

## Puerto Rico Receives Unprecedented Assignment of \$18.4 Billion of Community Development Block Grant-Disaster Recovery Program Funds to Address Hurricanes Irma and María Catastrophic Damages

The U.S. Department of Housing and Urban Development (HUD) on April 11, 2018 announced a historical award of \$18.4 billion of funds directed to supporting long-term disaster recovery in several states including Puerto Rico. Of the record-setting \$18.4 billion dollars being assigned by Congress through the approval of the Bipartisan Budget Act of 2018 (Public Law 115-124), the total amount of \$18.4 billion has been set aside for disaster recovery and mitigation activities in Puerto Rico.

The funds will be provided through HUD's Community Development Block Grant-Disaster Recovery Program (CDBG-DR) to address seriously damaged housing, businesses and infrastructure around the Island of Puerto Rico after the significant devastation caused as a result of Hurricanes Irma and María which hit Puerto Rico during the latter part of 2017.

CDBG-DR grants were developed to support recovery activities covering different areas such as housing, redevelopment and rebuilding, business assistance through working capital, economic revitalization and infrastructure repair. HUD is expected to issue administrative guidelines shortly for use of the funds by grantees using available funds to address long-term recovery needs.

Of the total assignment awarded to Puerto Rico, the amount of \$1.1 billion represents an assignment specifically targeted by Congress to address remaining unmet needs resulting from damages caused by these two recent hurricanes occurring in 2017 with close to \$8 billion specifically aimed at repairing and upgrading the electrical grid and providing enhanced or improved power systems. The remaining \$7.3 billion have been assigned to Puerto Rico to support further mitigation activities for presidentially declared disasters from 2011 to 2017.

Congress has provided that 10% of the assignment targeted to address unmet needs during 2018 from both hurricanes should be delivered within 90 days from the approval of the Bipartisan Budget Act of 2018 signed in law on February 9, 2018. Furthermore, Congress provided that no less than 10% of the assignment of funds must be allocated by no later than December 15, 2018.

Among other requirements, the HUD Secretary will need to certify that Puerto Rico and other grantees have proficient financial controls and procurement processes including adequate procedures to avoid duplication of benefits as a condition to receiving a grant. Moreover, all funds will need to be utilized by Puerto Rico pursuant to and HUD-approved plan detailing the proposed use of funds, eligibility criteria and the manner in which funds will address long-term recovery and restoration of infrastructure and housing, economic revitalization and mitigation in the most impacted and distressed areas.

Should your company be interested in participating in the transformation of PREPA and/or have any questions with respect to the privatization of PREPA, you may contact the attorneys at Vidal, Nieves & Bauzá, LLC.

Vidal, Nieves & Bauzá is a corporate law firm with a special emphasis in energy and environmental matters, corporate, transactional, real estate and insurance practices.

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