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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

RICHARD J. KESSLER, STAFF DIRECTOR
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April 1, 2013

Via Electronic Transmission

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Building
451 Seventh Street, SW
Washington, DC 20410

Dear Secretary Donovan:

On March 20, 2013, you testified in front of the Homeland Security and Governmental Affairs Committee about the ongoing Hurricane Sandy recovery efforts. One main point from your testimony was how the lessons learned from past disasters like Hurricane Katrina are being applied to the current rebuilding efforts. It is important for federal agencies to learn lessons from previous recovery efforts and not repeat past mistakes. That is why a recent report by the Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) is so concerning. The OIG found 24,000 homeowners who collectively received around \$698 million in federal funding were noncompliant with properly elevating their homes, a condition of receiving the funds, after Hurricanes Katrina and Rita.

In 2005, Hurricanes Katrina and Rita devastated the state of Louisiana. To assist in the recovery, HUD awarded Community Development Block Grant-Disaster Recovery (CDBG-DR) funds through the state of Louisiana's Road Home Elevation Incentive Program (Road Home Program). The goal of the Road Home Program was to assist homeowners with repairs to damaged properties and to elevate their homes.

Specifically, the Road Home Program offered an eligible applicant CDBG-DR grants of up to \$30,000, and in return homeowners were required to comply with applicable elevation requirements, comply with building and manufactured housing codes, and maintain homeowner and flood insurance. This agreement further stated that if homes were not elevated within a three year time period, the homeowner must repay the full grant amount to the state of Louisiana. According to this OIG report, Louisiana distributed over \$940 million in elevation funds to around 32,000 homeowners, with an average grant amount of \$29,100.

In 2010, the OIG performed an inspection of the state of Louisiana's Road Home Program and issued a report. This report offered four specific recommendations, and three were subsequently addressed by HUD. One recommendation remained open and was the subject of this follow-up OIG report. OIG recommended that Louisiana recover \$3.8 million awarded to 158 noncompliant homeowners but documentation showed that Louisiana had recovered only around \$201,000 of the CDBG-DR funds.

This OIG report showed that as of August 31, 2012, 24,000 homeowners, who received around \$698 million in CDBG-DR funds either were noncompliant, nonresponsive, or did not provide sufficient documentation. These findings raise questions on whether this is the most useful and efficient way for HUD to spend taxpayers money.

The Hurricane Sandy hearing covered a wide range of issues including the important topic of elevating homes in flood prone areas. Elevation came up often while my staff visited parts of New York and New Jersey. They heard from homeowners in Breezy Point, the Rockaways and Staten Island who worry about the potential elevation requirements and the costs associated. HUD must work to not repeat mistakes from previous programs.

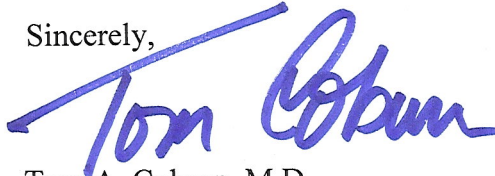
President Obama selected you to oversee the federal response to Hurricane Sandy. HUD will award nearly \$16 billion in CDBG-DR funds and I would like to know what lessons were learned from this OIG report and how they will apply to the recovery efforts in the northeast. It is vital that HUD is a good steward of these funds. HUD must be diligent in its oversight of elevation funds as they are granted, and not years later.

Therefore, please provide responses to the following questions by no later than April 15, 2013:

- 1) What is HUD's plan for ensuring that elevation grants for Hurricane Sandy recovery are actually used to elevate homes?
- 2) How much funding will HUD provide for homeowner elevation for the Hurricane Sandy recovery?
- 3) How HUD is ensuring that federally funded state programs are appropriately documenting the use of these funds?
- 4) Has HUD revamped their programs to proactively recapture grant funds that are used inappropriately?
- 5) Does HUD have a process outside the OIG to determine whether grant recipients are using funds for the intended purpose?

If you have any questions regarding this letter, please contact Brian Downey of my Committee staff at (202) 224-4751.

Sincerely,

A handwritten signature in blue ink that reads "Tom Coburn". The signature is written in a cursive style with a prominent horizontal stroke at the beginning.

Tom A. Coburn, M.D.
Ranking Member

cc: The Honorable David A. Montoya
Inspector General
U.S. Department of Housing and Urban Development