managing the program and the program itself is anticipated to be launched later this year. This program is funded at \$110 million, which also includes a merging of resources from a similar program previously classified under Resilience.

### **CDBG-DR Resiliency Funding**

As mentioned, one critical source of resiliency funding is CDBG-DR and this is reflected in the City's CDBG-DR Action Plan. The money allocated to NYC thus far is directed to two main program areas of resiliency, which focus on coastal protection and building mitigation.

The \$224 million Coastal Protection Program aims to protect neighborhoods and hospitals that were adversely impacted. The program aims to do this by installing revetments; repairing, installing and raising bulkheads; and integrated flood protection systems at locations such as Hospital Row and Red Hook. The plan for an integrated flood protection system at Red Hook was announced by the Governor on January 7<sup>th</sup>, 2014. The City will work in cooperation with the State to develop this partnership.

Over the next several months, the Office of Recovery and Resiliency (ORR) and the Economic Development Corporation (NYCEDC) anticipate releasing Requests for Proposals that will seek consultant services to begin the initial design phases of the coastal protection projects. Construction on these projects is expected to begin in 2016.

The other component to the Resiliency program is the Residential Building Mitigation Program. This \$60 million program will be administered by the Department of Housing Preservation and Development through the Build it Back Multi-Family program. HPDOffers loans and/or grants to owners of residential flood-impacted and vulnerable properties for the incremental cost of resiliency measures such as reinforcing wood-framed buildings, dry flood-proofing, elevating mechanical systems, protecting critical systems and implementing other mitigation measures.

Over the next few months, HPD and ORR will develop an integrated Resiliency scope within the Build it Back Multi-Family Program and confirm Program goals, assess the repair needs, and determine appropriate investments. It is expected that funds will be disbursed in 2014 and continue through the fall of 2015.

### **Sandy Funding Tracker**

And now, I will briefly discuss the Sandy Funding Tracker. I have on hand an online portal to the Sandy Funding Tracker website. I won't provide a demonstration of the system now, but am letting you know that it is available for your use here and is accessible through [nyc.gov/recovery](http://nyc.gov/recovery).

I do want to thank several members of the current Finance and Resiliency and Recovery Committees whose sponsorship of legislation on the Sandy Funding Tracker led to where we are today: Thank you Chair Ferraras, and thank you Councilmembers Richards, Rodriguez, Chin, Van Bramer, Richards, Ulrich and Mendez. I also want to thank the Mayor's Office of Operations and the analytics team for leading the build-out effort of the website, in coordination with other City agencies.

The City launched the Sandy Funding Tracker website in December 2013 and over the last three months has made several improvements to provide richer and more detailed information. The March 29<sup>th</sup>, 2014, release of the Sandy Funding Tracker provided updates to federal funding data through December 31<sup>st</sup>, the closing date of what was then the most recent quarter for the federal government. In addition, the website now has new functionality including interactive Build it Back maps showing program milestones by geographic area; contract details for contracts under the Build it Back program, including spending by contract; and a preview of screens that will ultimately provide further contract details for all other relevant recovery contracts. I'd also like

to note that, as required by the HUD, the full text of both CDBG-funded solicitations and executed contracts are currently available through [nyc.gov/recovery](http://nyc.gov/recovery).

We will continue to make improvements to the Sandy Funding Tracker over the months ahead. Future rollouts will make timely data updates, and provide new categories of information, such as estimates of job creation for City recovery activities, and project locations for infrastructure, rebuilding and resiliency projects. We look forward to your feedback on the Sandy Funding Tracker and can take that into account for future iterations of the website.

At this time, I will conclude the testimony. Dan Zarilli and I look forward to taking your questions.



Testimony of Legal Services NYC

Before the New York City Council  
Committee on Recovery and Resiliency, Committee on Finance

Oversight Hearing: Examining the expenditure and reimbursement  
of funds in relation to Superstorm Sandy.

April 9, 2014

Thank you for this opportunity to testify. My name is Margaret Becker. I am Director of the Disaster Recovery Unit at Staten Island Legal Services, an office of Legal Services NYC.

Legal Services NYC (LSNYC) fights poverty and seeks justice for low-income New Yorkers. For more than 40 years, we have challenged systemic injustice and helped clients meet basic needs for housing, high-quality education, health care, family stability, and economic security. LSNYC is the largest civil legal services provider in the country, with deep roots in all of the communities we serve. Our neighborhood-based offices and outreach sites across all five boroughs help more than 60,000 New Yorkers annually.

Since November 2012, our services have expanded to include Hurricane Sandy recovery work, specifically legal assistance on FEMA benefits, insurance claims, Sandy-related mortgage problems, contractor fraud, tenant rights and benefits, access to Build It Back assistance, and other legal needs associated with New Yorkers' long, slow recovery. To date LSNYC has assisted 4,424 Sandy-affected households.

While we recognize that designing and implementing a program like Build It Back is not simple, we are concerned that the current Build It Back program has adopted policies which cause long delays for homeowners with little commensurate benefit to the program, and will lead to piecemeal, often short-lived help for the struggling homeowners, tenants, and small landlords in New York City's flood hazard zones. As discussed below, the State's New York Rising model of assistance to homeowners offers a better template for helping individuals and communities to reach a lasting recovery.

The Build It Back program profoundly fails to adequately address the issue of homeowners having to elevate their property in order to avoid dramatically increasing flood insurance premiums for those in high flood risk areas. Many of our clients are already seeing increases beyond what they can afford, and these rates will go much, much higher over the course of the coming years. Recent federal legislation delaying the implementation of the 2012 Biggert-Waters Act gives us much needed time to address this problem, but it still must be addressed: eventually flood insurance premiums must be made consistent with the actual risk. Premiums will likely climb from about \$500 annually to about \$10,000 annually or even much higher for un-elevated homes. The coming expansion of New York City's high flood hazard area doubles the scope of this problem. With the adoption of the preliminary FIRM anticipated in 2015, thousands more homes will fall within the flood hazard zone, and those homes already in Zone A will require even higher elevations. New York City's high risk flood zone, Zone A, will roughly double in size, sweeping in thousands of properties that previously did not require flood insurance. Build it Back must be redesigned to offer elevation assistance to more people.

The proposals we make envision not only better use of current resources but also an expansion of resources committed to neighborhood resiliency. This can be addressed in part by better coordination with the New York State rebuilding program, New York Rising. We urge the City to negotiate with the State to secure greater allocation of the New York State CDBG-DR funding to New York City. We also urge the City to adopt policies similar to those of New York Rising, to ensure that residents of all New York's counties share in an equitable recovery. Difficult decisions must be made given limited funds. However, those decisions cannot wisely be made when elevation needs are ignored. We must find a way to revise the Build It Back program to offer elevation assistance to all applicants in or entering Zone A.

Without significantly greater assistance, these dramatically increased rates will result in widespread foreclosures and, ironically, leave our coastal communities unprepared for future disasters. Homeowners without mortgages, primarily senior citizens on fixed incomes, will have no choice but to forgo flood insurance, leaving them unprotected and vulnerable. They will be barred from all future FEMA assistance, and will have no insurance against future storms. For homeowners with mortgages who cannot afford the cost of elevation, the premium increases will inevitably lead to foreclosure: their mortgage lender will require that they purchase a flood insurance policy, but doing so will render their monthly mortgage payment unaffordable. These homeowners will not be able to escape foreclosure by selling their properties, even at a reduced price equivalent to the balance owed on the mortgage. (For example, homes in Midland Beach, Staten Island, with pre-storm values of \$250,000-\$300,000 are now selling for \$50,000-\$60,000.) Once these mortgages are foreclosed and the properties revert to bank ownership, the banks, likewise, will be unable to sell the properties. The city's failure to plan for this crisis will mean not only widespread, unnecessary displacement of low- and moderate-income homeowners, but also vacant and abandoned properties, likely numbering in the thousands, along New York City's coasts.

The Build It Back program to date has largely ignored this looming catastrophe. Under the current Build It Back program, only homes that were substantially damaged (meaning the cost to repair exceeds 50% the value of the structure) will be offered home elevation assistance. According to Build It Back's February 2014 report, only about 30% of Priority 1 applicants fall in this category (2,910 homes). For Priority 2 and 3, the figures are 23% and 22% respectively. In total, only 5,233 applicants out of 19,800 applicants (26%) are eligible for elevation assistance. Since Build It Back may not ultimately offer assistance to anyone in Priority 2 and 3, the numbers of homes that Build It Back will elevate may be limited to simply the 2,901 in Priority 1, meaning that only about 15% of applicants will receive elevation assistance. It does not make sense for Build It Back to help 85% of its applicants with

only repairs or reimbursements, while ignoring the problem of long-term affordability of the very homes it repairs.

The lack of elevation assistance will have devastating effects on not only middle- and lower-income coastal homeowners but on entire communities, which will be riddled with vacant, abandoned, and bank-owned properties. *Investment in elevation of homes now will prevent the loss of thousands of affordable homes and rental apartments in New York City.* Low- and middle-income homeowners in our coastal communities who face this looming crisis see no way out. To date, the majority of Build It Back repair offers have not been accepted by homeowners. Based on our experience talking with homeowners, this is due in significant part to their concerns about the future affordability of their homes. Many homeowners are delaying accepting repair help without elevation, because they are waiting to see whether acquisition is offered to them, which many see as *their only long-term option*.<sup>\*</sup> Yet many of these homeowners want to stay in their communities and would stay if they had help to elevate their homes.

The State's New York Rising program offers an example of how New York City can use its CDBG-DR funds to not just rebuild, but to protect and sustain our vibrant coastal communities. Under New York Rising, *all* applicants are eligible for elevation assistance, subject to a \$300,000 benefit cap. Properties that were substantially damaged or whose owners are lower and moderate income are eligible for a \$50,000 increase in the benefit cap to use toward elevation costs. A program of this design offers residents lasting solutions to the affordability crisis. New York City must try to approximate the New York Rising program model.

We recognize that elevation of homes is costly, and that New York City's current Build It Back program faces financial constraints that New York Rising does not. However, New York City does have options:

- The City could devote more of its CDBG-DR funds to housing. The State allocated 51% of its \$3.8 billion CDBG-DR funding to housing, but New York City allocated only 36.5% of its \$3.17 billion. If the City mirrored the States percentage allocation, \$930 million would be available to help with housing recovery. This amount would more than cover the cost of elevation for all Priority 1 applicants, leaving significant funds to cover a portion of elevation costs for Priorities 2 and 3.
- The City should partner with the State to expand the elevation component of Build It Back, similar to the partnership for the acquisition program (under which State CDBG-DR funds will be used to fund the acquisitions). A partnership of this sort could bring more of the State's funds into New York City, making for a more equitable recovery for all state residents.
- The City should be receiving a portion of the State's FEMA Hazard Mitigation Grant Program (HMGP) funds. New York City should devote those funds to home elevation.
- The City could adopt and expand on the fundraising recommendations in the report of the City's Special Initiative for Rebuilding and Resilience to try to close the funding gap.

Surely other options exist as well. We cannot continue to ignore the coming affordability crisis, and we should not continue to spend limited CDBG-DR funds on repairs that offer only short-term help, while putting coastal communities at risk of another foreclosure crisis and leaving them unprotected against future storms.

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<sup>\*</sup> Since Build It Back eligibility for elevation and acquisition are identical—based on the substantial damage measure—no one offered only repair help will be offered acquisition.

For further information, please contact:

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**Testimony of the Alliance for a Just Rebuilding before the New York City Council Committee for Rebuilding and Recovery and Committee on Finance: Oversight – Examining the expenditure and reimbursement of funds in relation to Superstorm Sandy.**

**April 4, 2014**

Good afternoon Chairperson Treyger, Chairperson Ferreras, and members of the Recovery and Resiliency Committee and Finance Committee. Thank you for the opportunity to provide testimony today on the finances relating to Superstorm Sandy. My name is Susannah Dyen and I am the Policy Coordinator of the Alliance for a Just Rebuilding (AJR). The Alliance for a Just Rebuilding is a citywide coalition of over 40 groups including community, faith-based, environmental, and policy organizations, labor unions, and worker centers. AJR advocates for a just and equitable short-term recovery and long-term rebuilding in the wake of Superstorm Sandy. Our member organizations collectively represent some of the most vulnerable New Yorkers in the areas most affected by Superstorm Sandy as well as throughout the five boroughs including: low-income homeowners and renters, public housing residents, day laborers, and undocumented immigrants.

Thus far HUD and FEMA together have allocated the City of New York over \$4 billion in the form of Community Development Block Grants for Disaster Recovery and Public Assistance grants. This funding has been used for a variety of projects ranging from debris removal, road repairs, running Build it Back, and creating long-term plans for resiliency. Yet, much remains unspent; repairs and rebuilding of Sandy survivors' homes has been slow, small businesses continue to struggle, and many worry about what could happen when the next storm comes across our shores.

We are encouraged by the new leadership appointed recently by Mayor de Blasio and are hopeful that they will get the process moving faster. But speed cannot come at the expense of transparency and accountability. The Sandy Tracker, an online database of the federal funding, is a crucial means to ensure transparency around Sandy funding. The recent additions listing the contracts and updated map functions are steps in the right direction. The rest of the features outlined in the Sandy Tracker legislation passed at the end of December, including listing the number of jobs created and the zip codes where workers live, we have been assured will be online soon. We look forward to those further additions to the website, which allow advocates and survivors to track where the public funding is going.

But many of the contracts that have already been let did not contain high road contractor language including clawbacks, enhance local hire requirements, and clear wage and safety standards. Going forward, we must include these types of measures in contracts so that New York City gets the best value from the federally allocated funds.

Lastly, while the City has received some funds, there could be billions over the decade as the City applies for additional grants from the federal government and works with private sector developers to increase resiliency against future storms throughout the five boroughs. Too often we have seen the infusion of

private funds in the private-public financing model reduce transparency of a project. Rebuilding from Sandy and subsequent adaptation to climate change are too important to let this happen. All projects with even \$1 of public funding must be required to disclose the information into the Sandy Tracker. By making this a requirement contained within all City contracts, a basic level of transparency and accountability can be achieved.

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Thank you for your time.

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*Alliance for a Just Rebuilding members include: 32BJ SEIU, 350.org, ALIGN, Arts & Democracy, CAAAV: Organizing Asian Communities, Center for Popular Democracy, Center for Social Inclusion, Coalition for the Homeless, Community Development Project at the Urban Justice Center, Community Environmental Center, Community Voices Heard, Consortium for Worker Education, El Centro del Inmigrante, Faith in New York, Families United for Racial and Economic Equality (FUREE), Fifth Avenue Committee, Good Jobs New York, Greater New York Labor-Religion Coalition, Hunger Action Network of NY State, Legal Aid Society, LiUNA Local 10, LiUNA Local 78 Asbestos Lead & Hazardous Waste Workers, Long Island Civic Engagement Table, Long Island Jobs with Justice, Make the Road NY, Mutual Housing Association of NY, National Day Laborer Organizing Network (NDLON), National Domestic Workers Alliance, New Economy Project, New Immigrant Community Empowerment (NICE), New York Committee for Occupational Safety and Health (NYCOSH), New York Communities for Change, New Yorkers for Fiscal Fairness, New York State Nurses Association (NYSNA), Occupy Sandy, Participatory Budgeting Project, Physicians for a National Health Program-NY Metro, Pratt Center for Community Development, Queens Legal Services, Red Hook Initiative, Rockaway Wildfire, Retail Wholesale and Department Stores Union (RWDSU), Solidarity NYC, TWU Local 100, VOCAL-NY*



Testimony of Felice Farber  
Director of External Affairs  
The General Contractors Association of NY  
New York City Council Committee on Recovery and Resiliency  
Oversight Hearing on Hurricane Sandy Expenditures and Reimbursement of Funds  
April 8, 2014

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Thank you for the opportunity to comment today. I am Felice Farber, director of external affairs for the General Contractors Association of New York. The GCA is the trade association representing the unionized heavy construction industry that builds New York's foundations and public works infrastructure.

GCA members are committed to New York City. Our members have been working in New York City for over 100 years and are part of the fabric that has built this city.

When disaster strikes GCA member's immediate response is "how can we help?" After 9/11, GCA members responded immediately with recovery assistance heading down to the pile immediately and lending engineering expertise on shoring up the bathtub. Similarly, in the immediate aftermath of Hurricane Sandy, GCA members responded immediately helping to pump water, stabilize and repair New York City's wastewater treatment plants, remove debris, and help our neighbors.

Today I would like to talk about the Rapid Repair program and the lessons learned from that program and from the city's emergency response.

Within a two week period after Hurricane Sandy, the Rapid Repair Program to restore heat, hot water and power to damaged homes was announced, bid,

awarded contracts, and mobilized work. This time schedule was unprecedented. A methodology for signing up homeowners, assessing the work to be performed, hiring the staff, ordering the materials, coordinating the work to be performed, and determining a payment methodology, all happened at a record setting pace. The City had no prior infrastructure in place, or model program from other states to follow.

That being said, the work environment was chaotic. Processes were developed by the City and changed as needed as the work progressed. Contractors were told to keep time and material records and an average of those costs would be used to develop a lump sum price under which they would be paid. Everybody was figuring out how to make the program work most efficiently as they went along.

Despite the quick roll-out, the close-out has been extremely slow and fraught with second guessing, and intensive auditor review of record keeping that was not required. To provide a brief timeline of the program: Hurricane Sandy hit New York at the end of October 2012. By the end of November, the rapid repair program was in place. Four months later, work was completed. More than one year later, the contractors still have not been fully paid for the work performed under the rapid repair program, nor have the contracts been closed out.

This does not present a good track record for the Build it Back program which will focus on small contractors that do not have the deep pockets to survive a year or more without getting paid. In fact, in February, the Department of Small Business Services announced a new loan program oriented to Build it Back participating contractors to help them navigate lengthy delays in receiving payments for their work. Perhaps rather than a loan program, the City should be looking at their entire contract and payment process with an eye toward streamlining procedures to enable contractors to be paid more quickly.

In moving forward we recommend the following:

- Develop an emergency contract detailing how a contractor will get paid, the payment terms and the record-keeping requirements. The exact details of the work to be performed in the future are unknown but the general



parameters for emergency work can be set forth now. This will avoid problems after the work is completed so that the auditors don't forget that the immediate task was to provide help rather than keep perfect paperwork.

- In an emergency, the city will need to get help quickly. The city should identify private sector resources that are available and coordinate efforts with the private sector to provide assistance in the event of an emergency.
- If the city wants to encourage the participation of smaller firms, then the city must find a way of paying for work in a more timely manner.
- The City should support efforts to obtain state legislation that would hold emergency responders harmless from liability for emergency response efforts.

New York is a city that faces its disasters head on and comes back bigger and stronger each time. This resiliency is a remarkable testament to the spirit and determination of our people and our businesses. We appreciate this opportunity to work with you to make certain that New York is better prepared and mobilized to face whatever may lie ahead. Our city depends on it.

Thank you.



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**Testimony of George Sweeting**  
**Deputy Director of the New York City Independent Budget Office**  
**To the New York City Council Committees on Recovery and Resiliency and Finance**  
**On Expenditure and Reimbursement of Federal Funds Related to Superstorm Sandy**

**April 9, 2014**

Good morning Chair Treyger, Chair Ferreras and Council Members. I am George Sweeting, deputy director of the New York City Independent Budget Office. Thank you for this opportunity to testify on the expenditure and reimbursement of federal funds in relation to Superstorm Sandy.

Superstorm Sandy wreaked extensive damage in many of the city's coastal neighborhoods, affecting thousands of residents and business owners. Rebuilding those neighborhoods and undertaking resiliency efforts will take years, as will the federal reimbursement of city funds. My testimony focuses on those federal funds flowing through the city's expense budget.

The city recognizes \$1.6 billion in federal revenue that it expects to receive as reimbursements for approved fiscal year 2013 expenditures and \$1.1 billion more for 2014. Actual receipt of reimbursements through June 30, 2013 was less: \$807 million of the 2013 total. Presumably some of the remaining revenue will be received during 2014 and a clearer picture of federal reimbursements should be available once the 2014 accounting is complete. Additionally, the city expects significant federal reimbursement for capital work related to the storm. We provide a brief breakdown of the capital commitments in 2013 and planned capital spending, although federal reimbursement for these costs is not expected until projects are completed.

There are a number of other important sources of assistance helping recovery efforts in the city, including insurance proceeds and other funds flowing directly to homeowners and businesses who suffered damage following the storm, funds spent by New York State in the city, and funds going to the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey. However, because these do not flow through the city's budget, I will not be discussing them today.

The city's expense budget is counting heavily on two sources of federal recovery and rebuilding funds. Each differs somewhat in purpose, rules, and extent of assistance received so far. In the immediate aftermath of the storm the first federal funds that the city received were Federal Emergency Management Agency (FEMA) public assistance funds. These funds flow to agencies to reimburse the city for costs associated with recovery, clean-up, and rebuilding. The second primary source of federal assistance is the Disaster Recovery Community Development Block Grant (CDBG-DR). Two allocations of CDBG-DR have already been announced and will provide significant resources for rebuilding. In addition

to these two sources, the city received funds from the National Emergency Grant program to hire displaced workers for the recovery efforts and some emergency transportation funds. Table 1 summarizes these sources, as well as the other smaller revenue sources that the city has counted as Sandy revenue.

<b>Federal Sandy Recovery and Rebuilding Revenue Sources in New York City Expense Budget</b>				
<i>Dollars in thousands</i>				
Revenue Source	2013		2014 Anticipated	Two Year Total
	Recognized	Realized		
FEMA PA	\$1,231,932	\$598,927	\$229,129	\$1,461,060
CDBG DR	367,195	183,094	824,029	1,191,224
National Emergency Grant	20,698	20,698	16,231	36,929
Federal Transportation Admin	9,123	3,425	-	9,123
Federal Highway Emergency	3,600	-	8,907	12,507
Rapid Response	429	429	41	470
Urban Search and Rescue	35	35	-	35
<b>Total Federal Sources</b>	<b>\$1,633,011</b>	<b>\$806,607</b>	<b>\$1,078,336</b>	<b>\$2,711,347</b>
SOURCE: Financial Management System				
New York City Independent Budget Office				

**Federal Emergency Management Agency Public Assistance.** FEMA is the federal government's first responder for disasters such as Superstorm Sandy. In the wake of the storm, FEMA provided individual assistance to thousands of New Yorkers. FEMA is also reimbursing city agencies for their costs through the FEMA Public Assistance program (FEMA PA). For 2013 and 2014, the city expects to receive a total of just under \$1.5 billion in FEMA PA aid. For 2013, the city recognized \$1.2 billion in FEMA public assistance revenue that it expects to collect; as of the end of the fiscal year just under half (\$600 million) had been realized. As noted earlier, some of the remaining amount has presumably been received in this fiscal year. Another \$229 million is expected to be recorded and received in 2014.

The uses of the FEMA PA money are shown in the appendix table. I will highlight a few. The city recognized \$187 million for debris removal in 2013 and has received nearly all of it—\$156 million. An additional \$17 million for debris removal is expected in 2014. These costs were some of the earliest to be incurred and therefore a larger share of the revenue has been realized. As would be expected, the Department of Sanitation was the largest recipient with \$120 million recognized in 2013 and over \$100 million in revenue realized. The parks department, which was responsible for clean-up at city beaches and parks damaged in the storm, recognized \$40 million in FEMA revenue for debris removal, of which \$33 million was realized by June 2013. Other agencies receiving debris removal revenue in excess of \$1 million in 2013 include the departments of design and construction, fire, transportation, and environmental protection.

The largest category of FEMA public assistance aid to the city is for emergency protective measures. These funds are used for emergency actions during and after the storm to protect lives, health and property and the city recognized \$939 million in revenue in 2013, of which \$438 million has been received. An additional \$157 million is expected this year. The Department of Environmental Protection, which implemented the Rapid Repairs program, recognized \$491 million of this revenue in 2013 (with \$179 million realized) and expects another \$79 million this year. The police department recognized \$140 million last year, with \$126 realized, and expects an additional \$5 million. The Health and Hospitals Corporation recognized \$80 million in expenses (\$66 million received) and expects \$3 million in additional funds.

Another large category of FEMA PA funds is for repairs to buildings and equipment. The city recognized \$28 million in 2013 and expects an additional \$37 million this year. Just under \$2 million of the revenue recognized in 2013 had been received by the end of June 2013. Not surprisingly, because many agencies suffered damage from Sandy, these funds are spread over 31 city agencies. FEMA is expected to reimburse the city with nearly \$70 million for utilities, mainly \$66 million to the Department of Environmental Protection. Most of the funds were recognized in 2013, although less than \$2 million was realized by the end of the fiscal year.

The remaining categories of FEMA public assistance aid are for parks and recreational facilities, water control facilities and roads and bridges. In 2013, the city recognized \$9 million for parks and expects another \$16 million this year (almost entirely through the parks department). The roads and bridges category has \$2 million expected in 2013 and 2014 with \$804,000 received so far.

**Community Development Block Grant Disaster Recovery Funds.** The city is receiving more than \$3.2 billion from the first two tranches of Disaster Recovery Community Development Block Grant funds. The first allocation was in March 2013 for \$1.8 billion and the second in November 2013 for \$1.4 billion. Because the city is awaiting approval for their amended Action Plan reflecting the second award, the city's financial systems only reflect the first award, and even that has not been fully processed in the system. A third tranche is also expected.

Community Development Block Grant Disaster Relief (First Tranche) Expenditures in Agency Budgets			
Agency	2013 Expenditure	2014 Expenditures	
		Anticipated	Actual
HHC	\$183,000,000	\$0	\$0
Environmental Protection	0	367,022,269	908,906
Small Business Services	0	362,724,257	2,347,609
Social Services	0	50,000,003	9,226,487
Housing Preservation & Development	6,970	26,084,200	2,717,399
Investigations	0	8,000,000	0
DOITT	610,415	7,254,373	627,411
Mayorality	68,116	2,542,783	1,580,685
City Planning	0	373,395	52,552
<b>Total</b>	<b>\$183,685,501</b>	<b>\$824,001,280</b>	<b>\$17,461,050</b>
SOURCE: Financial Management System			
New York City Independent Budget Office			

Unlike the FEMA funds, which are shown in the city's financial system as revenue in individual agencies, CDBG-DR revenue is shown as revenue of the Mayorality. This can make it harder to trace to specific programs. Last year, the city recognized \$367 million in CDBG-DR funds and \$183 million had been received as of June 2013. An additional \$824 million, for a total of \$1.9 billion, is expected this year and \$12 million in 2015. Table 2 provides some breakdown on the uses of the CDBG-DR money by looking at the expenses funded with the revenue.

The largest expenditure in the city's budget for the CDBG-DR funds is \$183 million for the Health and Hospitals Corporation in 2013. The Department of Information Technology and Telecommunications spent \$610,000 in 2013 to establish the Housing Recovery Office. Additionally, personnel costs in 2013 were \$68,000 in the Mayor's office and \$7,000 at the Department of Housing Preservation and Development.

The city has booked just \$17 million in CDBG-DR funded expenditures so far in 2014, out of a total of \$824 million planned for the year. The Department of Social Services spent \$9 million on contract costs associated with a case management system for the Housing Recovery office. The housing department has spent \$3 million so far this year, with about \$550,000 for rental voucher payments. Another \$2 million was spent by the Department of Small Business Services which is administering a business loan and grant program. The Department of Environmental Protection has spent \$909,000 for costs associated with the Housing Recovery Office costs, and an additional \$606,000 has been spent through DOITT for the Housing Recovery office.

**Capital Spending for Recovery.** In addition to the funds reflected in the city's operating budget, the capital plan includes about \$2.8 billion for Sandy capital projects (excluding contingency amount and interfund agreements). The city committed \$417 million in capital funds in 2013 and plans to commit

another \$2.0 billion this year. Another \$360 million and \$1.5 million are planned for 2015 and 2016, respectively.

Health and Hospitals Corporation capital commitments total \$712 million from 2013 through 2015, with more than \$650 million planned in 2014. Three hospitals that sustained major damage in the storm are now seeing significant capital spending. These are: Bellevue Hospital (\$158 million), Coney Island Hospital (\$118 million), and Coler Memorial (\$113 million). Another \$269 million is in the capital plan for corporation-wide reconstruction that has not been allocated to specific facilities.

The Department of Parks and Recreation has \$681 million in actual and planned commitments with \$224 million committed in 2013. Most of the funds, over \$500 million, are for repairs to storm-damaged beaches.

The transportation department has actual and planned commitments of \$678 million; just \$14 million was committed in 2013. Resurfacing and reconstruction of streets is the most costly item, at about \$440 million. Another \$82 million is for repair and replacement of signals, lights, and data modems. Repairs to the Battery Park City underpass will cost \$43 million, while bridges damaged in the storm are expected to require about \$37 million in repairs.

The Department of Education is planning to spend a total of about \$400 million on repairs to schools that were damaged.

Thank you. I will be happy to answer your questions.

Sandy FEMA Public Assistance Revenue by Category and Agency				
	2013		2014 Anticipated	Two-Year Total
	Recognized	Realized		
<b>Debris Removal Total</b>	<b>\$187,120,430</b>	<b>\$155,597,526</b>	<b>\$16,719,066</b>	<b>\$203,839,496</b>
Sanitation	120,247,843	100,421,316	325,484	120,573,327
Parks and Recreation	40,303,070	33,373,407	5,599,654	45,902,724
Design and Construction	7,359,557	7,359,557	2,784,875	10,144,432
Fire	8,499,785	7,668,460	368,179	8,867,964
Transportation	5,970,019	5,970,019	2,180,622	8,150,641
Environmental Protection	3,338,749	533,923	4,603,906	7,942,655
Citywide Admin Services	96,043	0	646,000	742,043
CUNY	509,282	60,341	0	509,282
Small Business Services	296,514	6,952	90,312	386,826
Education	153,518	0	0	153,518
Mayorality			120,034	120,034
NY County DA	115,552	113,606	0	115,552
Health	105,819	20,584	0	105,819
Corrections	46,195	46,195	0	46,195
Emergency Management	45,859	0	0	45,859
Taxi and Limousine	13,848	13,848	0	13,848
Police	9,000	0	0	9,000
HHC	5,180	5,180	0	5,180
HPD	4,597	4,138	0	4,597
<b>Emergency Protective Measures Total</b>	<b>\$938,608,104</b>	<b>\$437,858,454</b>	<b>\$156,963,197</b>	<b>\$1,095,571,301</b>
Environmental Protection	490,836,888	178,756,439	79,293,495	570,130,383
Police	139,669,315	126,335,409	5,129,987	144,799,302
Citywide Admin Services	75,657,693	12,788,914	17,276,171	92,933,864
HHC	80,175,530	65,511,158	2,932,048	83,107,578
Education	40,668,740	23,133,849	0	40,668,740
Homeless Services	14,592,259	0	11,661,243	26,253,502
Emergency Management	9,623,827	1,539,812	7,676,873	17,300,700
HPD	9,613,525	1,599,230	6,829,000	16,442,525
Fire	13,619,199	12,896,287	1,954,936	15,574,135
Parks and Recreation	9,929,925	15,563	4,222,695	14,152,620
Investigation	12,895,712	0	597,451	13,493,163
Social Services	6,402,268	5,331,562	5,196,748	11,599,016
Buildings	4,536,420	2,865,536	3,700,000	8,236,420
Small Business Services	1,978,490	152,486	5,213,350	7,191,840
Board of Elections	5,372,731	48,355	25,600	5,398,331
Sanitation	4,955,109	92,752	0	4,955,109
DOITT	4,252,316	0	701,349	4,953,665
Corrections	3,225,856	0	0	3,225,856

Health	2,900,846	2,462,538	0	2,900,846
Design and Construction	1,839,889	1,839,889	715,965	2,555,854
Mayoralty	1,981,495	786,680	407,121	2,388,616
Transportation	1,700,000	138,720	618,043	2,318,043
Children's Services	275,130	275,130	1,535,653	1,810,783
Cultural Affairs	71,575	0	1,086,808	1,158,383
CUNY	612,288	283,691	0	612,288
Aging	448,345	430,525	0	448,345
Youth/Community Dev	45,423	27,526	188,661	234,084
Finance	217,579	217,579	0	217,579
Taxi and Limousine	203,986	89,097	0	203,986
Law	99,950	89,954	0	99,950
CCRB	69,347	47,061	0	69,347
Probation	61,798	44,040	0	61,798
FISA	25,865	19,397	0	25,865
Richmond County DA	12,554	12,554	0	12,554
Records and Information	9,277	0	0	9,277
NY County DA	8,701	8,700	0	8,701
Consumer Affairs	7,119	6,887	0	7,119
Collective Borrowing	5,427	5,427	0	5,427
Admin Trials and Hearings	4,705	4,705	0	4,705
Public Advocate	1,002	1,002	0	1,002
<b>Roads and Bridges Total</b>	<b>\$966,368</b>	<b>\$804,443</b>	<b>\$1,214,683</b>	<b>\$2,181,051</b>
Transportation	937,477	804,443	1,214,683	2,152,160
Small Business Services	28,891	0	0	28,891
<b>Water Control Total</b>	<b>\$12,065</b>	<b>\$12,065</b>	<b>\$0</b>	<b>\$12,065</b>
Small Business Services	12,065	12,065	0	12,065
<b>Buildings and Equipment Total</b>	<b>\$28,259,768</b>	<b>\$1,825,142</b>	<b>\$36,476,370</b>	<b>\$64,736,138</b>
Police	5,244,190	0	12,884,064	18,128,254
Transportation	2,847,962	47,962	9,530,655	12,378,617
Fire	1,922,248	0	7,244,900	9,167,148
Education	5,219,460	1,183,472	2,079,907	7,299,367
Sanitation	2,657,168	0	849,956	3,507,124
Citywide Admin Services	3,397,282	0	0	3,397,282
Small Business Services	1,834,168	0	334,845	2,169,013
Parks and Recreation	1,455,482	71,824	276,546	1,732,028
Health	734,611	0	462,616	1,197,227
CUNY	1,184,015	6,300	0	1,184,015
NY County DA	64,777	0	1,039,228	1,104,005
Corrections	44,421	61,621	1,039,278	1,083,699
Homeless Services	714,168	52,482	0	714,168
HPD	204,314	24,765	303,000	507,314
Social Services			259,773	259,773



Environmental Protection	225,000	57,261	0	225,000
CCRB	131,881	26,697	0	131,881
Investigation	30,720	30,720	77,552	108,272
FISA	36,184	36,184	53,289	89,473
Probation	73,992	54,491	0	73,992
Law	51,587	46,428	0	51,587
Board of Elections	41,264	0	0	41,264
Brooklyn BP	9,408	9,408	29,000	38,408
Admin Trials and Hearings	32,022	28,820	0	32,022
Children's Services	29,619	29,619	0	29,619
Finance	27,079	27,078	0	27,079
Taxi and Limousine	13,315	0	0	13,315
Consumer Affairs	12,662	12,662	0	12,662
City Council	0	0	11,761	11,761
Records and Information	11,393	7,972	0	11,393
Mayorality	9,376	9,376	0	9,376
<b>Utilities Total</b>	<b>\$67,685,008</b>	<b>\$1,554,239</b>	<b>\$1,847,017</b>	<b>\$69,532,025</b>
Environmental Protection	65,858,025	1,554,239	0	65,858,025
Fire	1,826,983	0	1,847,017	3,674,000
<b>Parks, Recreational Facilities Total</b>	<b>\$9,279,826</b>	<b>\$1,275,419</b>	<b>\$15,908,263</b>	<b>\$25,188,089</b>
Parks and Recreation	7,430,057	38,405	15,624,711	23,054,768
NY Public Library	1,208,993	1,208,993	0	1,208,993
Environmental Protection	309,097	0	0	309,097
Fire			266,862	266,862
Police	198,545	0	0	198,545
Transportation	100,000	0	16,690	116,690
Small Business Services	33,134	28,021	0	33,134
<b>TOTAL</b>	<b>\$1,231,931,569</b>	<b>\$598,927,288</b>	<b>\$229,128,596</b>	<b>\$1,461,060,165</b>
SOURCE: Financial Management System				
New York City Independent Budget Office				

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 4/9/14

(PLEASE PRINT)

Name: SUSANNAH DYEN

Address: 50 Broadway 29th Fl NY NY

I represent: Alliance for a Just Rebuilding

Address: \_\_\_\_\_

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

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☐ in favor ☐ in opposition

Date: 4/9/14

(PLEASE PRINT)

Name: FELICE FARBER

Address: \_\_\_\_\_

I represent: GENERAL CONTRACTORS ASSOC.

Address: 60 E. 42nd St, NY NY 10065

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: 4/9/14

(PLEASE PRINT)

Name: Margaret Becker

Address: Staten Island Legal Services, 36 Richmond Terrace, Staten Island, NY 10301

I represent: Legal Services NYC

Address: 40 Worth St, NY, NY

Please complete this card and return to the Sergeant-at-Arms