Committee Meeting

of

SENATE LEGISLATIVE OVERSIGHT COMMITTEE

“The committee will meet to hear testimony from Richard Constable, Commissioner of the Department of Community Affairs, and other invited guests regarding problems associated with the processing of applications to Sandy homeowner relief programs”

LOCATION: Committee Room 6
State House Annex
Trenton, New Jersey

DATE: February 24, 2014
1:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Robert M. Gordon, Chair
Senator Loretta Weinberg, Vice Chair
Senator M. Teresa Ruiz
Senator Paul A. Sarlo
Senator Jennifer Beck
Senator Thomas H. Kean Jr.

ALSO PRESENT:

Scott A. Brodsky
Office of Legislative Services
Committee Aide

Francisco Maldonado
Senate Majority
Committee Aide

Frank Domínguez
Senate Republican
Committee Aide

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey
COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE LEGISLATIVE OVERSIGHT COMMITTEE

FROM: SENATOR ROBERT M. GORDON, CHAIRMAN

SUBJECT: COMMITTEE MEETING - FEBRUARY 24, 2014

The public may address comments and questions to Michael R. Molimock, Committee Aide, or make bill status and scheduling inquiries to Sherri M. Hanlon, Secretary, at (609)847-3855, fax (609)292-0561, or e-mail: OLSAideSLO@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate Legislative Oversight Committee will meet on Monday, February 24, 2014 at 1:00 PM in Committee Room 6, 1st Floor, State House Annex, Trenton, New Jersey.

The committee will meet to hear testimony from Richard Constable, Commissioner of the Department of Community Affairs, and other invited guests regarding problems associated with the processing of applications to Sandy homeowner relief programs.

Issued 2/18/14

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SENATOR ROBERT M. GORDON (Chair): Good afternoon, everyone. The Senate Legislative Oversight Committee will come to order.

May I have a roll call, please?

MR. BRODSKY (Committee Aide): Roll call.

Senator Beck, substituting for Senator Kyrillos.

SENATOR BECK: Here.

MR. BRODSKY: Senator Kean.

SENATOR KEAN: Here.

MR. BRODSKY: Senator Sarlo.

SENATOR SARLO: Here.

MR. BRODSKY: Senator Ruiz.

SENATOR RUIZ: Here.

MR. BRODSKY: And Senator Gordon.

SENATOR GORDON: Here. And Senator Weinberg will be here momentarily, I’m told.

MR. BRODSKY: You have a quorum.

SENATOR GORDON: Very good, thank you.

Well, good afternoon, everyone, and welcome to this meeting of the Senate Legislative Oversight Committee. Today’s hearing continues our investigation into the performance of two State programs designed to assist homeowners recovering from the devastation caused by Superstorm Sandy.

As many of you are aware, this Committee recently heard testimony from a number of community advocates who raised very serious concerns about the implementation of two Sandy recovery programs; specifically, the Reconstruction, Rehabilitation, Elevation, and Mitigation Program -- or RREM -- and the Resettlement Program. They spoke of the
painfully slow disbursement of recovery funding to homeowners and renters, an alarmingly high percentage of erroneously denied applications to the programs, apparent inequities in the treatment of applications from minorities, insufficient funds for renters, and the State’s failure to provide an explanation of why program contractors were terminated -- in addition to other important concerns.

We have also heard a constant of stream of public complaints. Just last week the Senate President and I met with frustrated program applicants in Toms River and Moonachie. Far too many residents have been caught in the seemingly endless cycle of lost applications, duplicative requests for information, and the lack of communication from officials regarding the status of applications and rebuilding resources. It would appear that the entire application process was severely flawed.

Given these concerns, we have a number of questions for the Department of Community Affairs and the Christie Administration. As I’ve mentioned earlier, it’s critical that we correct any program flaws now before the next $1.46 billion in federal recovery funds is awarded in New Jersey. Corrective action must be taken now to avoid future failures.

Commissioner Richard Constable of the Department of Community Affairs was not able to attend our previous hearing, but I am pleased that he is here today to discuss these issues. First, however, we will hear from a number of others. We will hear first from Jeff Tittel of the Sierra Club. We will also hear from Eric Williams, who can tell us something about the program operations in New York; and Kevin Walsh of the Fair Share Housing Center will give us a recap of the testimony presented at our last hearing.
With that, I will ask Mr. Tittel to come forward and make his presentation.

JEFF TITTEL: Thank you.

Jeff Tittel, Director, New Jersey Sierra Club. And I want to thank the Committee for holding this hearing, and Senator Gordon. I think that this is critical for the future of New Jersey.

I just want to start off with a little housekeeping. I served on the FEMA Natural Resources Committee for Sandy Rebuilding. I also served on the HUD Sandy Rebuilding Task Force Advisory Committee. So many of these issues that I am going to raise, I was involved firsthand when these were being discussed.

The concern that I have -- and it’s for the first round but, more importantly, in the second round -- is that we’re not rebuilding smarter and better; that we’re making many of the same old mistakes of the past; that we’re not looking at the most up-to-date science, we’re not looking at the impacts from climate change, or having any plan in place for mitigating the impacts of both climate change and sea level rise.

Now, that’s a bad policy position, but it’s even worse when you look at HUD funding. You know, you can deny climate all you want, but HUD could deny funding -- and that’s why I’m here, and that’s why it’s so critical. When you look at the action plan -- or as I call it, the inaction plan -- you do not even see the words “climate change” anywhere in it, yet HUD requires not only the plan to deal with climate change, but to deal with mitigation and adaptation for climate change. And it’s critical. It’s not only critical for our future, because if we rebuild in the wrong places, we are putting people back into harm’s way. We are also concerned that because
we’re not laying out a comprehensive risk analysis-- In my written statement, which you all have, it has a lot more of the detail taken directly from the HUD rules. But if we’re not doing a comprehensive risk analysis, that means that money is going to get washed away in the next storm. But more importantly, since the President’s Action Plan requires all governmental agencies to develop climate action plans, and those climate action plans then are put into all program areas including HUD, FEMA, Army Corps of Engineers, EPA, Federal Highway, and so forth, the failure to adequately address climate change will also impact discretionary funding as well.

The concern that we have, again, is that when you look at this plan, instead of saying “climate change,” instead of saying “sea level,” it talks about flooding. It mentions the word “resilient” 147 times, but there is nowhere where it’s defined. So it’s one of those words that is out there but it has no meaning and it has no standards and, therefore, it’s not implementable. So even if you hear the Commissioner later mention “resilient,” it doesn’t mean anything.

We’re also concerned that there are no performance standards when it comes to both flooding and any kind of risk assessment. It’s important for all the projects that are covered -- whether it’s rebuilding a house, or building new apartment buildings. There’s also no long-term efficiency part of this. And again, both the HUD Secretary and the plan call for -- especially for multi-family housing and other buildings -- the ICC codes. New Jersey’s building codes are, at least, two cycles behind. New Jersey currently has, for residential, a 2009 code, which is actually a 2007 code. And the 2015 code is out. It’s 20 percent more efficient. And why is
that important? Because it means it will save people money when they live in those homes. It will also mean a reduction of pollution and greenhouse gases, while saving funding.

The biggest problem we have is that we think that the New Jersey program is based on political science and not real science. That by not including the most up-to-date data for sea level rise and climate change -- whether it’s from NOAA or Rutgers -- we’re putting the State at a disadvantage: one, because the elevations are very different than the mapping that we’re using from FEMA; two, the FEMA maps that we’re using do not have up-to-date Sandy data and do not have any models for sea level rise and climate change.

There is one area where the State does mention sea level rise -- It’s pretty much left out of the plan -- and that’s in this one, minor grant program for about $100 million. And nowhere else is it even mentioned. And basically what we see with this plan is we’re going to build first, and do a risk assessment based on those grants second. It doesn’t work that way.

We’re also very much concerned-- And again, when we talk about saving money, people are concerned about flood insurance. Yet New Jersey only requires 1 foot above floorboard, which does not really address sea level rise or storm surges. We only require 1 foot in our plan; read the plan. With 2 feet you get a 50 percent reduction in your flood insurance. And again, when you look at the plan, it only requires a 1 foot above floorboard.

I met with the Ocean County Hazard and Mitigation Plan people; they had a hearing a few months ago. And they themselves were concerned. They’re trying to do the right thing. When you look at the
Ocean County plan it mentions sea level rise, it mitigates for climate change, it has a lot of programs and projects in it. But they themselves are concerned because the New Jersey plan itself does not deal with mitigation and adaptation for sea level rise or climate change, so that they may not get funded for their projects. Our biggest concern is that HUD could deny the plan based on not having anything to do with the sea level rise or climate change, and that would delay things. Instead of—You know, you’ll hear, well, “They can go fix it later.” No, you should do it right the first time because that extra time it would take to fix it is more delay and we don’t need any more delay. We’ve had delay after delay on getting things where they should be. Or, even worse, they could accept the plan, and then not fund any specific projects because they don’t meet the criteria.

When you hear from New York, one of the differences that we see in our analysis is that, in this round, New York is getting more funding. They did a better job, based on the most up-to-date science, on sea level rise and climate change, and they identified more areas as high-hazard and more areas at-risk. And we believe that’s one of the reasons why they received funding -- since our data sets are based on old data and only used the FEMA maps, that we had less areas identified. Now, that looks good on paper, but many of those properties and the people living in those homes are at-risk. So even though on paper -- because of using the wrong data -- you have less people at-risk, you actually still have the same amount, if not more, because you’re not looking at the right data.

SENATOR KEAN: Mr. Chair.

MR. TITTEL: And I think--

SENATOR KEAN: If I may, through the Chair.
SENATOR GORDON: Senator Kean, yes.

SENATOR KEAN: You said that we used FEMA, and your recommendation is to use Rutgers--

MR. TITTEL: And NOAA.

SENATOR KEAN: And NOAA.

MR. TITTEL: Right.

SENATOR KEAN: If I may, through the Chair--

SENATOR GORDON: Sure.

SENATOR KEAN: Who did New York use?

MR. TITTEL: NOAA.

SENATOR KEAN: NOAA only?

MR. TITTEL: NOAA, in the New York state data that they’ve developed. They have a climate mitigation program themselves. Unfortunately, New Jersey used to be a leader in climate change, but this Administration eliminated the Office of Climate Change. This Administration removed the staffing that worked in the coastal program that was doing some groundbreaking work nationally on mitigation and adaptation for climate change. The New Jersey DEP Department of Coastal Program had done extensive work on the Delaware Bayshore and in places like Tuckerton along the Barnegat Bay. All of those programs ended.

And the fact that we allowed, I think, politics to interfere in climate change in the state may put us at a very severe disadvantage in moving forward.

Another area that I wanted to specifically flag for funding -- separate from the HUD monies -- is $600 million from EPA that is going to go for water and sewer infrastructure. That has to be tied to climate, and
mitigation plans and adaptation plans. It’s in the EPA regs, and that’s a separate pot of money that we may lose. And the reason I wanted to mention it—Because when you look at the different programs -- the New Jersey Energy Resilience Bank, $210 million could be at risk; the non-federal cost share, $225 million; the Flood Hazard Risk Reduction Program, $100 million or a portion of; the $200 million for Fund for Restoration of Multifamily Housing; even the planning grants could be at risk. And then when you throw in the $600 million from EPA, we’re talking about a lot of money.

And we’re concerned. We have places in the Meadowlands that are still suffering and still subject to flooding while we’re building apartment buildings in New Brunswick or Belleville. We have areas along the Delaware Bayshore that are going under water. We need to deal with climate change because one day, when the Dolphins are playing the Giants in the Meadowlands, they could be real dolphins. I mean, it’s an old joke; I don’t want anybody—But the point is that sea level rise is real. If you go along Barnegat Bay at normal high tide, the outfall structures from storm sewers are filled with water. It’s happening in our state; we’re seeing the biggest impacts along the Eastern seaboard, and this plan doesn’t address it. And I think that’s really the concern and why I’m here. Because we need to change that plan, one, because it’s the right thing to do; and two, we could be jeopardizing not only funding from HUD, and FEMA, and the Army Corps, and the EPA, but more importantly we’ll jeopardize the future of the state. We need to do it right, and now is the time to fix this.

Thank you.

SENATOR GORDON: Thank you, Mr. Tittel.
Just an initial question; I guess I’m a little perplexed. You’re saying that hundreds of millions of dollars in Federal aid are being put at risk, really, just to make a political statement?

MR. TITTEL: That’s my point, yes. I mean, you can try to get around the issue of climate change because it’s not politically expedient within some certain circles, so you don’t want to use the words. But then, even if you don’t want to use the words, you have to have standards and programs in place to do the same -- and we do not. And that is the concern that we have -- is that in some ways national politics is holding Sandy recovery hostage.

SENATOR BECK: Chairman.

SENATOR GORDON: Senator Beck.

SENATOR BECK: Thank you. In the action plan, Section 6.2.1, it addresses sea level rise and talks about the fact that New Jersey, indeed, will comply in its action plan and account for sea level rise.

MR. TITTEL: No--

SENATOR BECK: So I’m not sure-- I guess I’m confused by your reference. You know, these plans were developed with HUD, side-by-side, and the Obama Administration; vetted through them, approved by them, a series of public hearings. So there is a section here that talks about New Jersey addressing sea level rise, Section 6.2.1--

MR. TITTEL: That’s only--

SENATOR BECK: So I guess I don’t understand your comment.

MR. TITTEL: That’s the section that talks about doing the risk after you do the rebuilding. And there’s really only one program area -- the
$100 million grant program for risk assessment and some building projects that are part of it. But the overall-- When you look at the monies for everywhere else, there is no real component for sea level rise, and nothing for climate change at all. And that’s really where we see the concern. And New York is doing it. Go look at the New York City adaptation plan that’s part of HUD. Go look at the New York state plan. It is very different than the New Jersey plan.

SENATOR BECK: Chairman, if I could.

SENATOR GORDON: Sure.

SENATOR BECK: So I spent a fair amount of time on HUD’s website in preparation for this meeting. And two things really jumped out: one, is the fact that New Jersey is getting $400 million less than we did in the first round, and I question why. Maybe our Federal representatives aren’t yelling and screaming about that, because we know many of these programs are oversubscribed. And secondarily is the fact that New Jersey has obligated almost $1 billion of the first-round CDBG money in comparison to New York state, which is far behind us. They’ve only obligated about $500 million and their programs are struggling; I mean, especially their housing programs.

So while the issue of-- My sense -- and I have taken the time to at least go through the first plan; I haven’t made it through the second -- is that they talk about rebuilding to ensure that, should we have another disastrous hurricane as we did, that the housing will survive, that the commercial properties will be mitigated in such a way they’ll be flood-resistant. And it does recognize that people will be rewarded for building 2
feet above the base-flood elevation level. And they’ll be rewarded because
their flood insurance will drop down to $500 per.

So I think--

MR. TITTEL: But the--

SENATOR BECK: It’s not perfect, and nothing ever is. But I
certainly have seen in this plan a recognition that we need to encourage
residents to rebuild in a way that gets them out of the flood zones, and that
commercial buildings are rebuilt in such a way that they can resist new
flooding. And people are doing it. I mean, if you come through to
Monmouth County, houses are going up left and right.

MR. TITTEL: Well, through the Chair, my testimony is on the
second plan, where there were major changes in the rules that were adopted
in September of 2013. The first plan was based on the old, other rules that
did not have such strict language on climate change, sea level rise, or
adaptation, or the recommendation to use certain data sets. New York has
its own problems; I’m not here to testify for New York. But I do know that
New York has done a much better job on climate adaptation and sea level
rise than New Jersey is doing. And I compared those two parts of the plan,
and there is a major difference between the two. And I think New York, in
that area, may be doing a better job; in other areas, they’re probably doing
worse. But that’s how it goes.

SENATOR BECK: And one last, through the Chair.

Jeff, would you agree with me, in light of the significant need
there is out there -- public entities, residents, commercial -- that it is odd
that New Jersey is getting $400 million less in this second round in CDBG,
while New York state is getting more? As a matter of fact, New York state
has gotten almost $7 billion compared to our $3.2 billion in total. And we’ve had pretty much the same amount of damage: They had about $42 billion in damage and we’ve had about $39 billion in damage.

MR. TITTEL: Right.

SENATOR BECK: So it’s a little odd to me that we’re $400 million short in this second round; I just don’t know if you agree.

MR. TITTEL: And I think the reason is that they’ve done a better job at a risk analysis -- looking at sea level rise and climate change, identifying more infrastructure and more housing in areas of New York state that are at risk. And that’s why they’ve been able to receive funding.

SENATOR BECK: Yes. It would be nice if our Federal representatives maybe could help us do some homework with HUD on that. Because I find that’s a significant amount of money to lose in the second round.

MR. TITTEL: Absolutely.

SENATOR SARLO: Chairman.

SENATOR GORDON: Yes, Senator Sarlo.

SENATOR SARLO: Maybe Jeff’s not the right person to answer; maybe the Commissioner is. But the question is, how much have we spent in the first round? Have we allocated money that we’ve received -- has it all been awarded for projects -- worthwhile projects? I mean, is there still money-- I mean, that’s the question.

SENATOR BECK: It’s actually on HUD-- I’m sorry. Through the Chair, it’s on HUD’s website. We’ve obligated $1 billion--

SENATOR SARLO: Of--?

SENATOR BECK: -- of the $1.8 billion.
SENATOR SARLO: Okay.

SENATOR GORDON: We’re going to be getting into this in later testimony when we look at the data on how much has been awarded and how much has actually been dispersed.

Any other questions from other members of the Committee? (no response)

Seeing none, thank you very much, Mr. Tittel.

MR. TITTEL: You’re welcome; I appreciate it.

SENATOR GORDON: We will hear next from Eric Williams.

Unfortunately, I don’t have the name of your organization. I believe you’re going to be joined by Staci Berger.

Ms. Berger, if you would like to start.

STACI A. BERGER: Sure.

Good afternoon, Chairman Gordon and members of the Committee. With me is Eric Williams from the Association for Neighborhood and Housing Development Organization from New York City. I’m Staci Berger; I’m the CEO and President of the Housing and Community Development Network of New Jersey, the statewide association of nonprofit community developers working here in our state.

When I testified a few weeks ago, a number of questions came up about what’s going on in New York, and what’s different, and what’s maybe working better or not better. And so I was asked to see if I couldn’t bring a colleague from the City down. So Eric is the Coordinator for our sister organization and was willing to give up his time to help us better understand what’s going well in the City, what we could do differently here to make our process be more user-friendly, provide better counseling
services, and maybe come up with some answers that would help everybody -- both this side of the Hudson and the other. So I appreciate your time today.

ERIC WILLIAMS: Great. Good afternoon, Chairman Gordon and members of the Committee. My name is Eric Williams; I’m the Sandy Recovery Coordinator for the Association for Neighborhood and Housing Development in New York City. It’s a member organization of 95 community groups focused on community development and affordable housing; as well as I work with the New York Mortgage Coalition, which is a similar coalition focusing on first-time home ownership for low- and moderate-income homeowners.

So we play a similar role to the Housing Community Development Network in New York (sic). We thank you for the opportunity to testify today.

We, along with several other groups in New York City, are funded through private donors to provide technical assistance and support to help facilitate the flow of information, update groups on program requirements, and serve as communication liaison between New York City, the Housing Recovery Office, and community groups working in communities in impacted zones.

Today I’m not going to be speaking on behalf the New York City administration or the Build It Back program, but just from our experience working with community groups and our interaction with the City around housing recovery.

So while New York City, Build It Back continues to grow and develop to overcome some of the current challenges in New York, our
priority has been to work with the administration to build transparency and help them engage community members and community groups around the issues of housing recovery.

So in New York City, community groups have been an essential component of the recovery work that’s been done. Many of these groups have been working with community residents before Sandy and since then, maybe adding the Sandy work on top of their existing work -- working with low- to moderate-income homeowners and residents. In terms of Sandy, once Sandy hit, many of these groups are involved in disaster case management, housing recovery counseling, counseling services, and foreclosure prevention.

Many of these community groups are also trusted sources of information and a known quantity within these communities. Many community residents seek to verify information through multiple sources before really trusting that information, so they may hear the information from the administration; they may hear it on the news; they may go to community groups to help understand and validate those updated requirements and the new news. Many of these community groups also work with many vulnerable populations within the City that may be more difficult to reach through traditional channels, like limited English proficient groups, immigrant populations and, in terms of Sandy, residents who have been displaced may not have access to phone or Internet.

Many of these groups have been hearing from these residents on a day-to-day basis and have a unique understanding of what these residents -- how they’re impacted, what concerns they have, how they’re
having -- either successfully, or having trouble, working with the variety of government programs, including Build It Back.

There are several ways New York City has been engaging community groups around Hurricane Sandy and with the Build It Back program, so I would like to cover several of those things.

In terms of transparency and communication, the City issues monthly progress reports to indicate how they’re doing on a variety of metrics. This includes what they’re doing on application processing, their construction and rehab work, their progress with multi-family buildings; reconstruction, acquisition, and outreach activities that the Build It Back and the Housing Recovery Office are doing. They include maps, and they include plans for the upcoming month, and what they’re planning on doing. There’s also a Sandy funding tracker, which is available online. It breaks down how the CDBG-DR funding is being distributed, and the functionality is added to that tool fairly regularly to create additional levels of detail.

During the registration process, before it closed in October, the Build It Back office was issuing weekly progress reports on the outreach activities, where registration rates were in different zip codes around the City, as well as which -- the registration rates of Priority 1 applicants. So in New York City, Priority 1 applicants are the 80 percent AMI and below -- both moderate and significant damage -- as well as 80 percent AMI to 165 percent AMI with severe damage. So the outreach reports included the projected amounts of Priority 1, which is a group that tends to register for government assistance at a lower rate -- especially given what happened following Katrina. There were several studies that indicated that there were
difficulties with this group registering at similar rates. So it helped us tailor our outreach efforts with community groups to be able to focus on different communities that were being underserved, and really focus and target our outreach as best as possible.

The City also has a publicly available community presentation on their main website. They also send out regular newsletters with updates, including information like the public hearings that are taking place this week on Amendment 5 for New York City’s allocation of CDBG grants. It also includes outlines of various documents, like the appeals process, so if an applicant disagrees with either their damage assessment or their allocation -- their award amount -- the checklist of the documentation they need, how applicants are prioritized through the system, and how to get hard-to-replace documents.

The Housing Recovery Office does community meetings with their external affairs team. It tends to happen one to two times a week now in different communities. They’re hosted by community centers and community groups, which know which residents are impacted and can do outreach on behalf of the City’s office, as well as to help get people out who really need answers to their applications. Their key message -- and I think the second or third slide of that community presentation has the phrase, “We plan to stay here as long as you have questions,” which is something that they reiterate during their presentation. They stay as long as people have questions. They have frequently 10 or more Housing Recovery Office staff at these community meetings to answer questions. They’re there with laptops so they can access individual peoples’ applications and help explain how things are going with that individual application. And the former head
of the Build It Back program, Kathryn Mallon, was also a frequent presenter of these community presentations.

They also have a monthly call with nonprofit groups. These calls are-- They’re great as far as getting our questions answered. So the Housing Recovery Office solicits questions up to about a week in advance, which gives their office time to develop good, vetted answers, talk to the people who are leading the various departments within the Housing Recovery Office; and allows them to give very well informed answers to us on this call. There’s also frequently time to answer questions at the end of the call, but this helps get the right answers and the experts on the call that need to be on the call. They also include, usually, two to four Housing Recovery Office staff from different departments, depending on what the focus of the call is.

So the New York City also has a Housing Counseling Program where several community organizations have grants to provide counseling services in terms of the applications, foreclosure prevention, and financial counseling. They’re referred through the Build It Back Program. So if an applicant has trouble -- maybe they have trouble finding their deed or figuring out how to get a hold of that document, the City can refer them to these established groups through an official process. They deal with mortgage delinquency and foreclosure title issues, replacing lost documents, documentation of income, insurance issues, landlord issues, SBA loan issues, and a variety of other ones which are included there. They also, in terms of outreach, have reached out to many of the community groups to aid in that outreach. So as I mentioned with the, sometimes, difficulty in reaching vulnerable populations, it is important to engage the nonprofit
community to help to do that outreach. And so, as I mentioned before, during the registration period the City was able to help and enable the community groups to help do phone calls to people who were impacted by Sandy and had sought FEMA assistance but did not register for Build It Back. We were able to do door-to-door outreach in hopes that we could reach people at home, but again by phone if we couldn’t reach them at their home.

They’re also -- in terms of unresponsive applicants -- now looking to community organizations to help to do that. After trying to call, and e-mail, and text applicants -- those who have not been responsive, they’re still looking to try to reach them. And they may include door-to-door outreach with these community groups.

Lastly, there have been several times where community groups and community residents have voiced frustration with certain policy structures that are part of the Federal program. One example is the change to the SBA loan requirements. That one, both our Federal representatives and the City government were able to help lobby Federal agencies to change that policy. So if there was a hardship as a result of taking an SBA loan to help with Sandy rebuild, that would not be required if they could demonstrate the hardship. So that was something where we successfully -- an example of successfully being able to change the Federal policy when it became difficult.

And there have been other issues that have come up where the City has worked with community groups and residents, and tried to identify those issues and tried to help change those on the Federal level if they were an impediment to the successful progress of the program.
And I’ve seen several of you looking through the progress reports that outline some of the achievements at Build It Back. And while there are still challenges, at least the information that’s available allows us to identify what those are and really look into the numbers and statistics to be able to understand where things are going. So to date, as far as the last progress report for the end of January, Build It Back has done 1,575 options review meetings, which are presenting the applicant with the options that are available to them; and then it goes to the applicant to either appeal that decision or choose to go with one of those options and move ahead with one of the four channels that are available.

SENATOR GORDON: If I could just stop you. I have a couple of questions.

I haven’t had a chance to look through the data. You mentioned a number of meetings and, certainly, a very hands-on process. What I’ve been hearing is that New York City -- really, the Build It Back program -- really has not been all that good at getting money out to the households. Can you comment on that? I mean, it sounds like a very hands-on, personalized approach, as opposed to the kind of program one would expect with an outside contractor. But are we getting the results? Is the money getting out into the field? Are people getting these funds to rebuild their homes?

MR. WILLIAMS: Right. Well, we would like the process to move more quickly, and we’ve seen indications through several of the last progress reports that various stages of that process are moving more quickly. As I mentioned, there are 1,500 options review meetings that have been held, and so those are -- that’s the last step before-- Not before
construction starts, but before those agreements are finalized and then they get to jump into either rebuilding their home, getting reimbursements, or getting that repair work started. And since we are on the leading edge, it’s difficult for us to know how long that part takes. And as with the first people through that program, it will probably take a little bit longer as they figure out all the details. However, where -- the key metrics that we’re seeing in the program are that things are moving and we can see that progress. And so they should be getting to that part where construction starts. In the last progress report, they mentioned expecting construction to start in February -- this month.

SENATOR GORDON: Okay. We already are 16 months passed the storm.

MR. WILLIAMS: Right.

SENATOR GORDON: It strikes me that there are various states of pursuit -- two different approaches to organizing the implementation of these programs. In the case in New Jersey, we hired contractors to-- I guess, according to what the Governor has told us, we don’t have the staff in our agencies to do it and can’t ramp up; or, it appears as if the state of New York and the City of New York have taken advantage of existing community/not-for-profit groups in the field. Did New York ever consider using an outside vendor? Can you or-- Are you able to comment on it?

MR. WILLIAMS: I can’t speak to that.

SENATOR GORDON: Ms. Berger?

MS. BERGER: What I do know is that there are outside vendors that do have some responsibility for the program enrollment, but
not for the direct assistance -- to my knowledge -- of individual applications, the way that HGI was having folks answer the phone and, from what we’ve heard, hanging up on people or telling them they needed to register to vote to be eligible -- which is a new one I heard on Saturday.

SENATOR GORDON: Okay. Any other members of the Committee with questions?

Senator Beck.

SENATOR BECK: Two quick, and this is more just with constituents that we have been dealing -- several hundred that we’ve been dealing with in our office. And there are two requirements that HUD has in place that we have raised questions about, because it makes it difficult: one, is that from the time you file your application until you get your grant in hand, you can’t do any work. And HUD has said for reasons related to New Orleans and how that program was run, that’s how they want it because it’s hard for them to account-- Maybe this is a better question for the Commissioner, but that is very frustrating for people, right? Because they’re waiting, and they feel like they could be doing stuff, but they’re not allowed.

And the second is, we had some who filed for everything. So they filed for SBA, they filed for RREM, filed for Resettlement -- and then they got approved for the SBA loan, and then got approved for RREM, but it’s unmet need. So if you got the SBA loan first, now you have to take the loan and you can’t say, “No, I don’t want the loan, I want the grant,” right? And that’s just one of those HUD requirements that we have been frustrated with, you know? And I talked to Congressman Pallone’s office -- who represents much of my district -- and they’re doing what they can. But
I don’t know if New York state has had those issues raised by its residents as well, because I think those are two things HUD could do to make this process easier.

MR. WILLIAMS: Right. There is a similar requirement for additional repair work not to be done. In the case of New York, I believe it was October 29 -- but it was the end of the application process -- between that time and when they received funding, not to do any additional work to the home. Yes, so there is a similar requirement.

SENATOR BECK: Frustrations, right.

SENATOR GORDON: Anyone else?

Senator Kean.

SENATOR KEAN: Through the Chair, thank you for your testimony.

The question I have is that-- We’re all frustrated; we are 16 months after the storm. And the experience that you’re describing-- I mean, you guys couldn’t start until nine months ago -- is that an accurate estimate? -- because the Federal guidelines for issuance of dollars weren’t available until nine months ago. Is that accurate?

MR. WILLIAMS: Right; and the Build It Back program was created around that time.

SENATOR KEAN: It was created around nine months ago. So from the nine-month playing field, what percentage of the people who have applied for money through your program have -- you put money out the door already?

MR. WILLIAMS: So the very most recent numbers are that 173 people have finalized their agreement through Build It Back. As I
mentioned before, there’s another 1,792 people who had those options meetings, and so those applicants can either appeal or decide to go ahead with that agreement.

SENATOR KEAN: Okay. So you’ve had -- if I may -- 173 have received the resources, or have been approved to--

MR. WILLIAMS: They were approved and the dollar amounts were agreed upon.

SENATOR KEAN: Now 1,700 are in the potential tail-end of the process, but no dollars have gone out the door.

MR. WILLIAMS: Right.

SENATOR KEAN: And then what about another level of on-deck? Is there anybody beyond that 1,700--

MR. WILLIAMS: Yes, they have--

SENATOR KEAN: --who are in the application process?

MR. WILLIAMS: Right. If you look at the progress report, they indicate that there is another 1,800 options meetings that are scheduled.

SENATOR KEAN: Okay.

MR. WILLIAMS: And so those are people who are--

SENATOR KEAN: Midway through the process.

MR. WILLIAMS: --within several weeks of getting to the options meetings stage.

SENATOR KEAN: Okay, and then beyond that next 1,800? Is there an in-box beyond that 1,800?

MR. WILLIAMS: Yes. If you look at the progress report, the other metrics are in there. So there are people who--
SENATOR KEAN: What’s the size of--

MR. WILLIAMS: The damage assessments--

SENATOR KEAN: What’s the size of the universe?

MR. WILLIAMS: There are-- So they’ve also done 13,826 intake meetings.

SENATOR KEAN: Okay, so of the--

MR. WILLIAMS: So there’s intake meetings, and then damage assessments, and then the internal process.

SENATOR KEAN: So of the 14,000 people who have gotten to the meeting stage, there are 173 who have said that they think they are going to get funding at some point in the near future.

MR. WILLIAMS: Right, right. And if you look at the numbers that are coming down the pipeline, it’s fairly-- You can see the larger numbers getting through the program at the various stages.

SENATOR KEAN: Okay, thank you.

SENATOR GORDON: Ms. Berger.

MS. BERGER: I wanted to clarify, Senator, the difference between the couple of programs that New Jersey has where we have gotten dollars out the door. The Resettlement grant is the primary way that we’ve distributed money at this point. Those are the $10,000 non-construction-only grants that require -- for homeowners only -- that they require them to commit to staying in the same county for three years. So that’s one large portion of money that we’ve used. New York doesn’t have any-- Neither New York state nor New York City have anything similar to that program. And then the second large chunk of dollars that Senator Beck referenced
earlier that get us closer to that billion are the multi-family investments that the State has made.

SENATOR KEAN: Right, right. But I think that the--

MS. BERGER: I just wanted to clarify that, that there’s money--

SENATOR KEAN: Going through the Chair, I think the issue that we’ve been talking about-- I mean, as Senator Beck and others have alluded to, of course, is (indiscernible) and the Federal regulations that have now changed once or twice or more to create a-- Number one, Congress took its own due time to get the darn funding done in the first place, so you ended up having a long after-the-fact start, which is only nine months ago, because of the huge delays out of all of those south. And then now you’re turning into a very complex program that is starting to roll out -- it creates some of those delays that you’ve been describing. And that’s just the question regarding the complex nature of these programs overall, and getting the resources where we can actually build. That’s just what I was trying to focus on.

MS. BERGER: Right. Through the Chair, I just want to make sure we were making an apples-to-apples comparison with construction-to-construction dollars for homeowners, that’s all.

SENATOR KEAN: Always.

MS. BERGER: Thank you.

SENATOR KEAN: Through the Chair -- always.

MS. BERGER: Always.

MR. WILLIAMS: And I’m speaking specifically to the one-to-four family housing rebuilding program.
SENATOR GORDON: Any other questions from members of the Committee?

SENATOR BECK: Chair, just one last -- and this is really just a question about how I’m assuming New York is getting the same kind of push back. So we have 5,100 who have signed for the RREM grant -- they’ve been awarded it, they’ve signed for it. Of that 33,700 -- are low- to moderate-income people. But the challenge is that HUD requires us to do a historic evaluation and an environmental assessment which can take, minimally, six weeks. But most of the time it takes a lot longer. And you may have seen this week that we asked for a waiver of that, and they’re refusing. I don’t know -- is New York state trying to appeal that, too? Because that is, no question-- And people are so frustrated because their homes aren’t historic; I mean, people know, basically, if their home is historic or not. And most are being built on the same footprint. So, you know, for those who have money in hand, it’s like this particular HUD requirement is brutal. Are you facing the same-- Have you guys sought this-- Do you know if New York is going after the waiver, or if they’ve heard back on it?

MR. WILLIAMS: I can’t speak to that at the moment, but I can find out the answer for you.

SENATOR BECK: Yes, I’d be interested to hear. I mean, this might be something that New York and New Jersey approach through our Federal representatives and HUD together, because it’s certainly slowing things down. I mean, as of right now, of those who are eligible for RREM, and with the loss of the $400 million in this second round, we know we’ve got about 4,000 eligible people who aren’t going to get anything. And
that’s why I’m curious why HUD did that, because New York state is getting more in this second round and New Jersey is getting less. And we know we have a long line. We have a lot of people who are still out of their homes who are dying for that money.

So anyway, thank you. I appreciate your time today.

SENATOR GORDON: Senator, I would just point out that I don’t know whether it relates to the data, but the Governor did point out in October that we were pretty much done with the environmental and historic assessments. Now, I don’t know whether it was just a comment that he made based on data or not, but that’s what we’ve all been led to believe.

Any other questions for this witness? (no response)

Thank you both very much.

MS. BERGER: Thank you very much, Chairman.

SENATOR GORDON: I’d like to bring up Kevin Walsh at this point to give us, I would ask, a brief summary of some of the key points that his group made at our last meeting. And then we look forward to hearing from Commissioner Constable.

KEVIN D. WALSH, ESQ.: Thank you, Senator Gordon and members of the Committee.

Good afternoon, my name is Kevin Walsh; I’m with Fair Share Housing Center. We’re an organization that’s been around since 1975, working to make housing policy and law in New Jersey fair and effective. And since soon after Sandy hit, we have been working to try to understand the ways in which we can help people recover fairly, and also watching both the Federal government and the State government. And thus far we have
pointed out some of the problems with transparency, and the error rate research was the result of an Open Public Records request we did that led the Administration to change its position on that.

And so we’ve been working hard for the last year-plus on these issues. And I appreciate the opportunity to share some of our concerns and questions with the Committee in the hopes of getting some answers.

There are serious problems at the Federal level, no doubt. We need to figure out what they are. We’ve only recently heard about a few of them, and my organization is looking into them. And I’m hopeful that we’ll get some answers soon. But that doesn’t mean we stop looking at the terrible things that have happened at the State level. The response in recent weeks has been to blame others and to fail to acknowledge or remedy the problems at the State level. And we fear that taking that approach will lead to more delays and more unfairness. And I’m hopeful today that we can focus on the problems that are at the State level, given that that’s where we can get the answers from while we continue to work on correcting the problems at the Federal level.

And I’m going to focus -- as I did when I was before the Committee on February 11 -- on some of the issues that are occurring and places where we haven’t been able to get answers; and perhaps this Committee will. And on that date, I gave out a list of 10 questions that we hadn’t been able to answer. And I’m going to not touch on all of them, I’ll assume the Committee has them; we can get copies if needed. But I’m going to touch on 5 of those 10 issues, and then make a couple of observations.
As a matter of basic fairness, any time government works, and any time government regulates one would think that the rules would be available. That seems especially important when you’re giving out or denying people money. And yet, right now, if -- and I haven’t checked in the last couple of hours -- but right now if you went online and looked, if you were a person who was impacted by Hurricane Sandy and you went online to figure out what the rules were about whether your house will be saved because you’ll get money, or whether you won’t, there’s only one place to get them. That’s not on the recovery website, it’s not on the State of New Jersey’s website, and it’s not on HUD’s website. The sole place to get them is on Fair Share Housing Center’s website -- where if you go to fairsharehousing.org/sandy you’ll find, for the Resettlement Program, a 27-page manual, and for the RREM program, a 175-page manual. It’s mystifying even after this has been pointed out, that that continues to happen; that they still remain unavailable. And this has really, really problematic impacts in places like manufactured housing where, for months, people heard different things from the recovery centers and other places -- really impacting places like Moonachie where, if you walk around and you talk to the people there, you’re told different things. They were told different things, based on which day they called.

As a matter of basic procedural due process, one expects government to make consistent decisions, and yet when the rules are unavailable and not-- You know, we get calls from lawyers sometimes who know enough to say, “I know there should be rules; I know that they must be following something because they can’t just be making it up as they go
along. Where can I get them, because I haven’t found them on the State’s website?” And we just say, “Go to our website and you’ll find them.”

To the point about making it up as it goes along, incredibly the rules for the RREM program are dated October 22, 2013. Now, when we got these and we called up the attorney who we were dealing with at the State, because we had to sue to get these -- we asked for them in July and we didn’t get them, I believe, until November. When we asked why it was that these are dated October 22, we said there must be an earlier version. And they said, “No, that’s the only version we have is the one we gave you.” And we said, “Well, they’re dated October 22, and most of the funding decisions were made in July and August of 2013.” And the response was, “That’s all we have.”

So the rules were written, it seems, as best we can tell, after the decisions were made.

A third question that we haven’t been able to get an answer to--Back to the first one. Why was that? Why were the rules written afterwards, and how is that in any way fair? How can we be assured there were consistent decisions being made?

Third question: What’s with the secrecy with why HGI was fired? This is a question that we’ve asked, that other housing advocates have asked. At the Governor’s town hall meeting last week somebody stood up and asked the question, cries from the crowd, “Answer the question, answer the question.” The Governor didn’t answer the question. So why was HGI fired? We asked for documents on January 30 about this, and we’re still waiting. We’re told it’s now in legal review -- the documents related to why HGI was fired. Now, this isn’t just sort of, you know, an
interesting tidbit of historical New Jersey trivia. This is really important. Because the reason why HGI was fired could give us clues into why the process has been so bungled, and could give us some insight into what steps we need to take to remediate, to remedy any of the problems resulting from HGI’s bungling.

And so it’s not just a question of what HGI did. But it’s also a question of what steps we, as people who are advocating for a fair recovery, and as this Committee and the Administration which is hoping for -- pushing for a fair recovery and an effective recovery-- It’s a question of, for individuals, why were they treated the way they were treated, who made the decisions, and what steps should be taken to correct the problems that everybody now acknowledges existed.

From what you can see in the press, it makes it sound like HGI’s $70 million contract was just cancelled as sort of a matter of the normal course of business -- as if businesses just sort of walk away from binding agreements. That’s just not possible.

The fourth question: Why did Belleville get Sandy money? Why did that Belleville development get Sandy money, when the statements were that it was going to be for housing for Belleville, and Belleville had very little damage.? What motivated that?

The fifth question-- And you heard, I think, the last time from Frank Argote-Freyre from the Latino Action Network. They filed a complaint saying that people who spoke Spanish and read Spanish had gotten incorrect information. They filed a complaint which is required to be responded to within 15 days. They haven’t gotten a response. And there are people who read Spanish who weren’t advised of the deadline of
the Resettlement and RREM grants. And that waiting list, that timeframe, was never reopened. So people who read English and speak English were given the right date; people who speak Spanish and read Spanish were given no date, until it was too late. What’s going to be done to take care of that?

A few other things, and then I welcome any questions the Committee has.

There have been statements that HUD triple- and quadruple-checks the work that the State does. And we’ve done everything we can to evaluate whether that is true. That is not a true statement. HUD, as best we can tell -- while it may communicate at a policy level with the State in administering the programs -- HUD comes around and looks through the files, from what we can tell, every six to eight months. So HUD is-- There may be things that HUD is to blame for, but one of them is not the slow processing of paperwork. One of them is not the loss of paperwork. HUD does not triple- or quadruple-check paperwork. Now, maybe HGI was doing that and, if so-- I mean if it wasn’t HUD, we should know what exactly HGI did well and what it did poorly.

Secondly to note, there is supposed to be a connection, under the Federal notice that was put out, between the amount of damage that a grantee within its jurisdiction suffered and how much of its share in Sandy recovery funds are received. Now, there seems to be some mystery, and I’ll admit that I don’t know the answer either, about how HUD made those calculations. And I know Commissioner Constable is going to be here and maybe this Committee could ask him to answer these questions, because one possibility is that the State has not provided updated unmet need data. And if that’s the case, then maybe if we update the need data, maybe if we--
We previously were relying on incorrect data, perhaps if we stop relying on that, or adjust it like New York did, there would be a way for us to increase the proportion. Because, I agree, Senator Beck, that it’s a problem that we’re receiving $1.4 billion when we received $1.8 billion; it doesn’t seem right, given the magnitude of damage, that HUD gave us less. But we haven’t been able to figure out why it is that HUD did that and we need that answer, because there may be more funds coming in and maybe we can correct the allocation this time around as part of the action plan. Maybe with the third phase of funding we can request that we catch up. But we need to really understand what the cause of the reduction was.

And the final point to note is that, as I began my testimony, there are some things that HUD is doing wrong. And we’re beginning to understand some of them. But there is a lot that the State is doing wrong. The error rate that we discussed; the fact that it did not provide accurate information in Spanish; the lack of transparency, including right now on HGI; and the absence of rules -- the letters, for instance, in which people were denied but weren’t given accurate information -- any information on why they were denied. Things just like, “It’s either for this reason, or that reason, or some other reasons that we’re not detailing,” which was really, when we speak to people who call us up and share their experiences, was really, really aggravating because they didn’t know why they were denied. And the letter actually went on to say, “If you were denied for some reason other than the one that we’ve laid out right now, we can still deny you, going forward.” So they could never know the reason why they were denied, and yet be denied for that reason on appeal. And it’s really hard to
advocate for yourself when you don’t know what it is that -- why it was that you were denied.

So let’s get to the bottom of these issues in the State, and by doing so I think we can get a recovery that’s both fairer, that doesn’t lead to error rates, and hopefully that speeds things up.

Thank you.

SENATOR GORDON: Thank you, Mr. Walsh.

And I certainly share your view that we really need to understand why HGI was terminated, because if we don’t we’re not going to know how we can fix these problems and what problems exist.

We have a couple of other questions. The 175 pages of rules -- did DCA write those, or did some contractor? Do you have any information about that?

MR. WALSH: They’re signed by two DCA Commissioners. I don’t know who wrote them. There is no other indication that they were-- It only says, inside, “DCA Sandy Recovery Division.”

SENATOR GORDON: Okay. And I know we’re going to have a conversation about the use of FEMA data in providing damage estimates. Do you know whether DCA was ever advised that there might be problems with the FEMA data?

MR. WALSH: We certainly pointed it out early on; during the comment period we pointed it out that they were using FEMA data for a purpose that it wasn’t intended to be used for. New York, in its action plans, said the same thing. They said New York state’s action plan -- and I think I read this to the Committee the last time -- acknowledges right off that there are problems with the FEMA data. And as a result they made
adjustments to it. And so it seemed to be-- And HUD, in fact, corrected the state’s allocation of funding to renters because it disagreed with the state’s evaluation of the FEMA data that, now we learned months later, is the cause of the 80 percent error rate. So it’s something that we were aware of at Fair Share Housing Center. We submitted at least one or two letters to that effect. HUD responded and the State, I think, didn’t figure it out until all of the denials were issued in the summer or fall. And then only a couple of weeks ago did the State decide that it would reopen the appeals period.

But there are still people who may not appeal; they may have left their house. It’s really a good thing that they reopened the appeals period. It’s not clear that that’s going to necessarily correct the people who relied on the State’s denial and didn’t appeal -- given the 80 percent error rate. But beyond that I think an additional concern with the FEMA data, Senator, is that it may be a cause -- the over-reliance or the improper reliance on the FEMA data we fear -- and this is only a question now, it’s not an assertion -- but could underlie some of the problems with the allocation of funds between the states. Because that is where a lot of the unmet needs data would come from. And if that’s the case and that is the cause, if that plays any role at all, perhaps by updating it we could address some of the problems between New York City and New York state, and New Jersey regarding the allocations of the funds.

SENATOR GORDON: Okay, thank you.

Any members of the Committee with questions?

Senator Beck.

SENATOR BECK: Thank you, Chairman, for your patience.
Assemblyman O’Scanlon and I have spent a lot of time on these issues over the last year and more.

So just a couple of things, Kevin. First, I certainly would welcome working with your organization to advocate to both our Federal representatives and to HUD for answers as to why we lost $400 million. Because I think there could be great reasons for it. There may be good policy -- I don’t -- but to me I find it strange when we have this long waiting line, we know 4,000 homeowners aren’t going to get money out of the RREM program because we just simply don’t have enough. So I’d like to work with you on that.

On HGI -- I can tell you, personally, that I think I know why they were fired: because they performed poorly; and that’s being kind. I mean, my office worked with those folks ongoing with several hundred households, and it was difficult and nightmarish, and they weren’t organized, and their employees weren’t well informed. So my understanding, as a State representative, is that any time something’s being litigated, we’re not allowed to talk about it. I don’t know if it’s being litigated, but I think that might be some of the reason for the silence. But I can tell you, firsthand, HGI did a very poor job and I’m happy they’re fired, and I’m glad they were fired so quickly.

On Belleville: On Belleville, I was a little surprised that the Fair Housing Alliance--

SENATOR GORDON: Senator, if I could just stop you. I think that in light of the fact that the United States Attorney is looking into possible political factors in the allocation of funds, I think it would be a good idea for this Committee to steer--
SENATOR BECK: On Belleville, though, there is nothing political. HUD had two requirements: you either had to build new housing units in one of the nine affected counties or, number two, you had to take affordable housing that was destroyed in the storm and rebuild it and mitigate it so that it would resist flooding again. There was nothing inappropriate about Belleville. It was brand-new housing units that were shovel-ready, get them online. We had a lack of housing, certainly in Monmouth and Ocean and other places. And we needed to move fast. Eleven of the projects are in Monmouth and Ocean; I worked on a bunch of them. Those were the two HUD requirements: brand spanking new units that can get going fast, or if you’re going to rebuild in a flood zone -- which, to me, doesn’t sound too smart -- but if you are, you better mitigate it so that if it floods again it can resist the water. And remember, this is all driven by developers who are ready. So if you have your permits and you’re ready to go, you kind of got first look because we had to get them back online fast.

The last thing, about the FEMA data -- I’ll tell you what. I’m sure many other legislators were frustrated. We had constituents calling, left and right, about that data not being correct. It wasn’t a huge percentage of them, but was enough. Assemblyman O’Scanlon and I were on the phone with the Commissioner. I know that -- I’m sure when he gets up he’ll talk about it -- but I know he personally went to HUD about this issue. And that was the reason for the policy change because we went to HUD and said -- we being the State of New Jersey -- we went to HUD and said, “Hey, there is something not right with some of this data. Maybe the FEMA people were moving fast. There were 40,000 homes they had to
look at. Maybe they just got it wrong; some of the damage wasn’t evident.” But I’m happy they made that change and have reopened the process, because we certainly had folks who had a heck of a lot more damage and the data wasn’t correct.

So anyway, thanks for your testimony, Kevin. And I’m happy to work with you on that. I think we have to get to the bottom of the $400 million.

MR. WALSH: Senator, I welcome the chance to work on that. But while we’re doing it I hope we can work on the State issues as well, because it’s both State and Federal issues that are the problem. And I know you might have more sway with the Administration than I do--

SENATOR BECK: I don’t know about that. (laughter)

MR. WALSH: So I think that one of the problems is that the Administration-- You mentioned the opening of the appeals process. And it shouldn’t take a small organization of five people to uncover that. What we need is a spirit of transparency; we know this is a challenging process. But what we need is a spirit of transparency and a willingness to admit mistakes so they get corrected immediately, rather than six months or so after they otherwise could have been corrected. And that, I think, is what we’re, perhaps, disappointed in.

As to your point about Belleville: The reason I think we’re most concerned about Belleville is, both in the press statements and in the Governor’s statements, it was explicitly for people from Belleville, and not for people impacted by Sandy. And in addition to that, it was a process in which the Governor said he pushed for it, and so it would seem to be the sort of thing that should be based on objective criteria, not the Governor
pushing for it. I don’t know that it’s otherwise inherently outrageous that Belleville got what it got; those are the things that flagged it for us, especially the part about it being for people from Belleville. When Sandy money is involved, it should be open to everyone.

SENATOR BECK: Right. Just if I could, through the Chair, that process -- because I did deal with 11 projects in Monmouth and Ocean -- goes through the HFMFA. It is objective criteria, and HUD is absolutely involved. I know you made your comment about quadrupled-- HUD is on top of us. I mean, they are constantly monitoring what’s going on here so we don’t have another New Orleans. So I don’t know if maybe you just haven’t been privy to those conversations, but there is no doubt that weekly the DCA is on the phone with HUD reviewing everything that’s going on here in the State of New Jersey. And they’re very much concerned about that this money goes to low- and moderate-income, and that we get new, affordable housing units for all these folks who have been displaced. Maybe the mayor misspoke, maybe the Governor misspoke; but there’s no doubt that new housing units that are affordable are going to serve Sandy survivors -- there’s no doubt. And we need it desperately.

SENATOR GORDON: Senator Sarlo.

SENATOR SARLO: And since Senator Beck raised a question about Belleville-- I didn’t really follow that issue too much, but to the witness, then: Was the Belleville building destroyed as part of the storm?

SENATOR BECK: No, it doesn’t have--

MR. WALSH: There was no-- I believe it’s a vacant, or it’s a piece of land that’s there right now.

SENATOR SARLO: Oh, it wasn’t built yet.
MR. WALSH: It wasn't built yet. There’s--

SENATOR SARLO: Oh, the money is to build a new facility.

MR. WALSH: The money is to build a new facility. And my understanding is the construction, Senator, hasn’t started yet.

SENATOR SARLO: So some of the people, like in Moonachie, who have been displaced -- we were there with Senator Sweeney -- who are still out in some of the low-lying areas -- they would be able to apply to go live in-- They would be able to become residents in the Belleville site? Is that how that would work?

MR. WALSH: That’s how it’s intended to work, Senator. The problem is that press statements and otherwise seem to suggest that that was-- To the extent that anybody was moving in there, it was a secondary consideration, and it was primarily built for the people of Belleville. Now, nobody would suggest the people of Belleville aren’t entitled to a good senior housing development like that. The concern is that if there’s an intent to exclude people impacted by the storm, that raises legal issues -- among which are, why are Sandy funds going there?

SENATOR SARLO: No, I agree with Senator Beck. If there’s a shovel-ready project and ready to go, but it’s going to take residents here -- there are a hundred displaced residents in Moonachie. If they could go and apply to live there-- I thought this building was up and running. This building doesn’t even have a shovel in the ground yet.

MR. WALSH: That’s right.

SENATOR SARLO: Okay.

SENATOR KEAN: And if I may, through the Chair, if it’s used-- If the money used is either Federal -- I mean, much like people figure
out when you’re building parking structures and Amtrak or the New Jersey Transit -- if there is Federal money you can’t preclude a resident from out of the community from applying to live there, right?

MR. WALSH: You’re not supposed to be able to, which is why some of the statements that were made were of great concern.

SENATOR KEAN: But I’m saying for all practical purposed, while our mayor would love to have more people live in the town or stay in the town, the fact is that anybody who applies -- it’s a merit-based, non-geographic application process, if and when it’s built.

SENATOR SARLO: Who made these statements?

MR. WALSH: There was a press conference -- it’s still on YouTube -- with the Governor saying this is for the people of Belleville.

SENATOR SARLO: Oh.

MR. WALSH: There wasn’t a mention of Sandy anywhere. So one would think if it were intended for people impacted by Sandy that would be said. But it sort of was, the money was folded in there -- was the concern my organization had -- without it explicitly being made available to people impacted by Sandy.

SENATOR KEAN: But, through the Chair, obviously anybody who applied -- whether its 100 people from Moonachie or otherwise, if and when that place is built -- that would be an open door for all comers.

MR. WALSH: One would hope. That’s certainly what the law would require. It’s just that there was a bit of a disconnect between what the law would require and what the statements were that were made.

SENATOR GORDON: I’d like to move on to Mr. Constable.

SENATOR KEAN: If I may.
SENATOR GORDON: Senator.

SENATOR KEAN: Through the Chair; and this may or may not be on topic. If not, and it’s appropriate for a future conversation, before I say: number one, thank you for putting it on your website, and thank you for helping get information out to anybody who can avail themselves of these funds. And I just appreciate all your hard work.

And maybe it’s off topic, but getting back to the Federal side. I mean, this state was impacted over the course of the last several years, first by Irene -- and many of our constituents were still impacted by Irene; and that was a flooding event and everything else. And then you had Sandy come through, and that was a surge event. But you had situations where people in the state were impacted, and if we are going to figure out the best ways to harden the infrastructure, make sure people’s homes are -- they are able to get back in their homes where appropriate-- The Governor is talking about Blue Acres and a variety of other factors there. But if we can work together to figure out where the Federal government stands -- through the Chair -- where the Federal government stands in the way of saying “we should have a statewide solution--” Because the next impact may or may not be a Sandy-type thing, but it could just as easily be a rain event like Irene was. And when you’re looking at repairing the damage, preparing for the future, not to be able to look at these solutions as a full state -- does that have an impact on every one of our citizens? And that’s just-- Maybe it’s a philosophical question, maybe it’s a specific question but, through the Chair, if I can avail you of engaging in that type of conversation it would be very, very helpful.
MR. WALSH: Sure, Senator. You know, that’s something that’s more for my sustainability colleagues who are evaluating this. Mr. Tittel, I think, addressed some of it. And what I would say is, that would be a question that’s better targeted -- asked of those folks who I think will probably welcome somebody asking that question.

SENATOR KEAN: Thank you.

SENATOR GORDON: Thank you, Mr. Walsh--

MR. WALSH: Thank you.

SENATOR GORDON: --for your very thorough testimony again.

And, at this point, I’d like to call a very patient Commissioner Constable, with Mr. Richman.

DEPUTY COMM. CHARLES A. RICKMAN:

Good afternoon.

COMM. RICHARD E. CONSTABLE III, ESQ.:

Good afternoon.

Chairman Gordon; Vice Chair Weinberg, who is not -- oh, there she is; how are you, Senator? -- and members of the Senate Legislative Oversight Committee, thank you for the invitation to speak here today.

Seated with me is my Deputy Commissioner, Chuck Richman. I am happy to update you on the State’s progress helping New Jersey families and communities rebuild after Superstorm Sandy.

As you know, the Administration recently held three public hearings throughout the state. My cabinet colleagues and I presented the State’s plan for spending the second tranche of Federal Community Development Block Grants-Disaster Recovery funds, as we listened to
comments from dozens and dozens of affected residents and stakeholder representatives.

The frustration during the public hearings was palpable. Residents, especially applicants for the RREM program, are tired of waiting. I hear their frustration and I understand it.

I intend to bring you up-to-date on the progress of the State’s recovery programs. I will describe our efforts to help homeowners cut through a cumbersome Federal maze. I will also address many of the questions and concerns raised in the previous Committee hearing by members of the advocacy groups, as well as today.

But before I tell you about where these programs stand today, I’d like to tell you about how we got here.

The Christie Administration fought hard for Federal aid and, unfortunately, partisanship in Washington, D.C., slowed the process down. After Congress enacted a $60 billion Sandy aid package in January 2013, it was not until late May that the first round of the $1.8 billion in Federal funds began arriving. Delays getting the resources on the front end have inevitably led to delays getting the monies to the people in need.

Now, I know that various advocates have complained that not enough money has gone to certain causes: to homeowners or renters; to low income or middle-class families; to local governments or statewide infrastructure projects. And you know what? They are all correct. That’s because HUD has allocated for New Jersey significantly less than warranted. While we are grateful for the $1.8 billion in initial aid, the reality is that there are more needs than resources to go around. Sandy caused nearly $37 billion in damage in New Jersey, and $42 billion of damage combined in
New York State and New York City. But by comparison, New York -- state and City -- has been awarded a total of $7.1 billion in CDBG Disaster Recovery funding, while New Jersey has only been awarded $3.2 billion. That $4 billion difference would go a long way here in New Jersey.

Notwithstanding funding disparity, New Jersey is rapidly moving forward with our recovery efforts. In fact, by all objective measures, we are outpacing other Sandy-impacted governments in getting our CDBG allocations to Sandy-impacted residents. We launched 17 CDBG recovery programs within three months of HUD approval. And nine months after HUD released funds to New Jersey, we have obligated more than $1 billion of the $1.8 billion of recovery funding, with more than 70 percent of the housing funds awarded to low-to-moderate income households -- what’s known as LMI, the Resettlement Program.

Chief among our early successes is the Homeowner Resettlement Program. These funds provide an incentive for homeowners in the nine most impacted counties to remain in their existing home or in their home county. All of the 18,000-plus applicants who met the program’s eligibility requirements have been awarded a $10,000 grant, and the State has mailed out more than 95 percent of these checks.

The RREM program: The State has been able to rapidly distribute Resettlement checks to New Jersey families because there are fewer mandates requiring high levels of documentation and environmental reviews. By contrast, the RREM program, which is a construction-based CDBG recovery program, is highly regulated by the Federal government and, as a result, takes longer for grant awards to be finalized and dispersed.
I’m sure many of you have heard an earful about these requirements. It was the subject of much consternation during the public hearings. Homeowners are required to produce income verification to demonstrate they meet program income requirements; program information on other rebuilding funds so as not to violate Federal duplication and benefit laws; obtain a substantial damage letter so we can ensure that our limited Federal funds are targeted towards homeowners with the greatest damage; submit receipts for any rebuilding work performed after the storm, as HUD will only reimburse work they consider “reasonable and necessary;” and wait for exhaustive federally mandated environmental and historic inspections.

Even with all those steps, more than 5,100 families have received preliminary funding awards. We have completed RREM grant signings with more than 1,500 homeowners, committing approximately $160 million in grant assistance, including having paid nearly $30 million in reimbursements.

We understand the RREM process is daunting. This is why DCA is constantly working to simplify its many steps, improve customer service, and minimize administrative expenses. For example, we allowed homeowners to use their own contractors, which has expedited the rebuilding process for many families. Additionally, we were able to obtain approvals from HUD to exempt certain properties from painstakingly slow historic and architectural reviews, reduce the paperwork needed for income verification, and speed up the process of approving reimbursements.

We have also taken direct responsibility for the training and supervision of front-facing staff such as housing advisors who work at the
nine Housing Recovery Centers. Recognizing that many RREM grantees are choosing their own contractors, the RREM program is transitioning from three to two program managing firms, and ultimately going down to one. And DCA extended the time for applicants to appeal ineligibility determinations for both RREM and Resettlement.

Given pervasive misinformation, I would like to explain the appeals process in detail.

Every single applicant deemed ineligible to receive a Resettlement or RREM grant received a letter outlining the reasons. There were six reasons for which homeowners could be deemed ineligible, and I’m holding up letters representing the six various reasons. Applicants who believe their ineligibility determination was made in error were given 30 days to submit a written appeal, inclusive of supporting documentation. DCA staff then reviewed all incoming appeals and informed applicants of their final determination.

I note that much has been made over the FEMA data that the State used to verify one of the main eligibility criteria. This was the requirement that households must have suffered at least $8,000 in structural damage, or 1 foot of water on the first floor. The State used this FEMA data because that is exactly what HUD instructed us to do. More to the point, I’d like to read from the March 5, 2013, Federal Register, page 14349. This notice contains instructions from HUD to Sandy-impacted states on how to award CDBG Disaster Recovery funds. The notice reads, and I quote, “The core data on housing damage for both the unmet housing needs calculation and the concentrated damage are based on home inspection data for FEMA’s Individual Assistance program.” It goes on to
say, and again I quote, “To meet the statutory requirements of most impacted in this legislative language, homes are determined to have a high level of damage if they have a real property FEMA inspected damage of $8,000 or flooding over 1 foot.”

Once our application period closed, we sent out ineligibility letters to those who, according to FEMA’s inspection data, failed to meet the damage threshold. Almost immediately, hundreds of households that received initial ineligibility letters on $8,000 of damage appealed, claiming that they had more damage than FEMA reported.

Back in July, as soon as DCA saw the FEMA data was a problem, we immediately enacted a policy change within the HUD rules to broaden the definition to include SBA inspection data on every applicant before making an ineligibility determination. And further, we submitted to HUD for approval an amendment to our action plan to allow us to take into account other third-party validating information, such as an insurance appraisal or a flood plain manager assessment. HUD approved our request.

Once we stopped relying solely on FEMA inspection data for the damage threshold determination, we were able to make thousands more eligible for both RREM and Resettlement.

As for the 7,000 households currently on the RREM waitlist, DCA recently sent a second round of letters to let them know that due to limited Federal funding the State cannot guarantee that all eligible homeowners will be funded. We also informed them that all applicants who want to know where they stand on the waitlist can simply call 1-855-SANDYHM and we would let them know.
Before I move on to summarizing some of our State’s other initiatives, I would like to address an irresponsible and offensive allegation about the State’s housing recovery programs. That is the suggestion that race somehow played a role in determining applicants’ eligibility.

Let me be 100 percent clear. Eligibility and qualifications for the housing recovery programs were approved by the Obama Administration, are objectively based, and do not take race or ethnicity into account in any way whatsoever.

Our rental housing programs: In addition to the Resettlement and RREM programs, New Jersey is taking bold steps to spur the development of affordable rental housing. The Administration earmarked nearly $400 million from the first CDBG-DR tranche for programs specifically designed for low-income renters and affordable rental property owners. These funds will increase the stock of affordable housing in Sandy-impacted counties, repair affordable rental units left uninhabited by the storm, and provide options for residents with special needs.

As a result of our investments, the State anticipates that more than 7,000 new affordable housing units statewide will be created over the next two years.

Much media attention has been focused on one of these affordable rental programs -- the Fund for Restoration of Multifamily Housing program, or FRM. These projects, selected through an open and transparent application process, will rapidly increase the supply of affordable housing stock in the nine most impacted counties. The housing will benefit low- to moderate-income renters, while ensuring that funds are
spent within two years -- a Federal reconstruction requirement that, if not satisfied, could require the State to return unspent funds.

The New Jersey Housing and Mortgage Finance Agency -- HMFA -- scores and ranks applications to the Sandy large multi-family housing program using the same system it has utilized for decades in financing affordable housing developments. The HFMA board selects projects during open public meetings where every project is discussed and voted on. Projects must be “shovel ready” so construction can begin quickly. Developers, not municipalities, need to proactively apply for these Sandy recovery funds and must have the support of the municipality to move forward.

Transparency. A note about transparency: Citizens who want to see how our first-round allocation has been spent should visit www.newjerseyrebuild.org. Since October 2013, DCA has hosted this transparency website that tracks the status of CDBG Disaster Recovery funds and expenditures in the three sectors of housing, economic development, and infrastructure/public services. The website is sortable by county, municipality, and even legislative district.

In addition, all contracts related to Sandy procurement are posted on the State Comptroller’s New Jersey Sandy Transparency site. And detailed FAQs regarding DCA’s Sandy-related housing programs are available on the reNEW Jersey Stronger website.

In conclusion, yes, there has been great challenges to executing housing recovery following the worst natural disaster in our State’s history. New Yorkers are going through a similar challenging experience, post-Sandy. The Gulf Coast states are not where they want to be some eight
years after Katrina. But New Jersey is working hard to get these very limited funds to residents and communities that need them.

Mr. Chairman, I appreciate the opportunity to speak before this Committee today, and I welcome the Committee’s questions.

SENATOR GORDON: Thank you, Commissioner.

Anyone on the Committee have any additional questions?

SENATOR WEINBERG: I just-- One quick question, just to put this in context.

You received the list of questions that we had for you from our last meeting?

COMMISSIONER CONSTABLE: I did.

SENATOR WEINBERG: And does-- I haven’t had a chance to compare these two, but does the body of the testimony that you gave here today -- is that responsive to all those questions?

COMMISSIONER CONSTABLE: On Friday, we submitted a letter to the Committee, through the Chair. And I had my prepared remarks, as well as my testimony today.

SENATOR GORDON: I have not seen that letter from Friday.

SENATOR SARLO: What happened to the letter?

SENATOR WEINBERG: In response to all those questions we put to you -- to the Commissioner.

SENATOR GORDON: I certainly haven’t seen it.

COMMISSIONER CONSTABLE: One moment.

SENATOR WEINBERG: Do you know to whom it was submitted?
UNIDENTIFIED MEMBER OF AUDIENCE: It was submitted to Mr. Molimock and Mr. Brodsky.

SENATOR SARLO: On Friday?
SENATOR GORDON: On Friday?
DEPUTY COMMISSIONER RICHMAN: Yes, sir.
SENATOR GORDON: Well, we’ll see if we can track that down.

I’d like to just--
SENATOR WEINBERG: Excuse me, one minute.
Just out of curiosity, what time on Friday?
COMMISSIONER CONSTABLE: He’s checking his e-mail.
UNIDENTIFIED MEMBER OF AUDIENCE: It was approximately 2:00 p.m.

COMMISSIONER CONSTABLE: It was 2:00 p.m. on Friday.
SENATOR WEINBERG: Thank you.
SENATOR KEAN: Mr. Chair, also--
SENATOR GORDON: Senator.
SENATOR KEAN: --as we get the response, we’ve not seen the actual letter that was sent. So if you could also include with the response from the Commissioner the actual initial letter that was sent by the Committee.

SENATOR GORDON: We’ll be happy to do that. I thought that had been circulated among the full Committee.
SENATOR KEAN: No. Thank you.
SENATOR GORDON: Okay. Any other questions? (no response)
I have a few. I'd like to get to this issue of the 80 percent rejection rate. The 80 percent of those who appealed were found to be, in fact, eligible. It seems, from what I’m hearing, to turn on this $8,000 damage estimate.

COMMISSIONER CONSTABLE: That’s correct.

SENATOR GORDON: We had received information -- at least my briefing materials have information from FEMA in which FEMA rejects that as the source of the problem. We have a statement that says, “RREM is a State-run program, and eligibility is determined by the State of New Jersey. At the State’s request, FEMA provided its individual assistance data, which is specific to eligibility for FEMA programs, focused on survivor needs in the immediate aftermath of a disaster. It is not intended to be a comprehensive damage assessment for long-term recovery work.” It seems--Based on that, it seems as if the State program was based on numbers that are going to be too low.

COMMISSIONER CONSTABLE: Well, Senator, as I--

SENATOR GORDON: I mean, I know you said that the Federal Register indicated something else.

COMMISSIONER CONSTABLE: Right, right. So as I mentioned in my prepared remarks, what you have to do is go back to February, March, and April of last year when we were preparing our draft action plan to be approved by HUD. We, obviously, have to look for guidance from HUD. And in the circular they provided -- not just to us, but to other impacted states -- they directed us to use the best available data, and they told us that that best available data to utilize was FEMA inspection data.
Now, when we talk about eligibility, what we utilized the $8,000 threshold for was, literally, a threshold criteria as it relates to damage, to give out our very precious resources in terms of the aid that we’re going to be given. We don’t want to be in a situation where someone has a loose shingle as a result of the storm, or they lost power for a few days and we’re giving them aid and assistance over an individual whose home is in the Barnegat Bay or who has 3 or 4 feet worth of flooding. And so as, literally, a threshold criteria, we use folks who -- we said one, you had to register for FEMA and there was a six-month registration process -- it wasn’t a two-week registration process. More than 250,000 New Jerseyans registered with FEMA, so we figured that universe was an appropriate universe to utilize. Secondly, that to give out aid, we’ll use what HUD suggested that we use -- namely, FEMA inspection data. And as you may know, FEMA inspectors fanned out across the state and went to homes and assessed damage per individual who registered. What we had believed would have occurred was that this baseline eligibility -- namely $8,000 -- would not be something that would hold individuals back from meeting eligibility, but would make it the case that folks who were truly damage-impacted by the storm would be deemed eligible. In July, once the first application period closed -- we started it from May 24 to July 1, and then we had a second period from July 1 to August 1 -- literally within the first few weeks of us sending out ineligibility letters, because we utilized FEMA data folks started calling us and saying, “My home is in the Barnegat Bay, yet FEMA is saying I only have $2,000 worth of damage. What’s going on? This is a problem.” Literally, the second we saw this at DCA, we did a
number of things: one, we asked FEMA to take another look at these individuals who were calling us regarding the data.

Now, it’s important to note that FEMA is an organization staffed by human beings; folks make mistakes; numbers can be transposed. We understand and we appreciate that. But our goal is to help people. So the second we saw that as being a problem, we asked them to take a second look. We also talked to HUD and said, “Can we utilize SBA data?” Because many of these folks had applied for SBA and we saw SBA amounts north of $8,000. And then the last step that we took -- and here we had to do a substantial (indiscernible) in order to do it -- was have an allowance for folks to use insurance documentation.

Once we started to do all of those things, that’s why you saw the reversal rate from initial ineligibility determination to an award go up -- spike up. And the folks-- It’s also important to note that the individuals who are reversing are us -- it’s DCA. And so to me, some folks look at this initial -- the 80 percent reversal rate -- as a negative. I view it as a positive because we’re able to make a good case that individuals who were damaged by the storm and are in need of aid are eligible.

SENATOR GORDON: It may be a positive, but there’s still delay involved. And I’ve been led to believe that New York, somehow, was not relying on FEMA -- I’m talking about the state of New York -- was not relying on FEMA data, but using SBA data, insurance data, and other sources.

COMMISSIONER CONSTABLE: So -- and then I’ll let my Deputy Commissioner go -- in literally every disaster post-Katrina the other impacted states utilized FEMA data; insist on FEMA registration. Literally
every state. So here we’re not doing something different. We are not all-knowing. There is no reason for us, when we read the HUD circular, when we submitted it to HUD and HUD approved it, for us to know that there would be the types of problems that would make it the case for initial determination of eligibility -- namely $8,000 -- that it would be problematic. But the good news is, the second we saw it as a problem, we addressed it. And the other good news is every single individual received -- remember, I held up the letters -- received a letter that said, “You’re being denied because of the $8,000 threshold. If that is incorrect, if there is a problem, you can appeal.” And then we go on to list how they can do that. And we gave them 30 days. The reason why we opened it up to an additional 5,000 some five or six months later is because we want to make sure that if someone knew that they had more than $8,000 worth of damage, but for some strange reason chose not to appeal, that we would make that allowance; because our goal is to help folks, not to stop them from getting assistance. To date, the universe is about 5,000; approximately 100 have applied for an appeal -- approximately 100. Now, we are opening it up for another month so maybe that grows. And if it does, and they can demonstrate that they have north of $8,000 worth of damage, then they, too, will be deemed eligible.

SENIOR GORDON: Where do those people end up on the waiting list who get back into the game?

COMMISSIONER CONSTABLE: So for Resettlement, every single individual who is deemed eligible will get an award -- every single individual, right? That’s why we requested additional funds from HUD back in November to make it the case that we could fully fund that. So if
you’re a Resettlement person, and you appeal, and that appeal is successful, you’re going to get a $10,000 Resettlement award.

When it comes to RREM, what we did because we knew that this program is going to be oversubscribed, and we didn’t want a situation where on May 24 when we opened it up there were lines around the block -- a mad dash -- and the folks who are in line for awards are literally the folks who are in queue versus those who are in the greatest need from a financial standpoint or a damage standpoint. And the reason I give you that background is because we then randomized, put every single individual -- all 15,000 -- on a-- We ordered them so following the close of the application period -- so if an individual is 5,000 on the list, then that’s where they remain -- at 5,000. So if after it was randomized, and we checked on that initial threshold eligibility and the FEMA data was incorrect, and we subsequently reversed it, and they were 5,000 on the wait list, they’ll be slated back to 5,000 on the wait list. Remember, what we said was that you were ineligible. So now that you are eligible, you go back. And by the way, if you were first in terms of order of importance, then you go back to first. And if you were the last person on the wait list, you go back to the last person on the wait list. So no one is going to be negatively impacted simply because the FEMA data was incorrect.

SENATOR GORDON: Now, these reversals occurred in July, did you say?

COMMISSIONER CONSTABLE: Yes, initially in July.

SENATOR GORDON: But you didn’t open up the process -- the opportunity to appeal for those people -- didn’t appeal until February?
COMMISSIONER CONSTABLE: No, no. So we understand this, individuals had-- There were two applications periods. The first between May 24 and July 1, and then we sent out a round of letters. And then between July 1 and August 1, and then we sent out a round of letters. So in early July -- first week in July -- individuals -- just focus on this point -- their home is in the Barnegat Bay, we send them a letter saying that, “You’re not eligible because you don’t have $8,000 worth of damage,” and then we say -- most importantly-- Here, I’ll actually read it. This is the last paragraph. It says, “This denial may be appealed in writing within 30 days of receipt of this letter. For more information about the appeal process, visit,” and then we give it, “or call the Housing Assistance Hotline at,” and we provide the number, okay? So everyone got this letter, and they have 30 days to appeal.

What we’re doing is now saying that if there is anyone else out there who did not decide to appeal at all at some point between July or after August -- and they had 30 days, so now we’re up to September for folks -- if they did not appeal for whatever reason, it’s not a problem. We’re going to reopen the period. Now, obviously from a process standpoint you don’t want to have appeals just coming in throughout the year. So that’s why you had a period. But in light of the reports that were out there-- And again, there are 5,000 eligible in terms of the universe; less than 100 folks have taken us up on the ability to appeal. And by the way, we wrote affirmative letters, so this isn’t hearsay. We wrote letters to these people and said, “If you would like to appeal now, you can do that process again.” Approximately 100 out of 5,000.
SENATOR GORDON: Okay. I'm going to give Mr. Richman a turn.

DEPUTY COMMISSIONER RICHMAN: Yes, I'm going to focus on the end of that quote you read from FEMA, and their admonition that the FEMA data shouldn’t be used for long-term recovery. We didn’t use the FEMA data for long-term recovery. The FEMA data was used, as the Commissioner said, for the purpose of initial application and review. Long-term, every eligible homeowner’s house was inspected independently and an independent analysis of damage was done. And the grand award was based upon that independent analysis. So FEMA data only was the threshold. It was a complete, separate review of every one of those homes to determine the actual amount of damage and what the total development costs would be.

SENATOR GORDON: Okay.

Let me give some of my colleagues an opportunity.

Senator Ruiz.

SENATOR RUIZ: Thank you, Chairman.

We’ve heard a lot of presentation today -- or testimony rather -- and it seems a lot of the things that we’re doing are tied to Federal regulations and we’re kind of like going through this.

I guess my question is -- because somebody brought up a point with the RREM program specifically; and forgive me if I'm ignorant on the complete subject matter. It appears that we have an opportunity to do things better, as well, as far as getting information out. There was a conversation or testimony that was heard earlier that Spanish speaking language people approaching this did not have a deadline on their
application or were unaware. What is it that the State is doing to remedy that during this appeals process; or going back out to let people know that, perhaps if you did not apply by a certain deadline because you were unaware, that you would be able to access these funds if you meet the criteria?

COMMISSIONER CONSTABLE: With respect to what we did for Spanish-speaking outreach, it was quite significant. We did commercials advertising both the RREM and the Resettlement program, going back as far as prior to May of last year, to individuals who were, obviously, Spanish-speaking. We also went to neighborhoods that were identified as predominantly -- that would contain individuals who were either of Hispanic origin or primarily Spanish-speaking. We went to these neighborhoods with door hangers in, obviously, both English and Spanish. I, for example, met with some of our representatives of those areas. I toured Perth Amboy with the Mayor there. Obviously that was an area that was impacted -- focused on that community.

Because-- I mentioned this about FEMA, but it’s also true about us -- because we have human beings who are helping us process this on the State side, there was an incident where the information was not 100 percent accurate because we made changes to the English site and, candidly, we had not made the changes to the Spanish site. That has been remedied. But it is not a situation where we did not do significant outreach to this community to let individuals from this community know what was going on.

SENATOR RUIZ: Okay. I just wanted to be sure that when we figured that the remedy was there, that we went back out so that people
are not precluded on the basis that they did not have a deadline that they were aware of. So I appreciate the honesty. Mistakes are-- The most important thing for us is to accept the responsibility and to make things better to ensure that every one who should be getting access to these programs are available to have access to these programs.

SENATOR GORDON: If I could just follow up on that.

Your outreach effort aside, which I acknowledge-- The rejection rate, though, for Latinos and African-Americans, based on the data that I’ve seen, appears to be twice that of Caucasians. How do you explain that? Is it because you didn’t have as much information on the Spanish-speaking websites or -- I mean, how do you explain? I can understand how just the universe, the population, of the affected areas could skew the demographics one way or another. But the rejection rates -- I mean, that’s a source of confusion for me.

DEPUTY COMMISSIONER RICHMAN: The issue is the threshold eligibility. I’ve seen charges that we rejected. That has a connotation that there was some subjectivity in that. There was not. It was a question of homeownership, a question of income -- below $250,000 -- whether an individual or a household is in the nine counties, whether there was a FEMA registration, and the $8,000 of damage.

If you look at the data which we have examined in the 25 most damaged zip codes -- and that’s where 71 percent of the damage was -- the eligibility rates among whites, Hispanics, African-Americans, those who chose not to -- because this was voluntary to put race or ethnicity -- ran about constant -- about 88 percent. Where there is a fall off is in areas where there was less damage and we received applications. Eighty-nine
percent of the African-American households that were deemed ineligible, it was because there was not $8,000 damage; 74 percent of Hispanic households for that reason. And I believe that’s -- 72 percent is my recollection of the white households that were deemed ineligible. So it was threshold issues--

SENATOR GORDON: So that’s what gave us the skewed rejection rates.

DEPUTY COMMISSIONER RICHMAN: That’s what gave you a different--

SENATOR GORDON: Different rejection rate.

DEPUTY COMMISSIONER RICHMAN: --rejection rate. But it had to do with threshold decisions, not where anyone made a subjective determination that someone is in and someone is out.

SENATOR GORDON: Senator Sarlo.

SENATOR SARLO: Thank you, Chairman.

The question I have, and the numbers I keep hearing, is the first round was $1.8 billion. We’ve allocated $1 billion. What’s taking so long, if there are so many needs out there and there are so many people still struggling and there’s such turmoil about-- I mean, I understand that bureaucracy gets in the way, but is there a plan in place, or are there applicants in place for the other $800 million? Why-- You know, we’re talking, and Senator Beck made a good point why we were shortchanged on the second round of $400 million. But, in all fairness to the Feds, we haven’t spent the first-- We haven’t allocated $800 million of the first round, so where’s the other $800 million going? Do we have-- We must have legitimate applications out there; we’re hearing the stories. Why are
we not moving that second round of money? Why are we not moving the balance of the first round of money -- the $1.8 million? Why have we not moved that $800 million?

COMMISSIONER CONSTABLE: And that’s a fair question, Senator. I would just like to put this in perspective, and then I’ll answer your question.

So, you know, everyone likes to compare us with New York. So we’ll use New York as a comparison.

SENATOR GORDON: New York City or New York state?
SENATOR SARLO: Well, I’m not comparing us with New York.

COMMISSIONER CONSTABLE: Okay.
SENATOR SARLO: I’m just looking at the numbers here.
COMMISSIONER CONSTABLE: I understand.
SENATOR SARLO: I have $1.8 billion, I spent $1 billion.
COMMISSIONER CONSTABLE: I got it; I understand your point.
SENATOR GORDON: And $30 million in the RREM program -- $30 million has actually gone out the door.
COMMISSIONER CONSTABLE: Give me one moment.

(laughter)

All right, so there is-- We talk about transparency. And what HUD requires all grantees, inclusive of New Jersey, New York, New York City, to do -- and these are the governmental entities that received the bulk of the CDBG award; Connecticut got some monies, and the like. But New Jersey, through December 31, we had obligated more than $1 billion of our
$1.8 billion -- that’s to your point. And we have drawn down, actually, $314 million. New York state has obligated -- this is, again, as of December 31 -- $241 million, and has drawn down $191 million; and New York City, as of December 31, they’re at $612 million obligated and $375 million drawn down, all right? So that’s where all three main entities are.

The reason why we don’t have a situation where it’s either $1.8 billion out of $1.8 billion, or if we have obligated $1 billion then it’s not $1 billion out the door, is because there are a number of -- and no one wants to hear it, apparently -- but bureaucratic Federal hurdles that we have to overcome and surmount before we actually send checks out the door.

So for example, the RREM program. In New York City and in New York state they have a RREM equivalent. But for all of these programs, none of these entities, inclusive of us, can hand out a check until historic and environmental reviews are done -- none of us.

SENATOR GORDON: But New York has gotten about $80--

SENATOR BECK: Chairman, testimony from the New York gentleman said they had 173 people approved--

SENATOR GORDON: That was New York City.
SENATOR BECK: --to receive money, right?

SENATOR GORDON: New York City, not New York state.

COMMISSIONER CONSTABLE: No, he is correct. So New York City, in terms of grant signings, had 173. New York state -- I don’t have their actual number of grant signings, but here we have that they have done preliminary awards. And if we do apples-to-apples, they have done preliminary awards of 2,800. And that’s against our preliminary awards, apples-to-apples, of 21,000, all right? I’m just talking about New York state. And I was actually incorrect about the New York City number. I had conflated New York City and New York state. New York City is $371 million obligated, and $184 out the door.

So just in terms of apples-to-apples, this is difficult stuff. All of the governments involved are going through tough times to navigate the system.

SENATOR SARLO: I understand; okay. So is there a pool of applicants out there? All the applications have been submitted by now. Is there a pool of applications that is vying for the other $800 million?

COMMISSIONER CONSTABLE: No, and here’s why. In our initial action plan that was approved, we have 17 programs, and there are 17 different funding streams that are earmarked for the variety of the programs. So we have a program like Central Services Grants, which goes to municipalities to help them keep the property taxes down -- which is an entirely separate funding stream than what we have for businesses, and an entirely separate stream than what we have for homeowners. And to answer your point: No, we have 5,000 individuals currently in the pipeline; the $710 million that we have obligated for that endeavor is earmarked for
those folks. And they just have to navigate through the system; 1,500 of them are through the system thus far. We’ve obligated approximately $160 million. And so our goal is to move that forward. But the monies, unfortunately, aren’t fungible, absent a number of hoops which I won’t get into. But they have dedicated funding streams.

SENATOR SARLO: So there’s a potential that we may not even need to tap into that $800 million, from what I’m hearing.

COMMISSIONER CONSTABLE: No, no, no, no, no. We 100 percent will need to tap into that; 100 percent.

SENATOR SARLO: Okay.

COMMISSIONER CONSTABLE: I gave you a copy of the action plan; you’ll see that all $1.8 billion is spoken for.

SENATOR SARLO: Okay.

COMMISSIONER CONSTABLE: Okay?

SENATOR SARLO: But by the applicants who are either in the pipeline, or have been denied?

COMMISSIONER CONSTABLE: Exactly. But again, you’re only talking about homeowners, because we have streams dedicated to infrastructure, monies that are dedicated--

SENATOR SARLO: Understood.

COMMISSIONER CONSTABLE: So-- But yes, it’s all spoken for.

SENATOR SARLO: Okay. And that infrastructure and other-- I’ll look at the breakdown, but that’s included in the $1.8 billion?

COMMISSIONER CONSTABLE: That’s included in the $1.8 billion. And then we got an additional allocation of $1.4 billion--
SENATOR SARLO: $1.463 billion.

COMMISSIONER CONSTABLE: Right. And that money is--We did an initial draft; we just had public comments; we continue to receive comments. And then we will put it all together and incorporate the comments, make changes where appropriate, then have discussions with HUD and, ultimately, submit it. It will likely not be approved -- just the timeline -- until at some point in May of this year. And it’s at that point in time that we will be able to tap into the $1.4 billion.

SENATOR SARLO: Just a little bit of a side question; and it’s not related to the Federal program, but it’s in your role as DCA Commissioner. In some of these communities, especially along the barrier island, where there are just homes that are still piles of debris-- I assume most of them are second homes, so they’re not entitled to any type of Federal dollars. And I’m assuming some of these folks -- and Senator Beck and I were talking about this before -- some of these homes were probably second generation homes; they had no flood insurance. And it’s an eye opener when you still drive through places like Ortley Beach, and other parts of Mantoloking, and these areas. Are there municipalities-- At one point in time people have walked from these homes. And it’s so sad to even have to say that. Are the municipalities going to have to step in and start to clean these areas up? At what point in time, if I was the DCA Commissioner working with the -- do you give mayors and councils the jurisdiction? Because it’s a hazard now; it’s becoming a hazard, and a safety issue, and a health situation. But there’s still so many areas on the barrier island, just piles and piles of debris.
DEPUTY COMMISSIONER RICHMAN: I can answer your question.

There are three things: one is, in the past FEMA has funded programs with municipalities to take debris down.

SENATOR SARLO: Correct.

DEPUTY COMMISSIONER RICHMAN: And I believe the last report I saw we are in the last throes of that. We recently amended the first action plan to put $15 million aside, and we’re taking $10 million in the second action plan; so a pot of $25 million to assist municipalities in removing exactly the eyesores you just described. We will use DCA code officials to supplement the locals, because we don’t want to take away from the rebuilding. So we will go in, make the determination if the buildings are unsafe and a variety of other characteristics, and then we will undertake -- get permission from the homeowner to take it down, and then we will have contractors take those buildings down.

SENATOR GORDON: Before I turn this over to Senator Beck for her questions -- and I don’t want to beat these numbers -- but I’m looking at a Newsday story from December 17 which points out that 2,400 Long Islanders hit by Sandy are going to get checks for $82.8 million in Federal funds -- an average of $34,800 each. It sounds as if the checks are actually being cut and going out. And that’s for the New York Rising, the equivalent of our RREM program.

COMMISSIONER CONSTABLE: Right. And this is actually a very important point. We were harmed -- we, as a State -- were harmed because of the speed in which we moved.

SENATOR WEINBERG: Because what? I’m sorry.
COMMISSIONER CONSTABLE: Of the speed with which we moved to have our applications -- our RREM applications up and running so quickly. Remember, the Federal government approved it on April 29; by May 24 we started taking applications. And it’s relevant to this discussion, because after HUD made the determination that they wouldn’t reimburse us, as a State, for homeowners who did work prior to the application period, we were in a bad way vis-à-vis other states being that took a lot longer. So in New York, both City and state, for example, they were taking applications at the latter part of the summer and early fall. And so if you were a New Yorker, who did work all the way from October 2013 through October 2014, you can get all of that work reimbursed. New Jerseyans, however -- because our application opened on May 24, and we had thousands of folks apply, literally, on May 24 -- HUD has a rule that none of that work can occur. So you applied on May 24, you were successful, and you received a RREM grant award; then we have to do -- and it closes on August 1 -- and then we have to do the historic, the environmental, and then the so on and so forth. And then it’s October of last year that you get a grant award. That entire period between May 24 and whenever you have the grant signing -- according to HUD, we can’t reimburse them for.

New York, because they were behind us in terms of opening the application period, had an opportunity that all of that was reimbursable. So that’s why they have higher reimbursement rates -- because of that HUD rule.

SENATOR GORDON: Senator Beck.
SENATOR BECK: Thanks. Yes, and we had lots of residents who were calling our office who were not happy about HUD’s rule change. I mean, I’m sure New Yorkers were happy.

So my question is about, again, RREM. And now we have this second round, and, you know, we didn’t get as much as we had hoped. But how many people will we help in the second round with RREM, and then how many people on our best-- I guess we’re not going to know what’s in the third round completely, right?

COMMISSIONER CONSTABLE: Right.

SENATOR BECK: But how many people are not going to get any help, and how many people are we actually going to be able to aid? I know -- you know, my husband has a house in Highlands that was -- and his restaurant, obviously -- both were destroyed. And I can tell you, lots of neighbors and friends worried. And so I just want to get some numbers from you, in terms of what you think we’re going to be able to do, and what’s the shortfall. And then I really think, as a Legislature -- Democrat, Republican, all of us -- we should be really pushing our Federal representatives on this issue. Because my gut is we’re going to have some people who get nothing.

COMMISSIONER CONSTABLE: And I think that is a very valid concern, just in terms of the numbers. There are currently 7,000 individuals on the wait list. We anticipate that we’ll be able to serve somewhere between 3,000 and 3,500 by moving approximately $400 million -- it’s $390 -- into the RREM program for the next round. That will leave a balance of approximately 4,000 on the wait list.
The discussion that I just had with Senator Gordon-- I mean, one of the best things that the Federal government and our delegation -- Congressional delegation could be helpful and do is to get HUD to relax their reimbursement rule. So not only just what we talked about in terms of that gap period from when one applies to when they start doing the work; but if they made it the case that if an individual who is on the RREM waiting list -- maybe they’re in the next thousand -- if they start doing work and then they subsequently get a RREM grant award, and they clear the environmental, that we be able to reimburse them fully for that work. That would get monies out the door quickly and encourage folks, who are right now just waiting to do the work, to get started. We have made that request to our friends in the Federal government and, hopefully, they will relax some of their rules.

SENATOR BECK: And I know you have conversations with HUD on a fairly regular basis.

COMMISSIONER CONSTABLE: Yes.

SENATOR BECK: But they have not given you any explanation why it went from $1.8 billion to $1.4 billion in the second round? I mean, there could be a valid reason; I just-- I was a little surprised, and then I had a bunch of constituents calling my office saying, “Oh, my God. Does that mean that I’m not going to get anything?”

COMMISSIONER CONSTABLE: We have very strong discussions with our friends in the Federal government about the need to make sure that New Jersey gets its fair share in terms of the CDBG allocation. We are talking about one funding stream -- just the HUD CDBG funding stream. And out of somewhere between $15 billion and
$16 billion, New York received $7 billion and we received $3 billion. And the overall gap in terms of damage between New York state and New York City, and New Jersey is $5 billion. So for us we’re a bit confused as to why we’re not getting more.

We are, every day, trying to work with them. We’re encouraging our Federal Congressional delegation to continue to fight with us and to stand with us on this. But it’s-- You know, New York has a program where their RREM equivalent -- they can give up to $350,000 to homeowners. We had to cap ours at $150,000, and it’s because of funding. And we would contend that we have as much need in our state, New Jersey, as New York does.

SENATOR BECK: And if I could just raise, through the Chairman, a question that was-- I don’t know if you were in the audience at that point or not, but Jeff Tittel was talking about global warming, and sea level change, and those sorts of things. And I have been on HUD’s website, unfortunately, because I guess I’m that boring that I actually go on HUD’s website. And they do say they want that as a consideration when you’re doing your planning. And I saw in the first action plan that it was talked about. I have not gone through, to be honest -- I guess maybe I have been a little more exciting in that I haven’t had a chance to sit and read your second action plan. But are we taking that into consideration as we are out there and rebuilding and doing reconstruction, etc.?

DEPUTY COMMISSIONER RICHMAN: We certainly are, and I’ll give you a couple of examples.

The Energy Bank, in the second plan, is a device we hope will be used by nonprofits, hospitals, colleges to be able to get off the grid and
be self-contained in cases of emergency. Our planning monies, which we’re working with municipalities -- and as you know, we’re a home rule state, planning is done locally -- a number of municipalities are using the planning money to build in resiliency into their master plan development, looking for ways to mitigate how storms would affect the town and what they could put in place to help protect the municipalities.

There was mention of construction code changes. We are in the process of-- We’re beginning the process to adopt the 2015 code. It’s a little premature to do it while it’s out on the street. We have to amend it to fit New Jersey’s code requirements, but we will proceed during this year to adopt the 2015 code which builds in both (sic) more energy conservation, which is a significant resilient activity.

COMMISSIONER CONSTABLE: And just to follow up. You know, Mr. Tittel suggested that this State, and maybe our action plan, doesn’t get approved as a result of failings that he sees in terms of how we draft things. Assuming he’s correct -- just assume he’s correct, recognize that right now -- and I mentioned this before -- we’re in the public comment phase where members of the public -- and Mr. Tittel is one of them -- can raise a concern. We will take all of the comments under consideration; and a comment like that -- if we are not being compliant with the HUD requirements then we’ll make sure we incorporate what’s necessary. And we will continue a dialogue with HUD prior to seeking approval, such that if they think we need to beef up a particular section we will. But we’re not going to be in a situation where we submit an action plan to HUD that doesn’t comply with their rules and regulations.
SENATOR BECK: And then my last one, and these are direct constituent issues that we have been trying to work through with your office, and FEMA, and some of the others.

Some of our people who have signed up for RREM are being asked to put forward a 15 percent contingency fee, which was something I hadn’t heard of before. And we have put that question to your team to see if they can help us work through what that is. I didn’t know if you-- I hate to put you on the spot; I don’t know if you understand, or what is it, or why. I mean, we have some folks that are using your contractors -- *you* being the State of New Jersey; we have some who are doing the reimbursement, where they use their own and then they get repaid. And I’m not sure this 15 percent construction contingency applies to both, but we’ve a fair number of people calling to, sort of, complain about it. Can you just shed some light on it?

DEPUTY COMMISSIONER RICHMAN: The contingency is built into our grant award to assure that there’s sufficient funds to complete the work -- particularly when you’re doing a rehab. When you open the walls, you’ll find things that, when the initial work order was put together, were missed. We don’t want to make a homeowner have to come back and sign a new grant award because the original estimate is now different. So we’ve built a 15 percent contingency -- which is a standard for the industry -- into the grant so that it’s protected. If that money is not needed, it’s going to go back into the pool and be able to help the next person. But this is a way of easing concerns that you can never estimate to the penny, and this protects that.
SENATOR BECK: And then maybe, if I could, Chair, the final comment for my colleagues. You know, there’s two other major things coming that I think, as a Legislature, we’re going to need to work on. And I’m sure, maybe, you’re getting some of the phone calls, too. And I’m not so sure this is a DCA thing, but we’re starting to get a handful of calls from people who are about to elevate and they go back to their flood insurer and they’re being told, “Oh, yes, we told you that you were going to get the $30,000 from ICC, but now you’re not.” And they had counted on it to elevate. But we’re seeing that with increasing frequency. And we’re investigating. It doesn’t make any sense to me, because initially they were approved by the flood insurer for the $30,000, which is why they counted on it. And now they’re seeing this reversal happen.

And the second thing is, the hazard mitigation grant program is a reimbursement only. So I’m sure Moonachie -- and you’ve been to Union Beach with me, Senator -- and a lot of these folks, they don’t have anything left. They don’t have money to put forward to elevate. So I think we all have to put our heads together. I’m sorry, I know these aren’t really your programs, but they are things that people are trying to work through with the damage. We have to think these through because those issues are coming, for sure.

SENATOR GORDON: Senator, as a result of my attending that meeting in Toms River over the weekend, I learned really for the first time about some of the deficiencies in the regular, commercial insurance programs. And your colleague, the Commissioner of Banking and Insurance, is probably going to have an opportunity to come before us,
because there is certainly some questions we want to ask about that program.

    Senator Sarlo, did you have a question?

    SENATOR SARLO: Just one: Everything goes through DCA, correct? Right, Commissioner? (laughter)

    COMMISSIONER CONSTABLE: So they say.

    SENATOR SARLO: Just as I sit here, I’m getting-- I wasn’t going to talk much today, but the question I have is, we, in retrospect--

    Because we set the eligibility requirements, right? The block grants, the eligibility requirements are set by the states. And that’s some of the concern by the Congressmen -- especially some of the Republican Congressmen -- where they set up these block grants and there’s no-- State government gets in the way, and the money doesn’t get properly used. But we set the eligibility requirements so, in retrospect, did we go too fast, too early, where we submitted our plan and it got rejected, where New York took a little bit more time and got the plan correct the first time?

    COMMISSIONER CONSTABLE: No.

    SENATOR SARLO: Do you understand where I’m coming from?

    COMMISSIONER CONSTABLE: I hear what you’re saying.

    SENATOR SARLO: We do set the requirements, though, right? It’s our plan.

    COMMISSIONER CONSTABLE: We set requirements that have to comply with HUD rules that they outline in a circular. So it’s not as though we could just do anything that we want; far from it. I mean, you heard the discussion I had with both Senator Gordon and Senator Beck

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about reimbursement. If it was up to the State of New Jersey I’d wave my hand and we’d allow folks to do all of the work that they want to do right now and we’d reimbursement them on the back end. But that’s not the way it works.

So yes, within-- There are certain things that we have power over, but everything is really tied to the Federal government, and the rules, and the resources. I mean, again, I mentioned New York -- their RREM equivalent is north of $300,000 in terms of reimbursement. That’s something that we don’t have the ability to do. The threshold is something that is still smart to do. I mean, you don’t want a situation where you have folks who have no damage, or never registered with FEMA at all 16 months ago, show up and take resources from folks who are in dire need. The issue and the concern, which we recognize, was problems with the data. Now, in terms of what we saw, it was only -- and only is the wrong word if you’re part of it -- 1 in 10, in terms of the FEMA inspection. It was only 10 percent who had a problem. But if you’re part of that 10 percent -- clearly, right? But our intent was the right thing to do. How we remedied it, once we recognized it was a problem and a concern -- that was certainly the right thing to do.

SENATOR SARLO: Thank you.

SENATOR GORDON: Senator Kean.

SENATOR KEAN: Thank you, Mr. Chairman.

Mr. Commissioner, thank you for being here today.

And maybe Senator Beck has addressed a number of the concerns that I was going to raise, but it was clear -- or at least there was a clear implication -- that the second round recovery fund application was
(sic) flawed. And given not only our review but, I think as we’ve seen it, you are fully confident with a) the application that you’ve submitted, and b) the fact that you’ve met every, single hurdle. I mean, the discrepancy in the funding from $1.8 billion to $1.4 billion between rounds isn’t based on an application issue?

COMMISSIONER CONSTABLE: No, there was no application to be submitted.

SENATOR KEAN: Right.

COMMISSIONER CONSTABLE: Just so we’re clear: What happens is we have the first round, and then HUD does some sort of analysis and then they make allocations for the second round to all of the impacted states. So they told us in November what the allocation was going to be in New Jersey, and then we submitted an action plan commensurate with that.

But it wasn’t as if they had an idea that we wouldn’t-- It’s not as though they knew what we would put together, and that was the reason why they gave us $400 thousand (sic) less this time; or gave New York, collectively--

SENATOR KEAN: Four hundred thousand?

COMMISSIONER CONSTABLE: Sorry, $400 million less this time; or gave New York, collectively, more. So you know, the questions about why HUD gave New Jersey less resources between rounds is most appropriately, I would submit, asked of HUD, not to us.

SENATOR KEAN: Right, and through the Chair, I just want to emphasize that; that there was an implication earlier -- at least it was intended for people to infer -- that the process was in reverse from what
actually happened -- which is that out of this funding stream we, as a State, were shortchanged in comparison -- in relative comparison. So that’s the number one issue. Number two, I thought you were very clear in your response to Senator Ruiz regarding the real impact and efforts you’ve put forth on both the application process, the website issues; and I want to thank you for clarifying the assertions there.

The third issue is regarding the-- To get to the core point: from a clean-up point of view-- I mean, I remember, Mr. Chair, when we were having this earlier Committee and we were looking at the clean-up funds. And we were sitting here as most of our cleanup had occurred in New Jersey, but Fire Island’s bids were still going out in May after the storm, versus how we were up in front. I mean, I think the issue here is -- and we were talking about earlier testimony where there was a backlog from the issuance of resources, not only in New York state -- but the issue, while I understand it was very, very frustrating for a lot of different people -- on a comparative basis we are working hard to get the right answers to the right people.

COMMISSIONER CONSTABLE: That’s correct.

SENATOR KEAN: Thank you, Mr. Chairman.

SENATOR GORDON: Senator Weinberg.

SENATOR WEINBERG: Thank you for being here, Commissioner.

I have a few questions. And one is probably more philosophic, and we talked to some of the advocates at our last meeting. And I want to find out why does it take litigation to get access to basic information about these programs -- about how the funding programs work?
COMMISSIONER CONSTABLE: Senator, it does not take litigation. Look, I don’t want to do a back-and-forth with my friends from Fair Share, but they made an OPRA request and we requested an extension to respond. And they had said that they were okay with the extension, and then before-- And it was, I think, either a 7- or 14-day extension. And then before we were able to comply and give documents, they went into court.

Now I don’t know why they went into court versus waiting the time period that they allowed us to give them the documents. But we are-- Our goal is to be as transparent as possible. Our goal is to give all New Jerseyans, not just our friends from Fair Share, access to all of the information they need to see how we’re prosecuting the recovery effort. But there was no need for them to go the litigation route in order to access the documents.

SENATOR WEINBERG: Well, obviously that’s something that we’ll have to address back with them.

So you’re saying they went to court because they wouldn’t give you a two-week extension to comply?

COMMISSIONER CONSTABLE: I’m saying we gave them an extension. And in--

SENATOR WEINBERG: Excuse me, I’m sorry.

COMMISSIONER CONSTABLE: I’m saying we gave them an extension, and instead of--

SENATOR WEINBERG: You mean--

COMMISSIONER CONSTABLE: --and instead of-- We gave Fair Share--
SENATOR WEINBERG: You mean you requested an extension.

COMMISSIONER CONSTABLE: We requested an extension from Fair Share. Prior to the time period in which we would have given them the documents, instead of waiting for that day to come, they went to court.

SENATOR WEINBERG: Okay, now, is all of the information about the application processes -- different application processes now on the web page?

COMMISSIONER CONSTABLE: Senator, the answer is yes. And I’d just like to explain a couple of things. One, we have north of 100 answers, in terms of frequently asked questions, relating to our housing recovery programs that we have on our website -- that we’ve had on our website, literally, since May 24 -- that we continue to update because the program has changed significantly. So that’s one. Two, the policies and procedures -- and that’s something that has been discussed -- the policies and procedures for our RREM program we have put online so that anyone who wants to see it can go to our reNEW Jersey Stronger website and pull it down.

That document -- I just want to be clear -- is a living document, because the program continues to change. We will make -- and I make no apologies for it -- we will continue to make program improvements daily, if necessary. As we hear about issues and concerns we will address them. When we do that it mandates that we do a policy and procedure update, and we’ll continue to do that.
SENATOR WEINBERG: So do you have the actual rules online?

COMMISSIONER CONSTABLE: Yes, it’s called *Policies and Procedures*, and the answer is yes.

SENATOR WEINBERG: Okay, all right. While we’re talking about transparency, I’d like to get a little bit into the area of HGI. Obviously, according to press reports, they were terminated about two months ago. And I’d like to know the issues around that termination and who has been engaged to replace them.

COMMISSIONER CONSTABLE: And I had discussions with the Chair prior regarding legal concerns about what I can say, from the Attorney General’s Office, on this.

SENATOR WEINBERG: Are you in litigation with them now?

COMMISSIONER CONSTABLE: We are-- The lawyers are engaged, having--

SENATOR WEINBERG: I’m sorry?

COMMISSIONER CONSTABLE: The lawyers are engaged, having discussions with the Attorney General’s Office and counsel with HGI -- hence why they want me to be very circumspect with my remarks, understandably. All I will say on the HGI front is that there were two bids, after the State of New Jersey did an RFQ last spring, regarding our front-facing staff. And that’s what we ultimately hired HGI for: to take applications, interact with homeowners, get them through the process of a grant award centers and the like. One was HGI -- we all know who they are -- and the other is a company whose-- It’s in the public sphere, but I won’t say their name. HGI was-- Their bid was for $68 million over a 36-month
period; the other company was $193 million over a 36-month period. Both bids were responsive, meaning that once we did our review we concluded that they could do the work -- that front-facing work that I outlined. It would have been irresponsible for the State to take the higher bidder. And so in real time that was the appropriate choice to be made.

We obviously became aware of concerns that members of the public had, and we shared a number of those concerns. And as with any contracting--

SENATOR WEINBERG: Excuse me. You shared those with HGI?

COMMISSIONER CONSTABLE: Of course. And as with any contracting relationship that we have, vendors that we have, we discussed it and had a period to remedy. And, again, I’m not going to get into the details, but ultimately it was deemed more appropriate by both parties to sever the relationship.

The good news is that, at that point in time -- now again, we were, in essence 6 months into a 36-month contract when we made the decision to sever the relationship -- at that point in time we, as a State, were in a different position vis-à-vis what we could do for capacity than we were in May of last year. Most states -- and I have not looked into what New York did -- but most states, post one of these horrendous disasters, are not in a situation where they can quickly scale up, have hundreds and hundreds of employees manned to do this kind of disaster recovery relief -- most states. Regardless, we were certainly not in that position as a State. So it was the right thing to do in terms of RFQs; it was the right thing to get a contractor to assist us with that.
By December of last year we were in a position where, through staff augmentation, we used a number of-- We were able to utilize, through State procurement, a number of vendors. Through staff augmentation we could keep those centers up and running, have staff that are led by our management team versus contractors, and we were in a position then to take over the program and run it. And I mentioned this before -- we’re making changes, we’re clearly not where we want to be but we continue to make improvements.

So that’s why the decision was made, again, approximately 6 months into the 36-month contract.

SENATOR WEINBERG: So based on what you’re saying, you haven’t hired anybody, as such, to replace them?

COMMISSIONER CONSTABLE: We did not hire another entity to do exactly what HGI did. We have the RFQ response up. But it was all encompassing. And I’m not saying that in a negative way; it was just all encompassing, again, because of capacity issues.

Where we are now, is a situation where, through staff augmentation, we can hire individuals to replace the HGI staff. In certain instances we -- because they hired predominantly New Jersey companies, in certain instances we were able to hold onto good employees that they had. But we, from a training standpoint, are thoroughly engaged. We have--

SENATOR GORDON: So are those State employees in the recovery centers now, or just supervisors, or--?

COMMISSIONER CONSTABLE: Yes, so we have-- Exactly, exactly. Yes.

SENATOR GORDON: Or rank and file State employees?
COMMISSIONER CONSTABLE: We have supervisory, managerial employees at all the housing centers. There is a space in Newark that we call headquarters. We have DCA staff running headquarters; obviously, though, still with staff augmentation. We just have more oversight than we had prior because, again, we were not in the position-- DCA is 1,200 employees. At one point in time, the contractor that you referenced had north of 600 employees. And it was appropriate because of all of the work that had to be done. Currently, it’s roughly somewhere between 300 and 400 employees in total.

SENATOR WEINBERG: Did the integrity monitors go through your Department also?

COMMISSIONER CONSTABLE: So the answer is yes. And we have -- and I think we engaged them back in June or July, I have to check -- HGI as an internal -- sorry -- CohnReznick as an internal integrity monitor to take a look at the variety of programs that we’re running, where we are, help assess things and make recommendations. They, from a quality assurance standpoint, are very engaged with us and have given us improvements to make, and we’ve made many of those.

SENATOR WEINBERG: So the integrity monitors are not State employees? They are hired by--

COMMISSIONER CONSTABLE: It’s external, and obviously we have our auditing staff that’s always been there. But again, I mean, these are situations where I think my auditing staff is something less than 10 employees. They will have to oversee some $3 billion, and probably $4 billion and $5 billion over the course of the next two years. And so you
want to bring in additional assistance to do that, and that’s what CohnReznick--

SENATOR WEINBERG: So what’s happened the last year or so?

COMMISSIONER CONSTABLE: No, no, no. They’ve been there since July of last -- either June or July of last year.

SENATOR WEINBERG: Well, I mean, obviously if you have 8 or 10 employees, you don’t have a big enough staff to actually oversee.

So I don’t know whether I read this in any documents, or I read it in the press. But something about it was taking 10 months to train integrity monitors?

COMMISSIONER CONSTABLE: I can’t speak to that; I think that’s more appropriate for the Treasurer. I mean, I don’t know what you’re referencing, Senator, so I can’t speak to it.

SENATOR WEINBERG: Okay. Well, maybe I just read it.

SENATOR GORDON: Is the monitor submitting reports to you on a regular basis?

COMMISSIONER CONSTABLE: Yes.

SENATOR GORDON: And can those reports be shared with the Committee?

COMMISSIONER CONSTABLE: Not at this point. The way the reports -- my understanding -- work is our integrity monitor prepares a report that has concerns, gives us an opportunity to address those concerns, monitors it, and then if there’s a failing or actually if the work gets done they get management response, and then it’s finalized. And so, right now, we’re seven months into it and not all of those reports have been completed
to date. But there will come a time, and I just don’t-- I’m not trying to be coy on this, but there will come a time when we’ll make all those available.

SENATOR GORDON: If I could just add -- return to HGI again.

There have been reports that a payment of about, I think, $10 million has been made. Can you tell us what that was for?

COMMISSIONER CONSTABLE: The only thing I will say is that was not a settlement amount. That was misreported.

SENATOR GORDON: So it was not a severance payment?

SENATOR GORDON: No, no, not at all. I mean, look, they, like all contractors, did work.

SENATOR GORDON: So it’s like unpaid--

COMMISSIONER CONSTABLE: Right, and have invoices--

SENATOR GORDON: Invoiced, but not paid.

COMMISSIONER CONSTABLE: Right, and have the ability to get paid for that. So the $10 million was not a severance; it wasn’t the entirety of the contract; it wasn’t anything other than they had invoiced for some work and they wanted to get paid for that work.

SENATOR GORDON: Senator Weinberg, did you have another question?

SENATOR WEINBERG: Yes, I want to stay with the integrity monitors for a moment, because that was legislation that we passed here in this Legislature. And I believed it called for monthly reports -- that you have to have integrity monitors trained and in place before you can make those monthly reports.

COMMISSIONER CONSTABLE: Okay.
SENATOR WEINBERG: But the Legislature -- and I think, according to staff -- called for monthly reports to the Legislature.

COMMISSIONER CONSTABLE: Okay. So again, I am -- and I just want to be clear, CohnReznick is our internal integrity monitor -- DCA’s internal integrity monitor. I believe that you’re referencing external integrity monitors. My understanding -- and I’m not fluent in this, Senator, so -- my understanding is that a request for bid went out either late December or early January. There were responses, and that external monitor is being chosen. That is my understanding. But those questions are more appropriate for the Treasurer.

SENATOR WEINBERG: Okay, I think you’re correct, Commissioner. We probably should pose those questions to the Treasurer. But we passed that legislation almost a year ago.

COMMISSIONER CONSTABLE: Okay.

SENATOR WEINBERG: So you’re telling me they waited almost a year before they put requests for proposals in?

Rhetorical question.

COMMISSIONER CONSTABLE: Okay.

SENATOR WEINBERG: Let the record show your shrug -- (laughter) -- if we can do that.

So do we have plans to have the Treasurer here, Mr. Chairman?

SENATOR GORDON: We have not discussed that, but I would certainly entertain that; I’d be happy to entertain that.

SENATOR WEINBERG: Okay. Sounds like something we should do.

And I would just like to add that I think--
SENATOR GORDON: It seems like Oversight is a growth area these days. (laughter)

SENATOR WEINBERG: Seems to be a thread running here.

SENATOR GORDON: Right.

SENATOR WEINBERG: The letter that we sent out to you on February 14 was quite detailed. Hopefully, everybody on the Committee got a copy of it now? But it came out of the last meeting -- the first meeting, I guess -- the Oversight Committee -- and they are quite detailed questions in here. I would greatly appreciate, through the Chairman, if you would take a look at these again and make sure you’ve been responsive to each of these questions.

COMMISSIONER CONSTABLE: Senator, I will absolutely take another look at it. I mean, my hope is that between the letter that I drafted -- my prepared remarks -- as well as the discussions that we’re having, that it meets the requirements of the letter. If not, you and I can continue these discussions. I can also make sure that any additional questions that remain get answered through the Chair.

Senator, just one other thing on transparency and oversight, and it was referenced in one of the presentations. But it’s important to note that HUD is engaged -- very engaged -- from an oversight perspective. Prior to us even submitting our action plan, they provided us with technical assistance consultants that they hired on our behalf. Following the action plan approval, HUD met with me and high-level members of my team to talk about how we prosecute our housing and other initiatives. I and other members of my team are in a weekly call with high-level individuals from HUD to talk about a variety of different programs, as well as issues and
concerns that they have. HUD OIG has been here, as you know, at the request of one member of our Congressional delegation. But they were here even before that and are slated to be here, I think, two or three times a year. And HUD, as an oversight entity, conducts four scheduled meetings -- two for technical assistance, and two for monitoring -- with my Department schedule. They had one already, I think it was either November or December, and submitted a report as a result. And they'll be here again next month for a regularly scheduled, monitoring visit. So HUD is very, very, very engaged.

SENATOR WEINBERG: And are they issuing audit reports, too, on a regular basis?

COMMISSIONER CONSTABLE: So the answer is no, because remember: Even the audit report that was done at the request of a member of our Congressional delegation was part of a routine audit that’s normally done. So it’s not a situation where HUD just comes in and does structured audits of all of our programs. But, like I said, in terms of monitoring, they’re very, very engaged from a monitoring compliance standpoint, and meet with us and talk with us regularly. I spoke with them today about an issue.

SENATOR GORDON: Senator Kean.

SENATOR KEAN: If I may, through the Chair.

SENATOR GORDON: Yes.

SENATOR KEAN: This letter that was dated 10 days ago -- Senator Beck, in the stead of Senator Kyrillos -- and I first had access to this letter, that was issued 10 days ago, within the last half hour. If I may, for future correspondence, anything that goes out from this Committee, in
this Committee’s name, if we can have equal access to the issuance, as well as OLS have equal access.

SENATOR GORDON: I hate to throw anyone under the bus, but my instructions were that it would be circulated to the whole Committee, and I apologize.

SENATOR KEAN: I appreciate that. No, you’ve been a very solid Chairman, sir, and I appreciate your leadership and your insight. I just wanted to say, for the purposes of allowing for all people to have equal access to the information, it would be helpful.

SENATOR GORDON: Sure.

SENATOR KEAN: Thank you.

SENATOR GORDON: If I could just continue on this issue of the contractors for a moment.

Now, I went to a meeting in Toms River on Friday and heard the kind of comments I’m sure you heard at the public hearings; certainly the frustration was palpable.

It raised some real questions about whether it -- going forward, preparing for the next disaster, whether using an outside contractor is the best approach. We recognize that there are 1,200 employees at DCA. I mean, someone has told me that there are more contract employees than DCA employees working on DCA programs. But it seems that New York, for example, leveraged its state employees but used local, nonprofit organizations to do much of the interface with the applicants and those most affected by these events. Did the State ever consider that model, as opposed to the outside contractor model?
COMMISSIONER CONSTABLE: The answer is yes. Just so we’re all clear, I mean, if there was a foolproof model we would employ it, right?

SENATOR GORDON: Sure.

COMMISSIONER CONSTABLE: Using contractors -- which the majority of states have done, post-disaster -- is one way to go. Utilizing State employees with a mix of, I guess, the philanthropic community is another way. You’re telling me -- and I believe you -- but you’re telling me that New York decided to use the philanthropic community. That does not necessarily mean that it’s better. That just means it’s a choice that they made. And, you know, one could argue if a different contractor was picked, that maybe the outcome would have been different, okay?

So let’s just be careful that we’re not suggesting that simply utilizing the philanthropic community is a panacea. And by the way, I’m not suggesting that they’re not. We will look into utilizing members of the philanthropic community. There are significant procurement issues surrounding that. It is not a situation where I could just say, “Hey, I want the American Red Cross to help us with this recovery.”

SENATOR GORDON: Or banks, for example.

COMMISSIONER CONSTABLE: Or banks, or whomever.

But, to your point: Listen, we’re open to suggestions. I mean, part of-- And I’ve shared this with you privately, but I’ll say it publicly: What we should be doing in the executive branch and legislative branch is working together to help everyone who was impacted by the storm. I certainly don’t have all of the right ideas but, very respectfully, neither do others. But I think together we can get there.
So we’ll certainly look into that, and we’ll certainly take it under advisement. We’ll see if maybe we can carve out a discreet portion to get assistance from the community. I’ll talk to my counterparts in New York to see what they did there to see if it could be helpful.

SENATOR GORDON: Okay. URS was also terminated; that’s my understanding.

COMMISSIONER CONSTABLE: They were not terminated.

SENATOR GORDON: Oh, they were not?

COMMISSIONER CONSTABLE: Yes.

SENATOR GORDON: Could you just clarify-- What can you tell us about URS and its role, as well as ICF? I think there have been some questions about that.

COMMISSIONER CONSTABLE: Yes, okay. So we’ll do URS. And in order to explain their role, let’s just pan back for a second.

Back in February, and March, and April when we were drafting our action plan, our idea as a State was to ensure that if someone gets Federal resources to rebuild, that they actually do the rebuilding. As you know, and there’s been much stated about the Katrina hangover, the reason why there’s a Katrina hangover is because monies were doled out and no rebuilding occurred. So one of the things that we wanted to do was ensure that. What we planned to do -- and initially did -- was have a pool of New Jersey certified RREM contractors -- it’s almost 50 contractors -- be assigned to do work with homeowners. Hovnanian is one of them, for example; they’re a prominent homebuilder. In order to manage those 50 we had an overall RREM contractor. And what they would do is, they’d do the assignments, they would make sure that if there were any problems-- But
by, again, Hovnanian -- with the applicants that they would resolve, they
would help them get variances, pull permits -- all the way through the
construction. Because, again, initially we anticipated that 100 percent of all
of the applicants would be assigned an overall RREM contractor and the
State would oversee that work. We had RFQ’d for three RREM contractors
so that we didn’t have a situation where because of capacity one couldn’t do
it or two couldn’t do it.

Once the program started, and after we started to give eligibility
award letters to folks and they started going through the process, we heard
-- we, as DCA -- from many going through the process that they wanted to
hire their own contractor. In many instances, post-storm, they had
relationships with contractors they hired and they wanted to continue. In
other instances, they said, “You know what? I’d rather-- My neighbor is
using a contractor; I want to use that contractor.”

I spoke to Senator Beck and others about frustrations that they
heard in the community, and it goes to Senator Sarlo’s point. This was,
unlike many of the issues, this was something within our purview. It was a
decision that we -- being the State of New Jersey -- made. And since our
residents were telling us that it wasn’t something that they wanted, we
made that change. Once we made that change and started doing grant
award signings, what we saw is that about 40 percent to date of the folks
who have gone through the process, through grant signings, wanted to use
their own contractor.

As a result, we did not need three RREM contractors to do the
assignments, because the volume for the full-on RREM construction, soup-
to-nuts, was not necessary. So we made the decision to go from three
contractors to two. And I will tell you -- because I don’t want it to be written, “Why didn’t you say something at the last meeting?” -- that we’re ultimately going to go to one, okay?

Right now URS is still a part of the program. We have not severed our relationship with URS at all. We are transitioning some of the assignments that they have to the other two. They are keeping some of the assignments that they have that are pretty far down along the way -- homeowners that have good relationships and they want to continue that. So not every single application -- homeowner -- is going to be reassigned. But ultimately, they will be phased out of the program. But today they are still a part of the program.

SENATOR GORDON: Okay. Can you tell us a little bit about the role of ICF?

COMMISSIONER CONSTABLE: ICF is one of our consultants. They are an international firm that has done disaster recovery relief on behalf of local governments and states for years and years.

I suspect that there are those who say, “Well, maybe ICF didn’t do a good job in a certain disaster recovery.” But what you’re going to find is that there is no company that does disaster relief that doesn’t have any problems or concerns vis-à-vis a local government. But I will tell you that they’re doing a great job in terms of their consulting role. And we also use many of their employees for staff augmentation.

SENATOR GORDON: And you make the point that everyone has their flaws. My understanding is that HGI, ICF, and I’m sure others that were playing a role in Katrina-- Well, there are reports about serious problems in Louisiana, particularly relating to HGI, and there are also
references made to ICF. Was that experience factored into the hiring process when you were evaluating these organizations? I mean, was it just the lowest bid, or did you look at some of this qualitative information? We had -- I and some members of my staff -- had a conference call with some housing organizations in Louisiana.

COMMISSIONER CONSTABLE: Okay.

SENATOR GORDON: And apparently there was a lot of press, as well as public dissatisfaction, with their performance in Louisiana. Did that enter into the decision to bring these people on to New Jersey?

COMMISSIONER CONSTABLE: Again, if you find me a good disaster recovery firm in America that’s done substandard (sic) work, that doesn’t have issues and concerns, we’ll hire them following an appropriate procurement.

ICF is a company that HUD utilizes right now. ICF is a company that we utilize at HUD’s direction to assist us from a technical assistance standpoint in putting together our initial action plan. They’ve had a wealth of experience and obviously experience that we have not had here in this state.

We were aware of the issues and concerns with their performances in certain instances when we received their bid responses -- as with other companies. So this is not a situation where we were blind to issues and concerns; however, their bid was responsive, it was not a situation where we went for their services. I don’t believe it was a situation where we necessarily went with the lowest bidder. There were a number of consultants that were vying to do work here. And I personally spoke to
other governments that have utilized them and found the recommendations
to be appropriate and satisfying.

And there was a bid process and a selection process that
involved members of the Treasury Department -- not just DCA staff -- and
they scored them highly and well, and these are all publicly available. But
there is no company -- unless it’s a brand-new company -- that is involved
in this kind of work that is perfect.

SENATOR GORDON: Okay. Senator Weinberg.

SENATOR WEINBERG: Thank you, Mr. Chairman.

I’d like to get back to the issue of, you now have, if I
understand you correctly, more of your own employees supervising these
programs, now as you transition out of -- at least out of HGI.

COMMISSIONER CONSTABLE: Yes.

SENATOR WEINBERG: Is that correct?

COMMISSIONER CONSTABLE: That’s correct.

SENATOR WEINBERG: And are you confident that you have
enough people to do the job?

COMMISSIONER CONSTABLE: I’m not, which is why every
day -- candidly, every hour we assess and we see where we are and we see
what work has to be done, and make sure that there’s appropriate staffing
there. We will -- because, again, we’re human beings -- make mistakes; we
have made mistakes. And all we can do, everyday, is to assess where we are
and figure out where we want to be, and roll up our sleeves and work really
hard.
So with respect to, do we have enough employees? Right now, as of today, we think it’s appropriate. But if there’s more of a need, then we’ll hire more.

SENATOR WEINBERG: Another slightly different subject. Do all Sandy dollars go through your Department?

COMMISSIONER CONSTABLE: So we are the grantee of record -- the Department of Community Affairs. So the answer is yes. However, what we do is -- because I know, essentially what my sweet spot is, as a Department, and what we can and can’t do -- so for businesses and business-related initiatives, that’s the Economic Development Authority; for things dealing with the environment -- that’s for the next action plan -- that is the Department of Environmental Protection. And my Deputy Commissioner is reminding me that we are only talking about Community Development Block Grant dollars -- because the amount of aid that we anticipate getting as a State is approximately $20 million, hopefully. And so for CDBG, which is to date up to $3 million, that’s my Department; but you know, the Army Corps is out there and they’re interacting with both DEP and the Department of Transportation. There is money that comes in to the Secretary of Agriculture; there’s money that comes in to Health and Human Services. So there’s a lot of resources to go around. But focusing on the CDBG funding stream: the money for that allocation comes into my Department, and then for certain projects the money then goes out to those departments that are responsible.

SENATOR WEINBERG: What about money that goes into other counties that are not among the nine targeted counties?
COMMISSIONER CONSTABLE: What do you mean, what about money?

SENATOR WEINBERG: Money for housing, or any other--

COMMISSIONER CONSTABLE: We are focused, for the housing recovery, on the nine most impacted counties. Three counties, Senator, had 75 percent of the damage -- Ocean, Monmouth, and Atlantic. After that, it is a pretty significant drop off. HUD identified nine counties where they wanted to see the overwhelming majority of resources and funds go to, but once you get to the 10th, the 11th, the 12th county, and if you focus on Sandy damage, it's 0.00-- So what we want to do is make sure that the resources go to those counties that are most in need, especially when we are talking about housing.

SENATOR WEINBERG: Okay, so anything that went to the 10th or 11th counties you didn't have anything to do with?

COMMISSIONER CONSTABLE: No, no, no. I do have something to do with. So tell me what your question is about monies going to other counties.

SENATOR WEINBERG: I have a general question about any money that went out and went away from the nine most impacted counties.

COMMISSIONER CONSTABLE: Okay.

SENATOR WEINBERG: Thankfully, a good portion of Bergen County was not involved, but certainly--

COMMISSIONER CONSTABLE: Little Ferry and Moonachie.

SENATOR WEINBERG: --I speak on behalf of my colleague to my left. I mean, I've toured pretty extensively Moonachie and Little
Ferry -- all the issues that happened to homeowners as well as our public facility infrastructure.

COMMISSIONER CONSTABLE: Yes.

SENATOR WEINBERG: So I have questions about money that might have gone to Essex County or any other--

COMMISSIONER CONSTABLE: Essex is one of the nine most-impacted counties, Senator.

SENATOR WEINBERG: What are the 10th or 11th counties?

COMMISSIONER CONSTABLE: Would it be-- Now I’m (indiscernible)

SENATOR WEINBERG: Or communities that weren’t impacted?

COMMISSIONER CONSTABLE: So the way that HUD-- And remember, this is a HUD-driven initiative, right? So the way that HUD told us to dole out the monies was by county -- not by municipality -- by county. And they identified the nine most-impacted counties.

SENATOR WEINBERG: So you did not take municipalities into account in the way you doled it out?

COMMISSIONER CONSTABLE: No, of course we did. Of course we did. Remember, I told you we have 17 programs, right? So one -- and I referenced this -- our central services grants are only going to, basically, like the top 25 municipalities that were impacted. But when we talk about a housing need -- and Senator Ruiz is not here -- I toured a section in the Ironbound where the Passaic River overran, and there were 23 homes in that community that were devastated. And we’re going to help that situation. But what we’re doing is focusing on the nine most-impacted
counties, helping residents within those nine most-impacted counties. If we did not do that, literally all funding would go to Ocean, Monmouth, and Atlantic, okay? Not Bergen, not Hudson, not Middlesex -- Weber Avenue -- only Ocean, Monmouth, and Atlantic. So it's the right thing to do.

We have certain programs that are focused on communities and areas, and we have certain programs that are focused on counties. The one that you're referencing -- and it was bandied about before, and it bears repeating -- the Fund for Restoration of Multifamily Housing is, literally, a program that the HFMA has run for decades. All we did was infuse it with Sandy dollars because we want to ensure this is focused on affordable housing -- affordable housing -- literally, the people who -- rental housing, those who are most in need, to increase the number of affordable rental units, statewide. What that does is make it the case that individuals in the top 25 municipalities or areas have a place to go, from a rental standpoint. But what it also does is for supply and demand -- it keeps rents down overall. So just for that particular program, it's 2,700 units of affordable housing.

What everyone has to appreciate (indiscernible) oversight transparency, is these-- Every single project is scored and ranked. Every single project we review finances. Every single project comes to us, not from the municipality, but from a developer. And then the developer needs the approval of the municipality to come into that town. And every single project is discussed at a public, open meeting -- discussed, not, “Oh, you know, the Jones project in Moonachie,” but detail about that project; how much money is going to be involved in that project.

SENATOR WEINBERG: You hold open meetings on--
COMMISSIONER CONSTABLE: Absolutely. The HFMA -- it’s a public-- I’m the Chair of it; anyone can come in at any point in time. We notice it in the newspapers days in advance.

SENATOR WEINBERG: Okay. Well now, let me ask you a further question about some of this money that went into some of these projects that the press has raised questions about.

COMMISSIONER CONSTABLE: Sure.

SENATOR WEINBERG: As you said, there was a percentage set aside for affordable housing. Are we protecting that percentage in some way so that they are open to Sandy-impacted individuals?

COMMISSIONER CONSTABLE: Yes, the answer is yes. But a couple of things: one, the percentage is 99 percent of the funds go to affordable housing. Literally, it’s-- I’m just equivocating, but all the funds go to affordable housing, exclusively. Where there are projects inside the top three counties, for example, we have done a really good job of making sure those projects get funding, recognizing that simply because a project is in Keansburg doesn’t mean it’s a good project. But to the extent that it ranks well, and it scores well, the financing is there -- we have approved, I believe it is 11 of 14 projects in Ocean, Monmouth, and Atlantic -- just focused on that.

What we demand of all of these projects is that they focus on a population of folks that were impacted by the storm, where possible. So all of them are going to be marketing to this population of individuals for a period of time and then, obviously, if no one takes them up on it we move forward. But again, this is affordable housing.
SENATOR WEINBERG: So if you approved—Well, first of all, is the scoring that you give to these projects, is that open? Are those records? Is that a yes?

DEPUTY COMMISSIONER RICHMAN: That’s a yes.

SENATOR WEINBERG: Okay. You approved a project in Belleville.

COMMISSIONER CONSTABLE: We did.

SENATOR WEINBERG: Some percentage of that is set aside for affordable housing, correct?

DEPUTY COMMISSIONER RICHMAN: I believe the Belleville project is 100 percent affordable.

SENATOR WEINBERG: That’s all affordable housing?

DEPUTY COMMISSIONER RICHMAN: Yes.

SENATOR WEINBERG: Okay. Then the—Or am I talking about Nutley?

COMMISSIONER CONSTABLE: No, you’re talking about the Belleville project.

SENATOR WEINBERG: Okay.

COMMISSIONER CONSTABLE: There is a lot of misinformation about the Belleville project.

SENATOR WEINBERG: Well, good, you have a chance to clarify it now.

COMMISSIONER CONSTABLE: Well, okay. I mean, the main thing is this: It is not a situation where the Belleville project was done in secret. What we want is a situation where we can increase affordable housing in Sandy-impacted counties and the projects get built within a two-
year timeframe. Because if we fail to do that, HUD can call back the monies, and we don’t want to see that happen.

So it’s not just the Belleville project; there are 36 total projects. All of the projects were shovel-ready projects and, yes, there were projects that were contemplated prior to the storm. But the good news is, as a result of the Federal funding in all of these counties -- both counties that were very hard hit by the storm, as well as counties that weren’t as hard hit -- in all of these counties you’re going to have 2,700 units of affordable housing that are going to help folks.

SENATOR WEINBERG: Okay, but are they going to help the folks who were impacted by Sandy?

COMMISSIONER CONSTABLE: Yes, the answer is yes. I mean--

SENATOR WEINBERG: So that all of that housing they were talking about that was built in communities that were, perhaps, not so impacted, that housing will be set aside first for Sandy victims?

COMMISSIONER CONSTABLE: So my understanding is that all of these projects have a preference initially, and I forget which Senator brought this stuff up. But what we can’t say is this -- just from the Federal funds -- we can’t limit it only to people who live in a particular town. That’s not allowed, okay?

SENATOR KEAN: Because it’s Federal.

COMMISSIONER CONSTABLE: Exactly.

SENATOR WEINBERG: I’m not asking that you limit it to--

COMMISSIONER CONSTABLE: No, no, I understand.
So in the first instance there will be a preference, for these projects that get funding, for individuals who were impacted by the storm just for, I think, a two- or three-month period -- actively marketed to that community of folks. But regardless, every single project you hear about-- I mean, there is talk about the New Brunswick project, and apparently folks don’t like that it is in a luxury building. Well, you know what? If it’s a luxury building, the units that have received this funding must -- underline it, all caps -- go to an affordable housing applicant -- must. And the rents for that applicant are going to be subsidized by the entirety of the project. This is the right thing to do. Last time I checked, New Brunswick is pretty close to Sayreville and some of the impacted areas down there. Folks who were impacted by the storm can get into their car and drive. Belleville is close to Hoboken, Jersey City. Folks can-- That area I talked about in Newark, folks can get in their car and drive. So it’s not a situation where we’re improperly using Sandy funds, and it’s also -- and I just have to keep highlighting this -- a plan that was approved by our Federal partners. It was. This was not in the dark of night, this was not in secret.

SENATOR WEINBERG: Okay. You know, I think you’re clarifying, perhaps, what was some misinformation, but--

COMMISSIONER CONSTABLE: Thank you.

SENATOR WEINBERG: How are you-- Let’s stay on Belleville.

COMMISSIONER CONSTABLE: Okay.

SENATOR WEINBERG: How many units is it, do you recall?

COMMISSIONER CONSTABLE: I’m sorry, I don’t have it in front.
SENATOR WEINBERG: Okay. First come, first served there are going to be people who were impacted by Sandy?

COMMISSIONER CONSTABLE: The initial-- And Senator, I apologize. We’re not even supposed to get into this. But the initial application period is going to be reserved for folks who were impacted -- seniors, because this is a senior building -- who were impacted by the storm. I believe it’s three months -- don’t hold me to it -- and then it will be opened up after that.

SENATOR WEINBERG: And will you be part of marketing so that you make sure you get to the population that we want to serve?

COMMISSIONER CONSTABLE: Absolutely, absolutely. We will oversee and we will monitor that.

SENATOR WEINBERG: So you’ll oversee that?

COMMISSIONER CONSTABLE: Absolutely.

SENATOR WEINBERG: Okay, good. And then New Brunswick?

COMMISSIONER CONSTABLE: Yes, it’s the same situation that I referenced. But, I mean, there were 34 other projects, okay? -- 34 other projects just for this funding stream. So the suggestion that there are only two projects out there-- I mean, there are some -- and Chuck’s looking at the list -- there are some projects in Sandy-impacted -- very-Sandy-impacted communities. I think there are five or six projects in Jersey City alone; seven projects in Atlantic County.

SENATOR WEINBERG: Of affordable housing units?

COMMISSIONER CONSTABLE: Of affordable housing for this, and it’s $179 million. Another thing -- and I don’t want to go through
point-by-point in terms of the last action plan -- but we also have a funding stream that is a dedicated -- it’s called a Landlord Rental Repair Program -- to affordable rental stock, and increasing that. But also marrying it up exactly to -- if a unit was damaged -- in a 1-to-1 relationship. And that’s a $70 million program.

So we have a suite of programs focused on affordable housing -- not just one program. And the entirety is approximately $400 million. It’s approximately $400 million, as well, going to that very important population.

SENATOR WEINBERG: Okay. Well, I’d like to be assured that where those projects are being built not in communities impacted directly by Sandy, they will be inhabited -- or at least given a first-come, first-served -- to Sandy victims.

COMMISSIONER CONSTABLE: Absolutely, absolutely.

SENATOR GORDON: Senator Kean, any questions?

SENATOR KEAN: Yes, thank you.

Through the Chair, thank you, Commissioner, for your time here.

And not to tangent now -- we can get the answer at some point, through the Chair to the Committee. Reviewing what you’ve been doing over the last couple of years in response to Sandy, as we look to develop the affordable housing stock in New Jersey; but things that -- an overall area purview. And I mentioned Irene, which was a different type of event; and then you had Sandy here. Are there things either on the State or on the Federal levels that limit when you say, “This is just sheer common sense that we should be doing something like this.” But because it was not
directly -- and it would impact the victims of Sandy, for example, or their families, or what have you. But if you could just simply look at areas where you say, “It would make a lot more common sense if we are looking forward to either prepare for an Irene-type or a Sandy-type, or recover from an Irene-type or a Sandy-type storm.” That you could help give us some insight so that we could craft something, through the Chair -- a legislative solution so we can say, “This is a better way to do some common sense response.” Or, as we interact with our Federal counterparts -- either on an executive or on a legislative basis -- simply saying, “You know, if you change it in this way, we could be focusing real solutions not only on recovery, but also on preparation, going forward, within your area of interest.”

COMMISSIONER CONSTABLE: Senator, I’d be happy to do that. Obviously, it’s going to take us some time. But I think it’s a worthy exercise. So we’ll do that, through the Chair.

SENATOR KEAN: And through the Chair, if I may -- at the Chair’s or at your convenience, it would just be helpful, I think.

SENATOR GORDON: Actually, that was going to be a topic I mentioned in my closing remarks, which are scheduled for three hours from now. (laughter)

SENATOR WEINBERG: You might be delivering them all by yourself. (laughter)

SENATOR GORDON: Actually, what I was going to say was this. I mean, the hour is getting late. This is a subject that we’re going to continue pursuing as long as there are questions.

We really appreciate the amount of time that the Commissioner and the Deputy Commissioner spent with us today.
As this Committee gets into the subject more deeply, I know I’m finding other areas that need some scrutiny -- including, as I learned last Friday at that meeting in Toms River -- a need to look at what our Banking and Insurance Department is doing to make sure there aren’t inappropriate decisions being made by insurance companies. Peoples’ homes are being blown away by a storm surge and some insurance companies are saying, “Well, this is really earth subsidence; that’s not a covered peril, so you’re out of luck.” And we need to deal with issues like that.

But what I would I hope happens at DCA -- because you are the conduit for so much of this Federal money -- is that you consider an after-action report or assessment when we’re through with this: what worked, what didn’t work, is there a better model than using a vendor? Because there are going to be more events like this, and New Jersey is among the top 10 in Federal emergency declarations. And we should be learning from our experience.

If anyone has no further questions--

COMMISSIONER CONSTABLE: So just, if I could, just be a commercial.

I know there are some advocates here that encourage folks to go to their website and encourage folks to call them. And I take no position on that. I do want to just make clear that if there is anyone out there struggling with the RREM process or has a question about appeals, or so on and so forth, that they should call 1-855-SANDYHM. That is a direct line to our phone call center. And within 24 hours they will receive a response.

The second thing is, the weekend of March 15 we are holding open house sessions for anyone who is struggling through any issues with
either RREM or Resettlement -- to go to one of nine Housing Recovery Centers and meet with a housing advisor to get immediate response. So if folks who are listening, who are struggling-- If there’s anyone out there, call our 1-855-SANDYHM number. And please -- they should right now be talking to their housing advisors. But we’re going to set aside the weekend of March 15 to really be of assistance.

SENATOR GORDON: Senator Weinberg.

SENATOR WEINBERG: Yes, can you e-mail that information to us, and we’ll put that on our social media?

COMMISSIONER CONSTABLE: Absolutely, and I appreciate that. And I’m also going to do a--

SENATOR WEINBERG: My Facebook. (laughter)

COMMISSIONER CONSTABLE: I’m also going to do a press release. But we’ll make sure that that gets around.

SENATOR WEINBERG: Yes, because I think we can try to help distribute that, or get more input.

And, Mr. Chairman, I think we should ask the Treasurer about this issue of integrity monitors; why it has taken one year to get proposals out, and what this 10-month training would mean.

SENATOR GORDON: To be done.

SENATOR WEINBERG: I mean-- Okay, thank you.

SENATOR GORDON: Given the hour, and our exhaustion, I think it’s a good time to adjourn the meeting.

Thank you all very much.
COMMISSIONER CONSTABLE: Thank you.

(MEETING CONCLUDED)