



September 14, 2026

Submitted via *Regulations.gov*

Regulations Division, Office of General Counsel
Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

RE: Docket No. FR-6337-N-02, Notice on Community Development Block Grant Disaster Recovery (CDBG-DR) Formula

The Council of State Community Development Agencies (COSCDA) welcomes the opportunity to comment on the CDBG-DR formula. COSCDA is a national association for state agencies that administer HUD's grant programs, including CDBG-DR. States manage a significant portion of CDBG-DR grants. In the most recent allocation of funding for 2023-2024 disasters, state agencies received nearly 40% of the total allocation¹. COSCDA engaged our state agency members in the development of these comments. While the agencies will remain anonymous here, we note that they are representative of various United States regions, agency sizes, and levels of experience with CDBG-DR.

Our comments represent broad perspectives on the CDBG-DR formula rather than highly technical recommendations. This is because experiences with disaster recovery range across the country based on types of disasters, geography, and CDBG-DR program expertise. In some cases, there is not yet agreement among states about certain details of the CDBG-DR formula. COSCDA provides a list of ideas where there is not yet broad consensus among our members.

COSCDA thanks HUD for its careful consideration of the CDBG-DR formula in response to Section 504 of the *21st Century ROAD to Housing Act (ROAD)*. We have respected HUD's request by limiting our comment letter to no more than 10 pages. However, COSCDA staff is available for further communication about any of the recommendations presented in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Tess Hembree", is written over a light blue horizontal line.

Tess Hembree, Executive Director
Council of State Community Development Agencies (COSCDA)

¹ <https://www.federalregister.gov/documents/2025/01/16/2025-00943/allocations-for-community-development-block-grant-disaster-recovery-and-implementation-of-the>

General Comments

Allocation Timeline

In general, COSCDA members are concerned about the new 90-day formula allocation deadline required by the *21st Century ROAD to Housing Act* under 42 U.S.C. §5324(a)(6)(A). While we agree that there is a need to allocate funding as soon as possible, it also takes time to collect accurate data to determine unmet need in the aftermath of a disaster. COSCDA proposes a structure in which HUD disburses a CDBG-DR allocation in two installments. First, HUD could disburse any preliminary funding (as allowed by *ROAD*) and a first installment after the 90-day period allowed for formula calculations. HUD could then re-evaluate available data a year after the first installment. If the data shows a larger unmet need than originally calculated, then HUD could provide sufficient funding in the second installment to address remaining unmet needs. HUD must strike a balance between the need to quickly disburse funding to communities and the time it takes to accurately estimate a community's unmet needs.

We also encourage HUD to consider how to allocate CDBG-DR funds when there is not sufficient funding in the Long-Term Disaster Recovery Fund (Fund). COSCDA understands that HUD will establish a Minimum Allocation Threshold and that other qualifying factors will limit the number of allocations to be made from the Fund. Still, we are concerned that disasters that occur later in the appropriations cycle may not have sufficient funding available to them within the 90-day allocation period if there are not enough resources in the Fund.

Most Impacted and Distressed

ROAD authorizes CDBG-DR as a program to provide disaster relief and mitigation “in the most impacted and distressed areas resulting from a catastrophic major disaster” (42 U.S.C. §5324(a)(1)). However, it does not define “most impacted and distressed areas.” COSCDA notes that HUD is not obligated to continue defining MID areas as it has in the past. Some of the formula recommendations provided herein may be worthwhile considering in relation to MID definitions as well.

Formula Transparency

COSCDA asks HUD to share all the data used in their CDBG-DR formula determinations—not only the methods used. These data points could be shared as an appendix to Federal Register Notices or shared directly with CDBG-DR grant recipients. The transmittal of this data will help grantees as they develop their action plans and determine how to best provide disaster recovery assistance to their communities.

Specific Question #1: Are there alternative methods for formula allocation HUD should consider within a similar total amount of funding?

a. Housing need multipliers.

- i. “Destroyed” category – COSCDA members are not opposed to the idea of a “destroyed” category. As we explain in more detail under question #5, housing need practically falls into one of two categories: rehabilitation/reconstruction or rebuild.

A destroyed category would help capture instances where housing must be completely replaced.

- ii. *SBA data* – COSCDA is not opposed to removing the SBA data match. Some members recommend using grantee expenditure data rather than SBA estimates if HUD uses historic multipliers.
 - iii. *Reasonable costs to rebuild* – COSCDA members are concerned about HUD’s proposal to determine whether a locality or state has taken actions consistent with HUD’s State and Local Best Practices for Home Construction. We request clarification on this idea and how it would be implemented in terms of state agency oversight.
 - iv. *Rental unit multipliers* – While there may be a need to use different multipliers for rental units, COSCDA advises against using content loss estimates or square footage alone for this calculation. We are concerned that square footage would not accurately account for rental unit housing need. Ideas from COSCDA members include:
 - Identifying the actual rental structures damaged/destroyed and establishing a multifamily proxy (this is done already for single family homes);
 - Using a multiplier by Area Median Income (AMI) band² to inform how unmet rental housing rehabilitation and reconstruction need is calculated; and
 - Deriving measured per-unit rehabilitation costs in multifamily and small rental CDBG-DR programs; HUD should publish this calculation for comment.
- b. Economic revitalization. COSCDA did not receive broad input on this question from our members. However, some members were opposed to both the idea of using a percentage of housing need to estimate economic need and using a fixed percentage. Neither method seems to accurately capture economic need or allow for enough flexibility in program design. We recommend maintaining the option to use SBA business data for this calculation and to continue exploring other methods. Economic revitalization needs vary greatly depending on the type of disaster and location of the damage.
- c. Infrastructure. Again, COSCDA did not receive broad input on this question. Members expressed similar concerns that a percentage of housing need would not accurately account for infrastructure damage. We note that a CDBG-DR recipient’s choice to only use 10% of its allocation for infrastructure projects does historically mean that infrastructure damage represented only 10% of total costs or unmet need. In some cases, this choice is simply the result of CDBG-DR program design.
- d. Extraordinary circumstances. COSCDA is not opposed. We understand the need for the Secretary to reserve the right to use alternative data or methods in the case of

² Extremely low income (ELI), very low income (VLI), low income (LI), middle income (MI), etc.

extraordinary circumstances. COSCDA asks HUD to be as transparent as possible with the formula methods used in such situations.

Specific Question #2: How should HUD measure the impact of formula methodologies on rural and Tribal areas?

Rural communities have been historically disadvantaged by the CDBG-DR formula³. In the most recent allocation, HUD limited CDBG-DR grants to “most impacted and distressed areas” with high levels of damage—defined as either counties exceeding \$10 million in serious unmet housing needs or Zip Codes with \$2 million or more of serious unmet housing needs. COSCDA notes that while the \$10 million is easily met in metropolitan counties, a rural area with profound disaster-related damage may not meet the \$10 million threshold simply because the community has a lower population and fewer housing units. We understand that there are not unlimited resources to address disaster needs and HUD’s goal is to target relief to the most impacted areas following a disaster. Still, we argue that rural communities should not be excluded from consideration simply because they have a less dense population within their jurisdiction.

COSCDA members are not opposed to the establishment of separate thresholds for metropolitan, non-metropolitan, and tribal areas. We provide more detail on this point in response to question #4. Another idea from COSCDA membership is to allow for a smaller, targeted grant option for rural communities. States could receive funding to administer a limited housing rehabilitation and construction program for an impacted rural community, for example. States already have experience administering these types of projects in rural areas through state-managed Community Development Block Grant (CDBG) formula and other grant programs.

Specific Question #3: What adjustments to the formula should HUD consider to improve its targeting to the most serious needs? For a “catastrophic” standard solely used for determining CDBG-DR eligibility, HUD is seeking comment on what that standard might be.

COSCDA emphasizes that the definition of “catastrophic disaster” is one of the most consequential decisions HUD will make in response to the CDBG-DR section of *ROAD*. Qualification as a catastrophic disaster will determine whether certain communities receive funding for long-term disaster recovery. We urge HUD to very carefully consider all thoughtful public input on this question.

For reasons explained in more detail below, we do not strongly support HUD’s recommendation to limit disasters according to FEMA damage assessments. Our members are also resistant to the idea of adding another qualifying threshold for disaster recovery. We urge HUD to align its “catastrophic disaster” definition as closely as possible with other federal

³ COSCDA does not have the expertise to comment on CDBG-DR formula allocation to tribal areas.

disaster thresholds. We also support setting different standards for metropolitan, non-metropolitan, and tribal areas. COSCDA presents the following ideas for consideration:

- Define a disaster as catastrophic if it is eligible for both FEMA Individual Assistance (IA) and Public Assistance (PA) funding;
- Define a threshold dollar value to qualify as catastrophic;
- Designate any disaster that qualifies for a declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170) as catastrophic;
- Define a disaster as catastrophic if one-third of LMI housing units in a community are destroyed or severely damaged by a disaster; and
- Define a disaster as catastrophic if it meets certain standards set under any of these three categories:
 - Serious large-scale damage;
 - A high concentration of serious damage in a smaller geography; and
 - High per-capita impact calibrated against prior disasters that received CDBG-DR funding.

There are at least two additional challenges to consider when defining “catastrophic disaster.” First, depending on the standards used to define catastrophic, a disaster may not cross the threshold in the beginning but may qualify as catastrophic as more data is collected. Second, different types of disasters result in different types of impacts. The definition should account for the types of damage commonly involved in floods, storms, wildfires, tornados, and other disaster events.

Specific Question #4: How might HUD determine separate thresholds for metropolitan, non-metropolitan, and tribal areas to inform its determinations of most serious need?

COSCD is interested in the idea of separate thresholds for metropolitan, non-metropolitan, and tribal areas. Since this is a new concept, however, there are many ideas among our membership for how HUD could structure these thresholds. The ideas and measurements below could help create an accurate threshold of damage in non-metropolitan areas:

- Calculate per capita or percent of population damaged (per person or household). The weight of per capita damage could be high enough to allow for the use of a single formula;
- Calculate the percentage of a county affected;
- Calculate the percentage of a population submitting for FEMA (or other) disaster assistance;
- Calculate damaged units with unmet need as a share of total occupied units in the geography, rather than as an absolute count or dollar figure;
- Regarding infrastructure damage – consider the fiscal health of the community and its annual budget. Determine whether it is reasonably able to repair damage without federal support through local measurements such as:
 - Amount of assets available for property taxation
 - Number of rate payers that could support minimal increases needed for repair

COSCDAs recommends publishing the proposed thresholds and data sources for public comment before adoption. We also note that FEMA data collection is sometimes slower in non-metropolitan areas. Depending on the data used for the formula, HUD may need to allow extra time for non-metropolitan calculations or supplement FEMA data with other sources.

Specific Question #5: Should HUD consider updating thresholds for the housing damage definitions and if so, how should they be updated?

COSCDAs members generally report that FEMA-estimated housing damage is lower than reality. Because of these low estimates, not enough funding is allocated to fully support long-term housing recovery. Updating the thresholds for housing damage definitions could help correct for the lack of sufficient coverage. HUD could start by re-indexing the thresholds using construction cost inflation data.

HUD should also consider whether these housing damage thresholds still have practical meaning. Our members find that many homes ultimately require a full rebuild regardless of the FEMA-estimated damage. The distinction that matters the most in practice is whether a home needs rehabilitation or if it needs to be rebuilt. Even homes that are not destroyed immediately after a disaster may require a rebuild by the time CDBG-DR funding is available. HUD could consider collapsing the various housing damage thresholds into smaller categories that better represent the type of repair needed. Differentiating by both repair type and housing type may provide even better estimates. For example: single family rehab, single family construction, multifamily rehab, multifamily new construction, and manufactured housing.

COSCDAs notes a couple additional challenges with current housing damage definitions. Wildfire damage can be undercounted, since fires typically result in fewer damaged properties but the level of damage per property is generally higher. HUD should consider whether its housing damage estimates fairly capture the needs created from different types of disaster damage. Also, FEMA's damage estimates occur sometimes years before a CDBG-DR housing project begins. Inflation can quickly increase repair and reconstruction costs for housing. HUD could use an inflation factor to ensure CDBG-DR allocations do not fall short of the funding needed for housing repairs over the length of a six-year program.

Specific Question #6: Are there objective criteria to measure grantee capacity and concentration of damage in regards to determining the appropriate jurisdiction to receive the allocation?

COSCDAs supports HUD's proposed policy to assume states generally have more capacity to administer CDBG-DR. We advise HUD to allocate CDBG-DR grants to state agencies unless there is a reasonable objection to the state's capacity. States should be allowed to sub-grant parts of their CDBG-DR allocations to local jurisdictions if the state determines that the local jurisdiction has the capacity to act as a sub-recipient. COSCDAs supports this method for several reasons:

1. There is confusion when there is uncertainty about who will receive a CDBG-DR grant. If the assumption is that the state will receive the funding, then the inefficiencies and costs of uncertainty would be reduced.
2. Administrative burden would be reduced. Sometimes, states and local jurisdictions receive direct allocations for the same disaster. That results in multiple disaster recovery programs and compliance burdens. State oversight reduces the amount of administrative work and expense, even if the state decides to sub-grant to local jurisdictions.
3. Allocating CDBG-DR funds to the state preserves the most flexibility. States can work with local jurisdictions to respond appropriately to disaster recovery needs. If HUD allocates funding directly to local jurisdictions, then the option is lost to use the state agency's capacity.

State agencies find that any objective measure has the potential to misinterpret a grantee's capacity. For instance, the population and number of government officials in a jurisdiction may not adequately capture its capacity to administer a federal grant. State agencies report both positive and negative experiences working with small and large jurisdictions on CDBG-DR grants. If HUD must consider certain objective criteria, though, we recommend considering these options:

- The dollar amount of annual federal grants managed by the jurisdiction compared to the potential CDBG-DR allocation amount;
- Current staffing levels and surge capacity;
- Procurement and financial systems meeting 2 CFR Part 200 requirements; and
- Demonstrated timely, accurate reporting, monitoring, and closeout performance with CDBG-DR or similar federal grants.

We ask HUD to publish the criteria it plans to use to evaluate grantee capacity. COSCDA also asks HUD to consult with state agencies before making a final determination about the recipient of a CDBG-DR allocation. The state can share information that may not be available to HUD from a federal perspective.

Specific Question #7: Are there other objective criteria HUD should consider for assessing concentration of damage to inform grantee determinations and minimum allocation thresholds?

Additional Data Sources

COSCD A recommends exploring additional data sources to supplement FEMA, SBA, and other traditional data sources used in CDBG-DR formula calculations. We understand that some of the data sources below may not be accessible in time for the next allocation of CDBG-DR funding. However, 42 U.S.C. §5324(a)(5)(B)(iv) directs HUD to "establish objective criteria for periodic review and updates to the formula to reflect changes in available data." HUD could consider adding these data sources to future formula updates should they become available. Ideas for additional data points include:

- Insurance data, such as underinsurance levels; HUD could formalize a data-sharing arrangement with state Departments of Insurance (DOIs);
- USPS National Change of Address data (to capture post-disaster displacement);
- Housing age and LMI concentration (both available from Census and ACS data);
- Zillow or Redfin data (to supplement square footage data);
- Data from the National Oceanic and Atmospheric Administration (NOAA), such as precipitation, flood gauges, and satellite imagery; and
- Supplemental and historic data from states and local governments (such as the amount of funding needed to repair homes after a certain type of disaster).

The current CDBG-DR formula uses Zip Codes as a data source. COSCDA members note that Zip Codes have no governing body. We recommend against using Zip Codes as objective criteria to support a disaster declaration or allocation.

Minimum Allocation Thresholds

Through 42 U.S.C. §5324(a)(5)(C), *ROAD* requires HUD to “establish a minimum allocation threshold” by regulation. COSCDA asks HUD to establish separate thresholds for metropolitan and non-metropolitan areas. We are concerned that rural areas may not receive CDBG-DR allocations if a standard threshold is set too high.

HUD should also consider the new requirement for proportional allocation. Under 42 U.S.C. §5324(c)(6), grantees are required to “allocate grant funds proportional to unmet needs between housing activities for renters and homeowners, economic revitalization, and infrastructure” unless the Secretary provides an exception. The minimum allocation established by HUD should be sufficient to address unmet needs for housing, economic revitalization, and infrastructure—as required by *ROAD*. COSCDA recommends reviewing prior action plans and historic data to determine a sufficient threshold.

Specific Question #8: Is there research and data that could inform HUD on how to calculate an additional amount to be provided for mitigation depending on type of disaster?

ROAD’s formula requirements at 42 U.S.C. §5324(a)(5)(B) require “an additional amount of up to 18 percent for activities to reduce risks of loss resulting from other natural disasters in the most impacted and distressed area, primarily for the benefit of low- and moderate-income persons, with particular focus on activities that reduce repetitive loss of property and critical infrastructure.” COSCDA understands the value of mitigation funding, especially in parts of the country where disasters frequently occur. We support calculating mitigation amounts differently according to disaster type.

COSCDA members generally prefer for HUD to set a range for mitigation, rather than an absolute percentage. HUD could differentiate mitigation amounts based on disaster type, geography, likelihood of subsequent disasters, and other relevant factors. HUD could use

historic data and other reliable sources—such as NOAA flood data—to create a risk-based model to inform mitigation funding.

Specific Question #9: How might HUD consider repetitive loss data or damage to critical infrastructure in the allocation formula?

COSCEA did not receive significant input from our members on this question. We ask HUD to consider how to account for existing unmet needs in disaster-prone areas within the formula. One member suggests using historic and national data on infrastructure costs not covered by FEMA PA to provide a more accurate predictor of future unmet infrastructure needs than a formula anchored by housing damage assessments.

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