



**State of California**  
**Department of Housing and Community Development**  
**Program Policies and Procedures**

Subject: Owner-Occupied Rehabilitation/Reconstruction Program (OOR), Community Development Block Grant - Disaster Recovery (CDBG-DR)

Version:                      Version 3.0

**Overview**

1.     Purpose:   To establish the policies and procedures for the administration of the OOR program.
  
2.     Applies to: All HCD employees, individuals and organizations representing HCD while administering the OOR program.
  
3.     Cancels:    Version 1.0 and Version 2.0
  
4.     Originator: ReCoverCA OOR Housing Program  
                  CDBG-Disaster Recovery Branch Housing Section Division of  
                  Financial Assistance – Federal Program

<b>Version</b>	<b>Approved By</b>	<b>Effective Date</b>
3.0	Stacy Rodgers CDBG-DR Section Chief	07/01/2022
2.0	Joseph M. Helo OOR Program Manager	01/27/2022

## **Version Policy**

Version history is tracked in the table below, with notes regarding version changes. The dates of each publication are also tracked in the table.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

# Owner-Occupied Rehabilitation/ Reconstruction Program Policies and Procedures Version History

Version Number	Date Revised	Key Revisions
Final V1.0	12/22/2020	Policies and Procedures are subject to change at the sole discretion of the Owner-Occupied Rehabilitation/ Reconstruction Program.
Final V2.0	01/27/2021	<ul style="list-style-type: none"> <li>• Program funding cap increased to \$500,000</li> <li>• Tier priority updated to include priority to Applicants without a Certificate of Occupancy, Temporary Certificate of Occupancy, or Temporary Use Permit.</li> <li>• Removal of requirement for properties to be vacant at the time of application.</li> <li>• Removal of requirement to acquire and maintain fire insurance.</li> <li>• Definitions: added Offset, FHSZ and WUI Area</li> <li>• Duplication of Benefits section(s) updated to clarify that CalHome and SSBG funds are not counted as a duplication.</li> <li>• Updated list of documents accepted for primary residency</li> <li>• Housing counseling requirements added</li> <li>• Application document list updated by adding the Household Income Certification form and the Homeowner Grant Application Certifications form.</li> <li>• Updated award process from executing a grant agreement to acceptance of a grant amount acknowledgment</li> </ul>
Final V3.0	6/28/2022	<ul style="list-style-type: none"> <li>• Clarified the appeal process</li> <li>• Updated definition of Damage Assessment, Estimated Cost of Repair, Grant Award Acknowledgement, Qualifying Disaster, and Reconstruction</li> <li>• Clarified the situations when Solution 2 is applicable</li> <li>• Clarified that violation of the stop work order will result in ineligibility</li> <li>• Clarified the situation when the program may refer to the Office of Inspector General</li> <li>• Clarified the policy and process for model and structure type verification</li> </ul>

		<ul style="list-style-type: none"><li>• Clarified the Duplication of Benefits process</li></ul>
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# 1 Definitions

**Abuse** - The excessive, or improper use of something, or the use of something in a manner contrary to the natural or legal rules for its use; the intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of resources owned or operated by the Authority; or extravagant or excessive use so as to abuse one's position or authority. "Abuse" does not necessarily lead to an allegation of "fraud," but it could, depending on the circumstances.

**Access and Functional Needs** - A population of individuals who may have additional needs before, during, and after an incident in functional areas, including but not limited to, maintaining independence and communication.

**Affirmatively Furthering Fair Housing (AFFH)** - AFFH is a legal requirement that federal agencies and federal grantees further the purposes of the Fair Housing Act. HUD's AFFH rule provides an effective planning approach to aid Program participants in taking meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination. Additionally, the Program follows California AFFH rules as applicable per California Government Code 65583 and 65583.2; and Division 1 of Title 2, Chapter 15 commencing section 8899.50.

**Applicant** - An owner-occupant(s) of a damaged property and has been invited to apply for housing assistance.

**Area Median Income (AMI)** - Calculated annual limits based on HUD-estimated median household income with adjustments based on household size used for demonstrating low-to-moderate income beneficiaries in the Programs.

**California Department of Forestry and Fire Protection (CAL Fire)** – the department responsible for fire protection throughout California as well as various other emergency services in 36 of the State's 58 counties.

**California Environmental Quality Act (CEQA)** – Requires state and local government agencies to inform decision makers and the public about the potential environmental impacts of proposed projects, and to reduce those environmental impacts to the extent feasible.

**California State Office of Historic Preservation (OHP)** - responsible for administering federally and state mandated historic preservation programs to further the identification, evaluation, registration, and protection of California's irreplaceable archaeological and historical resources under the direction of the State Historic Preservation Officer (SHPO), a gubernatorial appointee, and the State Historical Resources Commission.

**Construction Manager (CM)**- Refers to the Full-service Construction Management and Delivery Services vendor procured by the OOR Program.

**Damage Assessment** - The process used to verify that damage at a property can reasonably be attributed to the qualified disaster event(s) and the quantification of damages that results in the dollar value and scope of repairs necessary to repair the



structure. The Damage Assessment is conducted at the application stage of the program to determine if the Applicant's property has sustained damage from an eligible disaster and still has outstanding repairs or reconstruction that still needs to be completed.

**Demolition** - Clearance and proper disposal of dilapidated buildings and improvements.

**Disability** - For the purposes of the Program, consistent with federal law under the Social Security Act, as amended, 42 U.S.C. § 423(d), The Americans with Disabilities Act of 1990, as amended, 42 U.S.C. § 12102(1)-(3), and in accordance with HUD regulations at 24 C.F.R. §§5.403, 891.505.

**Disaster Recovery Grant Reporting System (DRGR)** - The Disaster Recovery Grant Reporting system was developed by HUD's Office of Community Planning and Development for the CDBG Disaster Recovery Program and other special appropriations. Data from the system is used by HUD staff to review activities funded under these Programs and for required quarterly reports to Congress.

**Duplication of Benefits (DOB)** - The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster as to which he has already received financial assistance under any other Program or from insurance or any other source. A duplication of benefits occurs when an Applicant receives financial assistance from multiple sources and the total amount of the assistance exceeds the remaining eligible need for a specific recovery purpose.

**eGrants** - eGrants is the online application portal and system of record for the ReCoverCA California Owner-Occupied Rehabilitation and Reconstruction Program.

**Environmental Protection Agency (EPA)** - The Environmental Protection Agency protects people and the environment from significant health risks, sponsors and conducts research, and develops and enforces environmental regulations.

**Environmental Review** - All qualified projects must undergo an environmental review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable state and federal laws.

**Escrow** - Account where an Applicant's funds are deposited, held, and expended prior to Program funds for Applicants who have a homeowner responsibility to complete their rehabilitation or reconstruction project.

**Estimated Cost of Repair (ECR)** - a line-item estimate of the cost to repair damages to an Applicant's property, or to reconstruct the property if necessary. The ECR is created after the initial home inspection using Damage Assessment, Work In Place, and structure/model eligibility data gathered during the application phase and the initial home inspection.

**Federal Register** - The official journal of the Federal government of the United States that contains government agency rules, proposed rules, and public notices. A Federal Register Notice (FRN) is issued for each CDBG-DR funded disaster. The FRN outlines the rules that apply to each appropriation of disaster funding.

**Fire Hazard Severity Zones (FHSZ)** – Geographical areas designated pursuant to State

Codes. FHSZ are assigned a fire hazard level based on the factors that influence fire likelihood and fire behavior. Factors considered to determine FHSZ are climate, fire history, existing and potential fuel (natural vegetation), predicted flame length, blowing embers, terrain, topography, and typical fire weather for the area. See also **Wildland-Urban Interface (WUI) Area and Wildland-Urban Interface Area Building Codes** defined below.

**Floodplain** - FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

- “100-year floodplain” — the geographical area defined by FEMA as having a one percent chance of being inundated by a flooding event in any given year.
- “500-year floodplain” — the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flooding event in any given year.

**Foreclosure** - The action of taking possession of a mortgaged property when the mortgagor fails to keep up with their mortgage payments.

**Fraud** - An illegal act (the intentional wrongdoing), the concealment of this act, and the deriving of a benefit (converting the gains to cash or other valuable commodity). Legally, fraud can lead to a variety of criminal charges including theft, embezzlement, and larceny – each with its own specific legal definition and required criteria that can result in severe penalties and a criminal record.

**Grant Acknowledgment – Grant Award Acknowledgment** final step in the application process where the homeowner reviews their award amount and calculation and then can either accept the amount and reaffirm their understanding and certification of compliance with all provisions of the award funding or, reject the and request to appeal their grant award amount.

**Green Building Standards** – guidelines for creating structures and using processes that are environmentally responsible and resource-efficient throughout a building’s lifecycle from siting to design, construction, operation, maintenance, renovation, and demolition. The goal of green building standards is to make efficient use of land, materials, energy, and water while generating minimal waste and providing a healthy indoor environment for occupants.

**Household** - A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other.

**HCD** - California Department of Housing and Community Development

**HUD** - (U.S. Department of Housing and Urban Development) - A Federal agency providing a variety of resources that can help state and local governments and other HUD-funded departments, agencies, or organizations prepare for and recover from disasters. For some Presidentially declared disasters, Congress may make an appropriation via the CDBG-DR Program, which provides funding to State, Tribal, and local entities for housing, economic development, infrastructure, public services, planning, resilience, and mitigation Programs and projects.

**Income** - Annual income as defined by the Internal Revenue Service Adjusted Gross Income.

**Lead-Based Paint Hazard Abatement** - A set of measures/techniques to carry out “permanent” removal of lead hazards. Abatement techniques include: (1) The removal of lead-based paint and dust-lead hazards, (2) the permanent enclosure of lead-based paint, (3) the encapsulation of lead-based paint, or (4) the replacement of components or fixtures painted with lead-based paint and the removal or permanent covering of soil-lead hazards. Abatement includes all preparation, cleanup, disposal, and post-abatement clearance testing activities associated with such measures.

**Lead-Based Paint** - Paint or other surface coatings that contain lead equal to or in excess of 1.0 milligrams per square centimeter or more than .05 percent by weight.

**Lead-Based Paint Hazard** - Any condition that causes exposure to lead from dust-lead hazards, soil-lead hazards, or lead-based paint that is deteriorated or present in chewable surfaces, friction surfaces, or impact surfaces, and that would result in adverse human health effects as established by the proper Federal agency.

**Limited English Proficiency (LEP)** - A designation for persons that are unable to communicate effectively in English because their primary language is not English, and they have not developed fluency in the English language. An LEP person may have difficulty speaking or reading English and benefits from an interpreter who translates to and from the person’s primary language. A LEP person may also need documents written in English translated into his or her primary language so that person can understand important documents related to health and human services.

**Low to Moderate Income (LMI) Household** - A household is considered to be low or moderate income if the household income (including income derived from assets) is at or below 80 percent of an area’s median income. All income is based on the Area Median Income limits set annually by HUD for each county or metropolitan statistical area.

**Low to Moderate Income National Objective** - Activities that benefit households with income that does not exceed 80 percent of the area median income:

Very low: Household's annual income is up to 30% of the area median income, as determined by HUD, adjusted for household size

Low: Household's annual income is between 31% and 50% of the area median income, as determined by HUD, adjusted for household size

Moderate: Household's annual income is between 51% and 80% of the area median income, as determined by HUD, adjusted for household size

**Major/Severe damages** - \$8,000 or more of FEMA inspected real property damage, caused by the qualified disaster.

**Manufactured Housing Unit (MHU)** - Also known as a Manufactured Home as defined by 24 C.F.R. part 3280 (HUD-Code). A Manufactured Home is a structure that is transportable in one or more sections which, in the traveling mode is eight body-feet or more in width, or forty body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis and is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. The structure must be designed for occupancy as a principal residence by a single family. All Manufactured Homes must have a HUD Certification Label affixed and must meet the requirements of HUD-Code for Manufactured Homes as set by the National Manufactured Housing and Construction Safety Standards Act of 1974, and HUD Code Standards 24 C.F.R. part 3280 & 3282. The MHU must be built to meet local and regional building codes.

**Modular Housing** - A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently affixed to one site.

**Mobilehome** - As detailed in Chapter 2.5 of the California Civil Code, civil code 798.3 defines a Mobilehome (one word) as a structure designed for human habitation and for being moved on a street or highway under permit pursuant to Section 35790 of the Vehicle Code. Mobilehome includes a manufactured home, as defined in Section 18007 of the Health and Safety Code, and a mobilehome, as defined in Section 18008 of the Health and Safety Code, but except as provided in subdivision (b), does not include a recreational vehicle, as defined in Section 799.29 of this code and Section 18010 of the Health and Safety Code or a commercial coach as defined in Section 18001.8 of the Health and Safety Code. A mobilehome is a factory-built home that was built before June 15, 1976 and not built to a uniform construction code.

**Most Impacted and Distressed** - HUD-defined areas of greatest impact from a disaster. The most impacted and distressed areas as defined in the Federal Register Notices governing the appropriations funding this Program from the DR-4344 and DR-4353 disasters are Sonoma and Ventura counties, and the following zip codes: 95470, 95901, 94558, 95422 and 93108. The most impacted and distressed areas from the DR-4382 and DR-4407 disasters are Shasta, Lake, Butte, Los Angeles, and Ventura counties.

**National Environmental Policy Act (NEPA)** - Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of

government give proper consideration to the environment prior to undertaking any major federal action that could significantly affect the environment.

**National Objective** - the authorizing statute of the HUD CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are:

- 1) Benefit to low- and moderate-income persons.
- 2) Aid in the prevention or elimination of slum or blight; and
- 3) Meet a need having a particular urgency (referred to as urgent need).

**Occupational Safety and Health Administration (OSHA)** - Ensures safe and healthful working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education, and assistance.

**Offsets** – Assistance received by an Applicant which will not constitute a duplication of benefits, referred to as non-duplicative or offsets.

**Owner-Occupant** – person meeting criteria of having an ownership interest in a property while also occupying that same property as their primary residence.

**Owner-Occupied Unit** – housing unit meeting the criteria of having someone with an ownership interest in the property also occupying that same property as their primary residence.

**Personally Identifiable Information (PII)** - Information that can be used to distinguish or trace an individual's identity, such as name, and social security number, alone, or when combined with other personal and identifying information which is linked or linkable to a specific individual, such as date, place of birth, mother's maiden name, etc.

**Primary Residence** - The owner's principal place of residence, not a secondary or vacation home.

**Primary Residence Homeowners' Property Tax Exemption** - property tax exemption granted by subdivision (k) of Section 3 of Article XIII of the California Constitution providing for an exemption in assessed value on any property owned and occupied as the owner's principal place of residence.

**Property Ownership** - Holding an instrument, including a deed, mortgage, or other agreement that has been recorded with the county, city, or appropriate local authority.

**Qualifying Disaster** – A presidentially declared, major disaster for which HCD has been awarded CDBG-DR funding from HUD pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. In some cases, if California state funding becomes available for the Program, those funds may be administered for Governor declared disasters as well or may be paired with CDBG-DR and carried out in conjunction with the CDBG-DR funding.

**Reconstruction** - Possible demolition and re-building of a Stick-built or modular housing unit on the same lot in substantially the same footprint and manner using Standard Grade Building Materials only. The number of units on the lot may not increase and the total square footage of the original structure may not be substantially exceeded; In some cases the square footage may be reduced and in no case shall a reconstruction exceed

the largest floorplan offered by the program the Applicant is eligible for based on household size. For example, if a 2-person household originally had a 3000 square foot home, the largest reconstructed home eligible for program funds would be the largest 2- or 3-bedroom floorplan and Standard Grade finishes offered by the program. The Program does not reconstruct custom homes.

**Rehabilitation** - The improvement of an existing structure through alterations, incidental additions, or enhancements. Rehabilitation includes replacement of principal fixtures and components and improvements to restore housing units in the disaster-impacted areas to applicable construction codes and habitability standards. Rehabilitation estimates are based on standard grade building materials and housing characteristics (number of bedrooms, square footage, and structure type) to the original, damaged housing unit.

**Replacement** - The replacement of a damaged Mobilehome or Manufactured Housing Unit with a new Manufactured Housing Unit in substantially the same footprint, or at a new location if the original damaged unit was on leased land and the MHU owner must relocate to a new property. Replacement housing is comparable to the original, damaged housing in characteristics (number of bedrooms, square footage, and structure type).

**Scope of Work (SOW)** - A documented line item by line-item estimate of the damages observed during an onsite visit to a homeowner's property that quantifies the materials and labor necessary to repair observed damages. The SOW is completed by the Construction Manager (CM) during the design process of Applicant homes.

**Second Home** - Properties that served as secondary/vacation homes at the time of the disaster, or following the disaster, are not eligible for repair assistance or housing incentives. A second home is defined as a home that is not the primary residence of the owner at the time of the disaster or at the time of application for assistance.

**Senior or Senior Citizen** - an individual who is at least 62 years of age as of Program application date.

**Standard Grade Building Materials** - non customized materials that meet building code requirements

**State Historic Preservation Officer (SHPO)** - responsible for the operation and management of the Office of Historic Preservation, as well as long range preservation planning.

**Stick-built home** - A home that has been built on-site using traditional construction materials and methods.

**Subrogation** - Repayment of duplicative assistance. In the context of a disaster recovery grant, a homeowner must enter into a Subrogation agreement where the funding agency (HCD) obtains the right to collect any additional disaster recovery funding, insurance payouts, or other funding determined to be duplicate assistance that the homeowner receives for disaster damages after HCD has expended disaster recovery funds for the benefit of the homeowner.

**Substantially Damaged Properties** - Cost of repairs/reconstruction to existing home is equal to or greater than 50% of the value of the structure before the damage occurred, i.e., 50% of the assessed value of the property less the land value.

**Tenant** – a person or persons renting and inhabiting a room or a dwelling unit from a landlord.

**Tier I Environmental Review** - A broad evaluation encompassing geographical areas or neighborhoods often with similar environmental characteristics.

**Tier II Environmental Review** - An evaluation conducted of site-specific conditions to determine if the proposed construction action has a significant impact on the environment based on Review Topics from 24 C.F.R. part 58.

**Uniform Relocation Act (URA):** The Uniform Relocation and Real Property Acquisition Policies Act of 1970 (URA) is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms.

**Urgent Need National Objective** - Represents an urgent need that exists because existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months), and the subrecipient cannot finance the activities on its own because other funding sources are not available.

**Waste** - A thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of resources owned or operated by the Program to the detriment or potential detriment of the Program. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls. Waste does not normally lead to an allegation of “fraud,” but it could, depending on the circumstances.

**Wildland-Urban Interface (WUI) Area:** Geographical area identified by the state as a “Fire Hazard Severity Zone” or designated to be at a significant risk from wildfires where structures and other human development meets or intermingles with wildland or vegetative fuels.

**Wildland-Urban Interface Area Building Codes** - Building codes applicable in WUI areas that are specifically designed to mitigate the risks from wildfire to life and property. The standards within a WUI area building code varies according to the scope that a community is willing to adopt and enforce. WUI area building code may include the following topics:

- **Structure density and location:** number of structures allowed in areas at risk from wildfire, plus setbacks (distance between structures and distance between other features such as slopes).
- **Building materials and construction:** roof assembly and covering, eaves, vents, gutters, exterior walls, windows, ignition-resistant building materials, and ignition-resistant surfaces.
- **Vegetation management:** tree thinning, spacing, limbing, and trimming; removal of any vegetation growing under tree canopies (typically referred to as “ladder fuels”), surface vegetation removal, and brush clearance; vegetation conversion, fuel modifications, and landscaping.
- **Emergency vehicle access:** driveways, turnarounds, emergency access roads, marking of roads, and property address markers.
- **Water supply:** approved water sources and adequate water supply.
- **Fire protection:** automatic sprinkler system, spark arresters, and propane tank storage.

- **Work in Place (WIP)** - refers to repair activities already completed at the time of the initial inspection.

**Work Order** – Refers to the assignment of a file to Construction Management to begin Preconstruction Activities.



## 2 Program Purpose and Overview

In response to qualified presidentially declared disasters, the California Department of Housing and Community Development (HCD) developed the ReCoverCA Owner-Occupied Rehabilitation and Reconstruction Program (“OOR” or “Program”) to assist eligible homeowners in the rehabilitation or reconstruction of their disaster- damaged homes.

While no homeowner can or will be “made whole” from their loss, the Program provides grants up to \$500,000 as gap funding for reconstruction of modest homes for Low- and Moderate-Income Households.

To determine the award amount, the Program determines an applicant’s “total need” by generating a Scope of Work (SOW) which factors in the actual cost to reconstruct the home including site-specific costs. The program will then deduct the total Duplication of Benefits (DOB) the applicant previously received from the SOW amount. If there is remaining need after all DOBs have been applied, the applicant is eligible for an award of up to \$500,000. If the remaining total need, less DOBs, is under \$500,000, an award is issued. If an Applicant’s DOB is greater than total need, no award is issued. If the applicant’s remaining need is greater than the \$500,000 grant cap, then the applicant will have to provide funds to cover the difference between the grant cap and remaining need, or the Program will not be able to continue with the project.

To apply for the program, homeowners must first complete the Disaster Housing Assistance Survey available on the Program website at <https://ReCover.hcd.ca.gov/>, potentially eligible homeowners are then invited to complete a grant application.

The Program serves homeowners whose homes sustained damages in the areas impacted by federally declared disasters.

The Program offers two solutions to homeowners: Program-managed construction or homeowner-managed construction.

Applicants are prioritized according to the location of the property, household income, and extent of damages. A case management team will assist Applicants in navigating the Program.

As a condition of funding, the homeowner is required to meet program requirements, including maintaining ownership and occupancy of the home as their primary residence for a period of 24 months after Program rehabilitation or construction is completed. See [Section 13: Construction Closeout, Applicant Compliance, and Monitoring](#) for more details about compliance and monitoring.

The purpose of this document is to outline the governing policies and procedures of the Program. As periodic updates are required to these policies and procedures, new versions will be posted on the HCD disaster recovery website (<https://www.hcd.ca.gov/community-development/disaster-recovery-programs.shtml>) and on the Program website (<https://ReCover.hcd.ca.gov>) with a description of the changes made.

## **3 Program Description**

### **3.1 Roles and Responsibilities**

#### 3.1.1 HUD

HUD maintains all federal rules, regulations, and documents related to the CDBG-DR appropriation to the State of California. Categories of activities are determined by HUD and are set forth in the rules and regulations specific to the CDBG-DR funds allocated to the State of California. HUD is also responsible for monitoring and oversight of all CDBG-DR Programs administered by HCD.

#### 3.1.2 HCD

HCD's Disaster Recovery Section is responsible for Program development and oversees its delivery at the state level. The application process invites impacted residents from Program service areas to apply for assistance.

The state has procured a qualified Homeowner Assistance Program Management vendor (HAPM) to perform full scale program management duties. The state has also procured a qualified Construction Management (CM) vendor to lead damage estimation, environmental review, and Rehabilitation, Reconstruction, or Manufactured Housing Unit (MHU) Replacement activities with each awarded Applicant. HCD provides oversight, monitoring, and quality assurance/quality control ("QA/QC") on all work performed by program delivery contractors.

#### 3.1.3 Homeowner Assistance Program Management Vendor

The Homeowner Assistance Program Management (HAPM) vendor is responsible for marketing, distribution, and implementation of the Program, including the application process overseeing intake, completing eligibility and benefit determinations, providing case management through the process, QA/QC to ensure Program compliance and prevent fraud, waste, and abuse, and serving as a liaison between Applicants and the Construction Management vendor.

Applicants have assigned case managers, managed by the HAPM vendor, to support them through the recovery process from application to construction and project closeout. In addition, the procured HAPM vendor supports Program marketing and outreach efforts, ensuring vital information on the Program is made available to impacted residents and encouraging participation in the Program.

#### 3.1.4 Construction Manager (CM)

The Construction Manager (CM) performs or causes to be performed the housing Rehabilitation, Reconstruction and MHU Replacement work under the Program. The CM is responsible for completing initial home inspection, Environmental Tier II reviews, determining cost to repair or rebuild (generating the ECR), developing the construction Scope of Work for all approved projects directly or through general contractors, developing plans for rebuild projects, monitoring progress and closeout on all construction progress, as well as overseeing the draw request process.

The CM performs MHU services consisting of rehabilitation or replacement of eligible structures in compliance with local, Federal, and State statutory requirements.

The CM provides eligible Applicants with replacement housing options that meet California and WUI building codes, as well as ADA compliance.

The CM is responsible for procuring replacement MHUs, hauling MHUs to site, and completing all necessary site preparation and installation activities on behalf of the Program.

### 3.2 Program Solutions

Due to the time that generally passes between the disaster and the HUD funding being available, homeowners are in varied states of their recovery process. In response, the Program consists of two possible solutions. The two solutions are: 1) Program-Managed rehabilitation or reconstruction and 2) under certain, specific circumstances, Homeowner-Managed rehabilitation or reconstruction.

The Recover CA program survey assigns Applicants to the solution best suited to their progress and the extent of damage to their property, however the Program reserves the right to change an Applicant's selected solution if they do not meet the requirements for their selected solution.

In addition to all eligibility requirements, properties will **only** be eligible for Solution 2 if:

- The damaged property has completed the construction progress milestones associated with the 25% Stick-built Draw Intervals (See [Section 11.2](#)).
- The federally required "Stop Work Order" at the Application stage has been implemented
- The homeowner is currently under contract for the remaining work to complete the project (See [Section 3.2.2](#) for details).

Properties that do not meet the required progress benchmark and contracting requirements, as determined by the initial site inspection conducted by the CM will automatically be assigned to Solution 1, however, **under no circumstances** where construction has begun will the Program "take over" construction on a project. The Program does not recommend and is not responsible for any homeowner who has pulled permits, paid for design work, or has signed construction contracts without having all funding in place to complete construction.

All MHU replacements are automatically assigned to Solution 1.

Reconstruction is defined as the rebuilding of a structure on the same site in substantially the same manner. Reconstruction is permissible where the total cost of rehabilitation is greater than the cost to reconstruct or where rehabilitation is otherwise technically infeasible. The number of rooms may only increase based on the HUD guidelines for number of persons per bedroom in relation to the household size and make up.

The level of construction required, either rehabilitation or reconstruction, is determined by the Program and the Estimated Cost to Repair based on the CM's initial inspection.

#### 3.2.1 Solution 1: Program-Managed "Turnkey" Rehabilitation and Reconstruction

For eligible Homeowners assigned to Solution 1, the Program will manage and complete the rehabilitation or reconstruction of their impacted homes using the state-procured

Construction Manager (CM).

The CM contractors assesses the damage and prepares a Scope of Work (SOW), based on Standard Grade Building Materials as calculated using a national building-industry estimating software, and [Minimum Architectural and Design Standards](#) defined by the Program for each rehabilitation and reconstruction project (the Minimum Architectural and Design Standards can be found on the OOR website at <https://recover.hcd.ca.gov/>). The CM's construction contractors then complete projects in accordance with the SOW.

Funding for all construction projects will come from two sources: 1) Applicant contribution, also known as escrow funds (See [Section 8.3 Escrow](#)), and 2) Grant funds. Payments to the Applicant's general contractor will be made by the Program following a progress inspection by the CM and signoff by the Applicant. Escrow funds must be exhausted first before the Program can begin disbursing grant funds.

Applicants are required to accept their Grant Award Acknowledgment with the Program and enter into a construction contract with the CM contractor. The Program evaluates the SOW then performs, or contracts, for all needed services. These services include, but are not limited to, environmental review, environmental remediation, lead based paint testing, lead abatement, site-preparation, construction, or purchase of a replacement MHU to bring the dwelling to a reasonable level of livability.

This solution may include a full reconstruction or rehabilitation, depending on the condition of the home. Moving out of or continuing to live away from the property during construction is required, is the homeowner's responsibility, and done at their own expense. Rehabilitation and reconstruction estimates are based on Standard Grade Building Materials and the Program's Minimum Design Standards. All Rehabilitation and reconstruction estimates, as well as any replacement housing, is based on the general size and floorplan options roughly comparable to the damaged or destroyed property. However, the homeowner's household size and amount of insurance proceeds received by the homeowner will be included in the determination of the potential floorplan the homeowner may qualify for.

For reconstruction projects under Solution 1: Program-Managed Construction, the Program offers specific new house designs in varying square footage configurations for 2, 3, or 4-bedroom homes. When utilizing Solution 1, the Program will rebuild homes using the [Minimum Architectural and Design Standards](#) defined by the Program and does not provide customized home designs. As well, the Program will rebuild a modest home for an eligible Homeowner that meets HUD's size requirements based on household size and make up, which may be smaller or larger than what the Homeowner originally had.

The Program builds newly constructed homes to meet applicable codes and standards for buildings within Wildland-Urban Interface (WUI) fire areas. If the damaged structure, whether rehabilitated or reconstructed, is in a Special Flood Hazard area (SFHA), the structure must be insured against risk of loss from flood under a flood insurance policy at all times and in perpetuity. Applicants who fail to maintain flood insurance when required due to location in a SFHA, and in perpetuity, are at risk of being ineligible for future federal assistance with disaster relief funding from any federal agency.

The Program has determined that in order to achieve long-term recovery it is more cost-

effective to replace severely damaged or older mobilehomes or MHUs, including purchase price and haul and hookup costs, rather than repairing a damaged mobilehome or MHU. An MHU will be replaced with a similar unit not with a stick-built home.

The Program may rehabilitate a mobilehome or MHU only if it meets two requirements: 1) the mobilehome or MHU costs less than \$10,000 to repair based on Program SOW determination, AND 2) the mobilehome or MHU is model 2009 or newer.

Mobile homes or MHUs that do not meet these requirements may be replaced but not rehabilitated. The Program has determined that this approach achieves the long-term housing recovery goals for California's disaster-affected citizens.

All replacements of mobilehomes or MHUs fall under Program Solution 1.

### 3.2.2 SOLUTION 2: Homeowner-Managed Construction – Rehabilitation and Reconstruction

Homeowners may only be assigned to Solution 2 if they have:

- successfully completed the construction milestones associated with the OOR Program's 25% Construction Draw Interval (See [Section 11.2](#)), which are fully permitted and utilized a construction contractor who holds a Class B General Contractor's license from and in good standing with the California Contractors State License Board (CSLB), AND
- an active construction contract with a construction contractor who holds a Class B General Contractor's license from and in good standing with the CSLB for completion of the rebuild project to all federal, state and local codes and requirements. Insurance levels need to be adjusted to meet Program requirements (amounts will be specified in the construction contract with the Program's CM).

Due to the inherent risks associated with taking over a build from a construction contractor, under no circumstances will a Rehabilitation or Reconstruction project be started by a private contractor and finished by the Program. The Program is not responsible for any project where the Homeowner entered into a construction agreement before all construction funding to finish the project had been secured. The Program is not, in anyway, a custom home building program. The only costs in Solution 2 that are Program eligible are for Standard Grade Building Materials

Once a Solution 2-eligible Applicant applies to the Program, CM will send a team to verify status of the already completed Work in Place (WIP) and to produce an Estimated Cost of Repair (ECR See [Section 9.6.2](#)) based on how much work is required to complete the reconstruction/rehab project. The dollar value of the Solution 2-eligible Applicant's WIP will be counted against the Applicant's existing Duplication of Benefit (DOB) amount received by the Applicant, if any. The remaining funds from the Applicant's DOB after WIP offsets will then be compared with the Program-estimated ECR for final award determination and to determine what the homeowner required contribution amount will be (also known as escrow amount), if any.

Per federal environmental regulations, Solution 2 Applicants must stop work immediately

upon submitting their application to allow the CM to complete an Environmental Review. After the Environmental Review is completed, Applicants will be issued an environmental clearance from the Program. If a Solution 2 Applicant chooses to resume work after obtaining environmental clearance, it will be entirely at their own risk. An environmental clearance from the Program does not mean OOR funds have been, or will be, committed to the Applicant's project.

Once the Program is ready to commit funds to the Applicant's Project, the Applicant will receive their Grant Award Acknowledgment. Once the Applicant signs this, Solution 2 Applicants will also sign a construction management agreement with CM that will verify no changes to the following documents submitted during intake and eligibility review:

- Permitted Version of Applicant's building design plans and specifications
- Evidence of a signed and active construction contract between the Applicant and their general contractor
- Evidence of proper licensing and insurance for Applicant's general contractor
- All required building permits

Since these are needed for eligibility, failure to produce those minimum required documents will prevent the Applicant from proceeding with a Solution 2 project. If the Applicant falls out of compliance with the terms of the CM construction agreement after signing, then the Applicant may become ineligible to proceed with the project and may have to repay Program funds (See [Section 14](#)).

The Applicant manages the entire project under the oversight of the Program Construction Manager.

For Solution 2 Applicants, the Program Construction Manager services include the following:

- Review Applicant-provided plans and contractor bids, to approve and ensure cost reasonableness and all code and qualified repair item requirements are being met before owner financing or additional funds can be used for any non-eligible repair items so that assistance only supports what is necessary and cost reasonable
- Complete Environmental Services site inspections in accordance with CEQA standards and exemptions as applicable.
- Complete Tier II Environmental Services site inspections in accordance with NEPA standards
- Monitor, oversee, and inspect the construction process for quality assurance, and to verify and approve that completed work items are consistent with the approved plan and specifications in support of progress payments
- Conduct milestone inspections of the construction process through substantial completion and release of final payment.

Funding for all construction projects will come from two sources: 1) Applicant contribution, which must be placed in escrow (See [Section 8.3](#)), and 2) Grant funds. Payments to the Applicant's general contractor will be made by the Program following a progress inspection by the CM and signoff by the Applicant. Escrow funds must be exhausted first before the Program can begin disbursing grant funds.

For both Solution 1 & 2 projects, self-supplied materials or labor are not qualified for

CDBG-DR reimbursement, credit, or repayment requests. Eligible repair offset credits will be provided for all documented and properly completed work based on unit pricing and labor costs established by the Program and in Section 9.5.15.

### **3.3 Program Assistance**

Assistance for eligible Applicant's is in the form of a grant. Grants are approved for qualified Applicants after the SOW has been approved, following initial inspection and environmental clearance. The SOW is determined by a site inspection performed by the CM's qualified damage inspector and construction estimator. Once the SOW has been determined, the amount of Duplication of Benefit (DOB) is deducted, and the award amount is determined.

The maximum amount of assistance is \$500,000 per damaged structure.

As a standard practice, Program qualified Applicants whose repair, rehabilitation, or reconstruction projects, in order to be completed, will require an amount of funds in excess of the maximum grant cap, must fund the remainder of their project with private funds or other resources.

All additional funds must be placed in an escrow account that is managed by the HAPM vendor; all other funding sources must be spent before grant funds can be spent.

### **3.4 Program Timeline**

The Program was fully launched in Spring 2021 and will remain operational through the end of the grant term as determined by HUD (generally three years), until all funds allocated to the program are exhausted, or until all LMI homeowners eligible for assistance have been assisted, whichever comes first. Construction timeframes can vary depending on whether the Applicant is rehabilitating or reconstructing their property.

The CM conducts routine and periodic milestone inspections on all construction projects to ensure timely completion of construction scopes in accordance with construction plans and industry standards for safety and craftsmanship. Milestone inspections will also serve to verify that funding requests for work complete are consistent and supported by on-site verification.

## 4 Program Requirements

- The homeowner must meet certain eligibility standards to qualify for assistance. See Section 6 for greater details.
- The property must pass a federally required environmental review. Once an application is submitted, no construction may continue or begin until the environmental review is complete and any necessary scope for environmental remediation and monitoring of the required environmental remediation is included in the final estimate.
- For assistance activities, Applicants must demonstrate that the damage to the structure was the direct result of a qualified disaster(s).
- Participation in at least one housing counseling session led by a CDBG-DR funded housing counselor prior to the Applicant receiving a ReCoverCA Grant Award Acknowledgment.
- All projects must comply with all applicable federal, state, and local codes and requirements.

### 4.1 National Objectives

The primary objectives of the CDBG-DR Program are to assist communities recovering from the impacts of a disaster by providing decent housing and suitable living environments and to expand economic opportunities, principally for LMI persons. These objectives are achieved by ensuring that each funded activity meets one of three named National Objectives: 1) benefiting LMI persons; 2) preventing or eliminating slums or blight; or 3) meeting urgent needs in the community.

All CDBG-DR Programs must meet a National Objective. All housing activities for the Program must meet the LMI or urgent need National Objectives as defined below:

#### 4.1.1 Low- to Moderate-Income (LMI) National Objective

Homeowners applying for disaster assistance are processed by priorities based on the Program's prioritization criteria. 70 percent of all CDBG-DR funding awarded to the state (excluding planning and administration funds) must fund LMI beneficiaries.

LMI beneficiaries include households and persons whose income as a percentage of Area Median Income (AMI), adjusted for family size, fall into the levels below:

- 0% - 30% AMI Extremely Low
- 31%-50% AMI Very Low
- 51%-80% AMI Low

#### 4.1.2 Urgent Need (UN) National Objective

An urgent need that exists because existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months), and the recipients cannot finance the activities on their own because other funding sources are not available. The UN National Objective will also be used when serving home Rehabilitation, Reconstruction or MHU Replacement for households above 80% AMI identified in Tiers 5-8 in Section 5, if funding is available after all LMI households have been served.



## 4.2 Eligible Activities

The following Housing and Community Development Act of 1974 (HCDA) activities that are eligible for CDBG-DR assistance under the ReCoverCA Owner-Occupied Rehabilitation and Reconstruction Program: Demolition and Site Preparations, Rehabilitation, Reconstruction of Buildings (including Housing) (HCDA Section 105(a)(4)).

Additionally, the state incorporates the waivers and alternative requirements as published in federal register notices 83 FR 5844 83 FR 40314. HCD commits to funding activities eligible under Title I of the Housing and Community Development Act of 1974 or those activities specified by waiver in 83 FR 5851. Selected projects are funded through completion in accordance with their financing needs.

All other funds necessary to complete the construction/rehabilitation must be accounted for and expended prior to any disbursement of grant funds. This includes personal funds, insurance recoveries and other grants from FEMA and any other sources.

## 4.3 Ineligible Activities

The following activities are *ineligible* and CDBG-DR grant funds *cannot* be used for any portion:

- Mortgage payoffs
- SBA home/business loan payoffs
- Funding for detached accessory dwelling units
- Funding for portions of, or an entire property designated as a rental unit
- Funding for second homes
- Compensation payments
- Partial or incomplete repairs or reconstructions of properties
- Repair or replacement of personal property or building contents
- Repair or replacement of luxury or non-critical items, such as swimming pools and security systems
- Landscaping packages outside of bare lawn seeding or permit required street trees
- Additional decks, patios or covered or enclosed porches in excess of entry and egress requirements.
- Homeowners that do not comply with the required environmental stop-work order as described in Section 9.3.3 herein.
- Homeowners in Solution 2 that are living in their partially reconstructed home without a Certificate of Occupancy issued by their local building department.
- Any activities that do not comply with local, state and federal laws or regulations.

In addition, CDBG-DR assistance is not available for homeowners whose home was in a flood hazard zone, previously received federal flood disaster assistance, and failed to maintain the required flood insurance.

HCD ensures that construction costs are reasonable and consistent with current market

costs for the area where the property is Rehabilitated, Reconstructed or Replaced. In accordance with Program guidelines, construction estimates are based on Standard Grade Building Materials.

#### **4.4 Housing Counseling**

Applicants to any ReCoverCA housing program are required to participate in the ReCoverCA Housing Counseling Program. As a condition for receiving an award, these Applicants must complete at least one housing counseling session led by a CDBG-DR funded housing counseling organization and provide documentation certifying completion of the session. A session must result in an action plan for the Applicant to meet their housing needs. The program pays for up to three housing counseling sessions per Applicant, but only one is required. The housing counseling session must be completed prior to the Applicant receiving and signing the ReCoverCA Grant Award Acknowledgment.

These sessions may cover topics, such as, but not limited to:

- Applying for public and private resources.
- Explaining ReCoverCA program(s).
- Reviewing the process involved in obtaining financing (including the selection of a lender).
- Establish a property purchase eligibility and affordability threshold on an Applicant- by-Applicant basis.
- Evaluating a client's completed Uniform Residential Loan Application (Fannie Mae Form 1003/Freddie Mac Form 65) for general deficiencies.
- Pre-purchase homebuyer education.
- Negotiating mortgage and rent forbearance.
- Short and long-term budgeting counseling.
- Financial resources assessment
- Explaining insurance options.
- Acting as a safeguard against fraud and scams, including identifying discrimination, when applicable.
- Wildfire season planning and preparation as it relates to temporary and long-term housing.
- Relocation counseling for home purchase options.
- Credit repair counseling.
- Advocacy with insurance and mortgage companies.
- Connection to other resources that provide home repair relief and emergency assistance.
- Individualized education addressing how to remediate mold, lead, or other health hazards.
- Other Housing Counseling management services permitted under HUD Housing Counselor activities.

Housing counseling organizations meet with Applicants for an initial consultation after an

intake process. At the initial consultation, the housing counseling organization meets and discusses the housing needs with the Applicant and other household members that attend. The housing counseling organization must confirm the application information and collect documents supplied by the Applicant in connection to their particular needs, as well as provide a list of additional documentation that is required as next steps based identified needs.

Applicants should provide all required documents within a reasonable timeframe to ensure progress and success of their participation in the Program. Housing Counseling organizations are responsible for two (2) follow up contacts with the Applicant to ensure that the Applicant is following or has completed the Action plan.

If the Applicant schedules and fails to attend two (2) sessions without notifying the housing counseling organization, their case may be put on hold, which will prevent the Applicant from fulfilling the Program's Housing Counseling requirement. The Housing Counseling organization will inform the Applicant and the Program of this action.

Housing counseling organizations are expected to individualize consulting recommendations for each Applicant based on their identified need and provide services in line with those needs. Upon completion of service delivery to a participant, the housing counseling organization will provide any required beneficiary and outcome information to HCD.

The program provides accommodations to individuals with wide- ranging disabilities, including mobility, sensory, developmental, emotional, or other impairments through communication standards and/or program policies that adhere to HUD policies such as Americans with Disabilities Act (ADA) compliance and Section 504 of the Rehabilitation Act of 1973 (504).

#### 4.4.1. Termination of Services

Participating housing counseling organizations must document termination of housing counseling in the client's file. Termination occurs or may occur under any of these conditions:

- The client meets their housing need or resolves the housing problem.
- The agency determines that further housing counseling will not meet the client's housing need. The agency attempts to, but is unable to, make contact with the client.
- The client does not follow the agreed-upon work plan.
- The client otherwise terminates housing counseling; or
- The client fails to appear for two (2) housing counseling appointments without notifying the housing counseling organization.

### **4.5 Anti-Fraud, Waste, and Abuse**

During the application process, applicant(s) sign a fraud acknowledgement statement, asserting and affirming under penalty of perjury that all information in their survey and application, as well as documents provided and executed in conjunction with the ReCoverCA OOR program are true to the best of his and/or her knowledge. Applicant(s) certify that all damages claimed in

connection with an application for were a direct result of the disaster(s), and that all insurance proceeds and other funds received from governmental agencies as compensation for damages as a result of the disaster(s) have been disclosed. Further, applicant(s) acknowledge that they may be prosecuted by Federal, State and/or local authorities in the event of false, misleading and/or incomplete statements and/or documents. Applicant(s) agree to repay grant proceeds in the event Applicant(s) make or file false, misleading and/or incomplete statements and/or documents.

ReCoverCA has established procedures for verifying the accuracy of information provided by Program Applicants. Internal processing steps are taken to identify discrepancies in information provided by third parties that may be indicative of fraud, waste, and abuse. These steps are conducted systematically, utilizing standardized research methodologies and flag identification processes for consistency and equitable treatment across relevant sources.

ReCoverCA also verifies the accuracy of information provided by its vendors. As part of the state procurement process, contractors are required to complete a vendor background questionnaire and to report pertinent information relating to the contractor and/or its key personnel. Prior to contract execution, company background checks are conducted, and channels are established with other agencies to verify and validate those that will be providing services on behalf of the program. Processing steps including multiple levels of quality assurance and quality control reviews are conducted to validate vendor provided application information used in an applicant's eligibility and award determination as well as during the construction process.

The fraud acknowledgement signed by applicant(s) during the application process includes a notice of the danger of fraud and scams perpetrated by unscrupulous individuals, contractors and businesses. Anyone wishing to report suspicious or fraudulent activity may contact the program via email at [ReCoverCA@hcd.ca.gov](mailto:ReCoverCA@hcd.ca.gov) or via phone at (916) 263-6461.

Applicants who are victims of theft, vandalism, or contractor fraud will also need to file a formal complaint with a government authority such as a law enforcement agency, the California Contractor's Licensing Board, or the Attorney General. Additionally, a civil action filed in a California court detailing the cause and amount of fraud in sufficient form can suffice and may be reviewed by HCD when making a final determination of consideration for unmet needs assistance.

As detailed in section 9.5.15 of this program policy, ReCoverCA has procedures in place to address a homeowner's unmet assistance needs as a result of fraud, waste, or abuse by a contractor. If proven, the homeowner's duplication of benefit can be reduced, and the program can provide scope to cover the applicant's unmet needs to complete home repairs.

#### **4.6 Referral to HUD Inspector General**

ReCoverCA Program employees have an obligation to promptly report misconduct, fraud, waste, abuse, or mismanagement directly to the Office of Inspector General (OIG) in the administration of, or participation in, disaster recovery programs. This includes irregularities, misrepresentations, and bribery overtures (attempts or solicitations included).

ReCoverCA Program staff must also refer cases to OIG when they have questions about the truthfulness or accuracy of any application or supporting documentation, data, and information (including tax return information), or any other false information provided by applicants and/or applicants' representatives, in the course of participation in the Program.

## 5 Prioritization Criteria

Homeowners are prioritized according to the location of the property within the HUD-designated Most Impacted and Distressed areas, household income, and level of damage. It is expected that there are more eligible homeowners than can be served with available funds and low- and moderate-income households must be offered a grant award first.

### 5.1 Prioritization Tiers

For the 2017 and 2018 disasters, homeowners are prioritized in accordance with the tiers outlined in the table below to address two key requirements of the CDBG-DR funds:

- 1) 70 percent of the overall allocation of CDBG-DR funding must benefit LMI populations.
- 2) 80 percent of the CDBG-DR funds must be spent in HUD-designated Most Impacted and Distressed areas.

Using its own methodologies, HUD identified the Most Impacted and Distressed (MID) areas from the DR-4344 and DR-4353 disasters to include seven areas: Sonoma and Ventura counties, and five zip codes (93108, 94558, 95422, 95470, and 95901). For DR-4382 and DR-4407 disasters Butte, Lake, Shasta, and Los Angeles counties are identified as MID.

HUD requires that a minimum of 80 percent of all total funding is spent in these MID areas. After 80 percent of the funding is awarded in the above most impacted and distressed areas, all counties included in DR-4344, DR-4353, DR-4382, and DR-4407 are eligible for assistance:

**DR-4344** – Atlas, Canyon II, Cascade, Cherokee, La Porte, Lobo, McCourtney, Nuns, Patrick, Pocket, Redwood Valley, Sulphur, and the Tubbs Fires (California Wildfires). Incident Period: October 08, 2017 – October 31, 2017. Major Disaster declared on October 10, 2017. Designated Counties: Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma, and Yuba.

**DR-4353** – Thomas, Creek, Rye, Little Mountain, Skirball, Lilac, and Liberty Fires (California Wildfires, Flooding, Mudflows, and Debris Flows. Incident Period: December 04, 2017 – January 31, 2018. Major Disaster declared on January 02, 2018. Designated Counties: Los Angeles, San Diego, Santa Barbara, Ventura.

**DR-4382** – Carr and Mendocino Complex Fires (California Wildfires and High Winds). Incident Period July 23, 2018 – September 19, 2018 Major Disaster declared on August 4, 2018. Designated Counties: Shasta and Lake.

**DR-4407** - Camp, Hill, and Woolsey Fires (California Wildfires). Incident Period November 8, 2018 - November 25, 2018 Major Disaster declared on November 12, 2018. Designated Counties: Butte, Los Angeles, and Ventura.

Within each Tier, owner-occupied households with a household member who is disabled or has access or functional needs are given priority. Also, within each tier, priority will be given to homes without a Certificate of Occupancy, temporary Certificate of Occupancy, or temporary use permit on their disaster affected permanent dwelling.

The eight (8) prioritization tiers are described below:

#### **Tier 1**

- The property is geographically located within the Most Impacted and Distressed area
- Households with Low-to-moderate income
- The property sustained Major or Severe Damage

#### **Tier 2**

- The property is located in an area that received a Federal Disaster Declaration, but not within the Most Impacted and Distressed area
- Households with Low-to-moderate income
- The property sustained Major or Severe Damage

#### **Tier 3**

- The property is geographically located within the Most Impacted and Distressed area
- Households with Low-to-moderate income
- The property did not sustain Major or Severe Damage

#### **Tier 4**

- The property is located in an area that received a Federal Disaster Declaration, but not within the Most Impacted and Distressed area
- Households with Low-to-moderate income
- The property did not sustain Major or Severe Damage

#### **Tier 5**

- The property is geographically located within the Most Impacted and Distressed area
- All household income levels, to include non-LMI
- The property sustained Major or Severe Damage

#### **Tier 6**

- The property is located in an area that received a Federal Disaster Declaration, but not within the Most Impacted and Distressed area
- All household income levels, to include non-LMI
- The property sustained Major or Severe Damage

#### **Tier 7**

- The property is geographically located within the Most Impacted and Distressed area
- All household income levels, to include non-LMI
- The property did not sustain Major or Severe Damage

#### **Tier 8**

- The property is located in an area that received a Federal Disaster Declaration, but not within the Most Impacted and Distressed area
- All household income levels, to include non-LMI
- The property did not sustain Major or Severe Damage

The Table below summarizes the eight (8) prioritization tiers described above:

Applicant Prioritization Tiers	Geography		Owner-occupant Household Income		Property Damaged by DR-4344, DR- 4353, DR- 4382, or DR- 4407
	Most Impacted Counties and Zip Codes Only	All Areas That Received a Federal Disaster Declaration	LMI Only	All Incomes	Major or Severe Damage
<b>Tier 1</b>	X		X		X
<b>Tier 2</b>		X	X		X
<b>Tier 3</b>	X		X		
<b>Tier 4</b>		X	X		
<b>Tier 5</b>	X			X	X
<b>Tier 6</b>		X		X	X
<b>Tier 7</b>	X			X	
<b>Tier 8</b>		X		X	

## 6 Applicant and Property Eligibility Criteria

The following are threshold requirements, which must be met for an Applicant to be eligible to participate in the Program and receive assistance. Eligibility does not guarantee assistance.

Applicants must meet through legal documentation ALL the following threshold criteria for the Program:

- Location of the damaged property is within an area impacted by an eligible federally declared disaster.
- Damage to the property was the result of the qualifying event.
- Applicant must have owned and occupied the damaged home as their primary residence at the time of the qualifying disaster (second homes, vacation homes, and rental properties are not eligible for assistance under the Program).
- Must be current on property taxes or have an approved payment plan or ~~tax~~ exemption.
- The property must be a fully titled and substantially conforming (with current zoning and ordinances), single-family dwelling on a permanent foundation or affixed to a permanent pad (leased or owned pad), such as a Stick-built, modular, mobilehome or MHU (i.e., not a condominium, duplex, fourplex, or other multi-owner property). "Fully titled" includes a permanent Certificate to Occupy on file with the city or county that was issued and active at the time of the disaster.
- Applicant must be a U.S. Citizen or a qualified alien to receive federal public benefits as detailed in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.
- Applicant must allow access to the damaged property for all necessary Program staff; and
- Applicant must have legal authority to complete an application, provide certifications and accept their Grant Award Acknowledgment.

All households qualifying for the Program based on the threshold criteria are required to submit the following documentation:

- Photo ID - Driver's license, Government issued ID, or Passport for all Applicants and co-Applicants
- Proof of Income – Most recent IRS 1040 tax return or last 3 months paystubs and/or benefit statements (social security, disability, retirement, pension, etc.). However, per the federal requirement that the Program must avoid fraud, waste and abuse, the Program reserves the right, in its sole discretion, to required additional documentation to substantiate LMI determinations. This includes claims of zero income; not filing tax returns is not sufficient evidence of zero income since property owners must pay property taxes and general costs of living.
- Proof of Ownership - Property tax bill, deed, title, court order affidavit/succession, FEMA Individual Assistance (IA) funding, SBA loan approval for disaster victims or a recent mortgage statement.
- Proof of Primary Residence - Primary residence homeowner property tax exemption, FEMA, or SBA approval letters, filed IRS 1040 tax returns for the disaster year, or along with an affidavit the program can also accept a voter registration card, dated prior to the fire.
- Proof of Damage - FEMA award letter, SBA loan approval, or Insurance settlement statement constitute proof that the home was damaged.
  - In the event that documentation is not available, a damage inspection report (complete with photos of the damage and a written assessment of the damage) is acceptable.
- Disaster Assistance Received - FEMA award letter, SBA award letter, Insurance claim summary, and/or proof of any other funding that may have been given/used for home rehabilitation or



reconstruction.

- Proof of Current Property Tax - Paid property tax bill. Applicant must furnish evidence that property taxes are current, have an approved payment plan or qualify for an exemption under current laws. Applicant must prove that property taxes have been paid or that one of the following alternatives have been met:
  - The property owner qualified for and received a tax deferral as allowed under local tax code.
  - The property owner qualified for and received a tax exemption pursuant to the local tax code; or
  - The Applicant entered into a payment plan with the applicable taxing authority.

The Program reserves the right, in its sole discretion, to request additional documentation to determine an Applicant's eligibility or to confirm meeting Program requirements.

## **6.1 Ownership**

The Applicant must have been the owner of the property at the time of the qualifying event. The Program establishes ownership by matching the owner's name on the application with property tax records at the time of the disaster.

The Applicant must be the current owner of the property. The Program establishes current ownership by matching the owner's name on the application with current property tax records.

If unable to obtain a match between the names on the application and the names on the property tax records, the Program requires the following documentation to satisfy the ownership eligibility requirement:

- Deeds or other legal documents to be reviewed on a case-by-case basis.
- Proof of FEMA Individual Assistance (IA) funding for repair or reconstruction or SBA loan approval for disaster victims

The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation at any point during the application process.

**6.1.1 Special Circumstances Related to Type of Ownership a. Stick-built homes on leased land**  
Applicants with Stick-built homes on leased land must document that they: were the owner of the structure at the time of the disaster, had the repair responsibility for the home, and currently have a valid lease with enough time left to cover the duration of the project and the 24-month monitoring period. The Applicant must show that they meet these criteria by providing the following documents:

- Property tax records that show the Applicant owned the structure at the time of the disaster event.
- Signed lease for the land showing that the Applicant is the owner of the structure and is responsible for repairs to the damaged structure, and
- Insurance policy on the damaged home in the naming the Applicant as insured.

### **b. Mobilehomes or MHU's on leased land**

Applicants with mobilehomes or MHUs on leased land must document that they owned the structure and had a valid lease on the land at the time of the qualifying event. The Applicant must show that they meet these criteria by providing the following documents:

- Certificate of Title from California HCD
- County tax assessment for the structure

- Recorded lease agreement
- Bill of Sale

Additional documents related to ownership of MHUs to be reviewed on a case-by-case basis.

c. Trust

If the title to the property is held in a Trust, the Trust must be a co-Applicant on the Application.

At least one trustor/grantor of the trust must have occupied the damaged property as their primary residence at the time of the disaster

At least one of the occupants at the time of the disaster was the trustor, or in the event of an irrevocable trust, the Trustee, or a current beneficiary

The following documents are required to confirm ownership:

- Copy of the complete trust agreement and all amendments to show the trust's name, identification number (TIN, EIN, or SSN), the date the trust was created and amended, names of all trustor(s)/grantor(s), and the names of all trustees.
- Abstract or an extract of the trust
- The applicable CM construction contract must be executed by the trustee(s) and all persons whose signature is required to encumber the property.

d. Foreclosure

Applicants whose homes are in foreclosure or have been foreclosed upon since the disaster are not eligible for the Program.

e. Non-compliant with FEMA regulations

The National Flood Insurance Reform Act of 1994 (NFIRA), Public Law 103-325 as amended, contains certain provisions regarding the purchase and maintenance of flood insurance in order to qualify for Federal assistance.

Applicants who received Federal flood disaster assistance that was conditioned on obtaining flood insurance under Federal law, but who did not obtain and maintain the insurance, are not eligible for Federal disaster assistance under this program.

f. Death of an eligible Applicant

When the Program is notified of the passing of an Applicant, the HAPM will work with the heirs/successors/estate administrators as applicable to complete a new eligibility review of the application. Specific scenarios are listed below.

Should the passing of an eligible Applicant require that construction work stops, the CM will immediately weatherize the damaged property in a manner that protects the property, preserves any partially completed work, and avoids any adverse effects of stopping construction activities.

Successors of the Applicant must provide a death certificate and provide documentation to substantiate new ownership of the damaged property, for example: will, probate documents, and/or court orders to start the new eligibility review process.

After the passing of an Applicant, the application will be reviewed in accordance with the following specific scenarios:

- Death after Application and prior to the acceptance of the Grant Award Amount Acknowledgment: If

an eligible owner-occupant passes away prior to the acceptance of the Grant Award Amount Acknowledgment, their heirs who were occupants at the time of the disaster and can prove current ownership are encouraged to apply to the Program.

- Death after accepting the Grant Award Amount Acknowledgment:
- Solution 1: If an eligible owner-occupant passes away after the acceptance of the Grant Award Acknowledgment, construction will continue while the Program determines successor ownership and updates the Application and Grant Award Amount Acknowledgment by adding the successor(s).
- Solution 2: If an eligible owner-occupant passes away after the acceptance of the Grant Award Acknowledgment, construction will only continue once the Program (1) determines successor ownership, (2) whether the successor will be finishing construction or not, and (3) Program updates the Application and Grant Award Amount Acknowledgment by adding the successor(s).

The Executor or Administrator of the Estate can qualify to receive grant funds to complete reconstruction of rehabilitation on the damaged home. No additional occupancy test will be required for eligibility.

All disbursement and construction activities will continue while the Program verifies and/or completes the following:

- Receipt of the death certificate confirming that the death of the Applicant occurred after acceptance of the Grant Award Amount Acknowledgment.
- Receipt of a court order providing the name of the approved Executor or Administrator of the Estate of the deceased Applicant.
- Amend the existing application to add the name of the Executor or Administrator of the Estate as the representative of the estate who will then accept the Grant Award Amount Acknowledgment to assume all obligations and authorize rights for the terms of the Application, Application Certifications, and the Grant Award Amount Acknowledgment.
- Death after construction is complete: If an eligible owner-occupant passes away after construction is complete, and before the 24-month monitoring period is completed, please see [Section 13.1](#) for monitoring compliance.

## 6.2 Occupancy and Primary Residency

The Applicant must have occupied the property at the time of the disaster as their primary residence. Second/vacation homes and rental/investment properties are not eligible for assistance under the Program.

In determining if the Applicant occupied the damaged property as their primary residence, the Program evaluates the application as a whole; no one document can be regarded as a conclusive determinant of primary residence status if information presented in other application documents or application circumstances reference more than one address or location.

The Program confirms primary residence status by verifying the Applicant's property tax homeowner exemptions at the time of the disaster. If the tax records from the time of the disaster have established ownership in the Applicant's name and show the County has granted the Applicant a primary residence homeowner property tax exemption, the property is considered their primary residence. Program can also accept the address

shown on the Applicant's filed federal tax returns (IRS Form 1040) from the disaster year to substantiate primary residence status at the damaged property. Finally, the program can accept an approval letter from FEMA or SBA as proof as primary residence as an Applicant would have had to prove primary residency for FEMA or SBA making them eligible for the ReCoverCA program as well. FEMA approval does not guarantee final eligibility for this program.

In the absence of the primary residence homeowner property tax exemptions, FEMA or SBA approval letters or filed federal returns, a written affidavit provided by the Applicant may be used to explain and verify primary residency.

The affidavit must be supported by one or more of the documents listed below (all occupancy documentation must be dated prior to the time of the disaster).

The Program, after review of the affidavit and supporting documents, makes a determination, in its sole discretion, on primary residence eligibility based on known circumstances and available information at the time of processing.

The list of acceptable supporting documentation is below. In all cases, the name and address on the documentation must match the name and address on the Application and be dated prior to the date of the disaster.

- Voter registration records submitted together with driver's license.
- Valid driver's license from time of disaster with damaged address listed accompanied by a copy of a bank statement or a credit card statement sent to damaged residence in the month preceding or month of the applicable disaster
- Copy of Applicant's insurance policy covering the contents or personal property in the home. The documentation must confirm insurance coverage was effective at the time of the disaster.
- Copy of electric, gas, water, trash, sewage, cable, or cell phone bill. The bill must confirm that service was provided in the month preceding or the month of the applicable disaster. NOTE: incidental services such as propane tank bills are not considered utility bills and may not be used to establish occupancy.
- Letter from electric, gas, water, trash, sewage, cable, or cell phone company. The letter must confirm that service was provided in the month preceding or month of the applicable disaster.

The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation at any point during the application process.

#### 6.2.1 Special Circumstances Related to Type of Occupancy

The following exceptions apply under special circumstances related to occupancy:

- Active-duty military personnel who own a disaster damaged home in an eligible county or zip code and were assigned to duty away from their home at the time of the disaster are eligible to apply to the Program.
- Homeowners incapacitated due to illness who own a disaster damaged home in an eligible county or zip code and are or were incapacitated and therefore unable to occupy the damaged home at the time of the disaster event are eligible to apply to the Program. If the homeowner is currently incapacitated and unable to handle their own affairs, the application must include legal documents for the person designated to act on their behalf.
- Homeowners who own a disaster damaged home in an eligible county or zip code who were incarcerated at the time of the disaster or at the time of application are eligible to apply for the Program. The damaged home could not have been used as a rental property at the time of the disaster or currently be in use as a rental property.

Other special circumstances related to occupancy at the time of the disaster are reviewed on a case-by-case basis and may be subject to additional documentation requirements as deemed necessary by the Program, in its sole discretion.

## 7 Property Eligibility Criteria

### 7.1 Tie Back to the Disaster

Eligible properties must have sustained damage as a direct result of the qualifying disasters in 2017 or 2018. The Program must verify that 1. Damage occurred and repair is needed and 2. That damage was related to the qualifying disaster(s). Sources to verify impact from the disaster include, but are not limited to, FEMA, SBA, private insurance data, and county records and/or inspections.

Information provided by FEMA is used to verify levels of disaster related damage. As an exception to this rule, if the information provided by FEMA is unclear or if the information is not available, it is the homeowner's responsibility to provide proof of disaster related damage to the structure. Program reserves the right, in its sole discretion, to require the Applicant to provide such documentation at any point during the application process. Examples of supporting documentation that the Program may review to substantiate severe/major damage may include: 1) additional interior and/or exterior photos of the damaged unit with points of reference that can be compared to initial home inspection photos; 2) receipts of repairs completed prior to the initial home inspection; 3) insurance claim documentation; 4) CAL FIRE data and 5) SBA Damage Assessment.

### 7.2 Location

Properties must be located within a county with a federal disaster declaration for the appropriate disaster.

- FEMA DR-4344 - October 2017 Wildfires. Impacted Counties - Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma, Yuba
- FEMA DR-4353 - December 2017 Wildfires, Mud flows, and Debris flows. Impacted Counties - Los Angeles, San Diego, Santa Barbara, Ventura
- FEMA DR-4382 – July 2018 Wildfires. Impacted Counties - Shasta and Lake
- FEMA DR-4407 – November 2018 Wildfires. Impacted Counties - Butte, Los Angeles, and Ventura.

### 7.3 Structure Types

#### 7.3.1 Eligible Structure Types

Eligible structure types include properly permitted, and substantially conforming (to legal zoning and ordinances) single-family dwellings, mobilehomes, and MHUs. Structure type is verified during the application process by utilizing the hierarchy of documents as follows: applicant supplied information, FEMA data, property tax information, property insurance, title report, and any additional documentation from the applicant as requested by ReCoverCA.

#### 7.3.2 Ineligible Structure Types

Ineligible structure types include condominiums, accessory (appurtenant) detached structures, recreational vehicles, houseboats, camper trailers, and multi-unit dwellings.

## 7.4 Model Eligibility Policy

### 7.4.1 Floorplan Assignment Process

To calculate a reconstruction award, the OOR Program Construction Management team provides applicants with a list of floorplans using the Floorplan Selection Form. The form will offer applicants only the floorplans they are eligible to receive, based on the conditioned square footage of their damaged property, number of current household members and HUD Occupancy Standards, which can be found at: <https://www.hud.gov/sites/documents/43503HSGH.PDF>.

When determining OOR Program floorplan options, the Construction Manager presents an applicant with the model that most closely meets the conditioned square footage of the damaged property, which may result in a model that has less square footage than the damaged property. In the event the household size would result in a violation of occupancy standards listed in this document, the applicant will be eligible for a floorplan that does not result in overcrowding or violation of HUD bedroom sharing guidelines.

### 7.4.2 Occupancy Standards

The following occupancy standards (i.e., the maximum number of bedrooms) should be consulted when determining an applicant's eligible reconstruction floorplan(s).

- 1 Bedroom (BR) for the head of household and their spouse/partner.
- 1 BR for every two children under age 12.<sup>1</sup>
- 1 BR for each child over age 12.<sup>1</sup>
- 1 BR for a multi-generational member or other adults.
  - A multigenerational household is one that contains three or more parent-child generations; for example, the householder, child of householder (either biological, stepchild, or adopted child), and grandchildren of householder. A householder with a parent or parent-in-law of the householder and a child of the householder may also be a multigenerational household.
- 1 BR for approved live-in aides.

Generally, no more than two persons are required to occupy a bedroom. In addition, the following situations will be considered:

- Live-in attendants, foster children, and children who are temporarily absent due to placement in a foster home are also counted when determining unit size counted.
- Adult children on active military duty and permanently institutionalized family members are not included in the bedroom count.

### 7.4.3 Occupancy Standard Exceptions

In determining appropriate unit size, the OOR Program may grant an exception to its established standards if determined that the exception is justified by the age, sex, health, disability, or

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<sup>1</sup> All children expected to reside in the unit must be counted (e.g., unborn children, children in the process of being adopted, foster children, and children who are subject to a joint custody agreement and live in the unit at least 50% of the time.

relationship of household members or other personal circumstances. Reasons may include the need for an additional bedroom due to disability or health conditions (e.g., for medical equipment). Occupancy standard exceptions are at the sole discretion of HCD.

a) Model Eligibility Assignment Matrix

**Stick-Built Home**

<b>Name</b>	<b>Stories</b>	<b>Conditioned Sq Ft</b>	<b>BR / Bathroom</b>
Juniper <sup>2</sup>	1	1,109	2 / 2
Redwood <sup>2</sup>	1	1,145	3 / 2
Pinyon <sup>2</sup>	1	1,196	2 / 2
Ponderosa	2	1,396	2 / 2
Hawthorne	1	1,396	4 / 2
Cottonwood	1	1,456	3 / 2
Mulberry	1	1,470	3 / 2
Iris	2	1,470	3 / 2
Ironwood	2	1,594	4 / 2
Sagebrush	1	1,675	4 / 2
Fern	1	2,273	5 / 3
Oak Leaf	1	2,400	6 / 3

**Manufactured Housing Units**

<b>Model</b>	<b>Type</b>	<b>Sq Ft</b>	<b>BR / Bathroom</b>
A <sup>3</sup>	Single	700-999	2 / 2
B <sup>3</sup>	Single	700-999	3 / 2
C	Double	800-999	2 / 2
D	Double	1,000-1,299	3 / 2
E	Double	1,300-1,599	3 / 2
F	Triple	1,600+	4 / 3

<sup>2</sup> Applicants whose previous home was under 1200 sq. ft. may choose the Pinyon, Redwood or Juniper models.

<sup>3</sup> Applicants whose previous MHU was under 999 sq. ft. may choose the A or B models.



## 8 Terms of Assistance

### 8.1 Eligible Award Cap

The maximum Program award cap is \$500,000 per damaged, legally permitted and zoned primary residence for eligible Applicants.

### 8.2 Award Determination and Calculation

Applicants may be eligible for Rehabilitation or Reconstruction under Solution 1 or Solution 2. Each award is calculated using the scope of remaining work, for the eligible repair cost or the eligible Reconstruction cost as determined by the Program and based on standard grade materials as calculated by using national building-industry estimating software, less the amount of DOB, not to exceed the Programs maximum grant cap of \$500,000 per damaged structure for eligible Applicants.

Therefore, to calculate the total eligible award cap, the Program uses the following process:

Step 1: The Program determines an Applicant's total need by conducting structure and model eligibility review, an initial site inspection to include WIP, and reviewing all damage documentation from the Applicant, FEMA, SBA, insurance reports, and other sources. The Program then develops a final SOW to estimate the cost to either to rehabilitate or reconstruct the damaged property into a habitable structure (using standard materials and building practices).

Step 2: The Program calculates the Applicant's total assistance to date by adding up funding from sources such as cash awards, insurance proceeds, grants and loans received by or available to each CDBG-DR Applicant, including awards under local, state, or federal programs, and from private or nonprofit organizations. The Program must include a review to determine whether the Applicant received FEMA, SBA, insurance, and any other major forms of assistance (i.e., state disaster assistance programs) available to Applicants. For more information on what qualifies as DOB, see [Section 9.5.1: Sources](#).

Step 3: The Program determines, in accordance with policy, how much of the total assistance is considered a non-duplicative exclusion to DOB. Non-duplicative exclusions are funds that are either 1) provided for a different purpose, or 2) provided for the same purpose (eligible activity), but for a different, allowable use (cost). For more information on how DOB is calculated, see [Section 9.5: Duplication of Benefits](#). For Solution 2 properties, the Program-determined dollar value of already completed Work in Place (WIP) is considered an offset to the Applicant's total DOB.

Step 4: The Program compares the DOB amount with total need. If the total need is greater than the DOB amount, program funds are applied to the gap up to a limit of \$500,000 per damaged structure for 2017 and 2018 eligible Applicants. If the DOB amount is greater than total need, no program funds are awarded.

**Eligible Repair Costs/Need** – The Program determines an eligible repair or reconstruction estimate using information from the inspection. The SOW is valued based on the cost of remaining eligible repairs using Standard Grade Building Materials.

**Calculating Potential DOB** – All DOB funding must be accounted for prior to the homeowner receiving an award. Homeowners with a duplication must sign an affidavit affirming they have all DOB funding on hand and must place it in an escrow account held by the Program for use during construction.

DOB checks are completed prior to the final award determination and will be completed again as part of ongoing compliance efforts after the completion of a project.

**Determining Unit Size and Type** - Upon applicant application submission CsM will review the application, FEMA data, tax bill, insurance and full title report for unit type and bed/bath with sq/ft determination. The hierarchy is as listed in [Section 7.3](#) and [Section 7.4](#). For example, when the application matches the FEMA record for structure type it is considered program verified. In the event the applicant does not have FEMA documentation showing structure type, the tax bill will be used, etc. If a discrepancy between documentation is identified then any of the following may also apply to confirm unit type and bed/bath with sq/ft determination: Parcelquest reports, county damage reports, and additional documentation from Applicant as with supplemental information reviewed as needed and requested by ReCoverCA.

### **8.3 Escrow**

After calculating DOB and Award Amounts, if there is still a gap in funding needed to cover the full SOW, homeowners are responsible for providing funding to cover gaps prior to moving forward in the Program. These funds are escrowed through the Program and are used to cover any gap funding during the construction of the home.

The homeowner's responsibility refers to the amount of funds the Applicant may need to contribute to the project prior to receiving Program funds. These funds are placed into an escrow account, based on the award calculation. The funds from the escrow account are disbursed first and once all funds from the account have been fully disbursed, the grant funding is disbursed.

### **8.4 Housing Counseling Requirement**

Applicants to ReCoverCA housing programs are required to participate in the ReCoverCA Housing Counseling Program as a condition for receiving an award. Applicants must complete at least one housing counseling session led by a CDBG-DR funded housing counseling organization. The housing counseling session must be completed prior to the Applicant's ReCoverCA Grant Award Acknowledgement. Applicants may, with Program approval, defer the housing counseling requirement until after Grant Award Acknowledgement, but must complete at least one housing counseling session prior to completion of construction. All housing counseling deferral requests must be made using a form provided by the Program.

### **8.5 Pre-award Verifications**

Applicants are responsible for providing truthful, accurate and complete applications to the Program. Prior to making an award, the Program is responsible for reviewing each Applicant file to verify all information is complete, Applicant is eligible, and all benefit calculations are completed correctly. The Program performs multiple eligibility and DOB reviews throughout the application, grant award acceptance, and compliance processes. After consideration of new information and documentation during these reviews, the Program may make changes to the award determination and calculation.

The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation at any point during the application process.

## **8.6 Grant Award Acknowledgment**

After receiving a completed application (including all documents), determining the Applicant is eligible, completing a final SOW, and completing the award calculation, the Program makes the Grant Award Acknowledgement available for review in eGrants. This acknowledgment provides the Applicant with information about their potential eligible award, award calculation, SOW, and the appeals process.

Applicants may accept, request consultation, or appeal the determination following the Program appeals procedures in Section 12.

### **8.6.1 Zero-Award Letter**

If an Applicant meets all eligibility requirements but has received funding from other sources above the documented need, a zero-award letter is issued stating that the Applicant met the eligibility criteria but did not qualify for an award.

The letter explains that the assistance previously received from other sources exceeds the amount of need. Should the Applicant disagree with the determination, they have the option to file an appeal. Information on how to submit an appeal is provided in the letter. See [Section 12: Appeals, Complaints, and Grievances](#) for details on the appeal process

## **8.7 Grant Acknowledgment Process**

The Program uses the grant acknowledgment process to consult with Applicants, review and reaffirm Applicant understand and certify to adhere to Program requirements and accept the Grant Award Acknowledgment. See [Section 10: Grant Acknowledgment Process](#) for complete details.

Prior to receipt of federal grant funds for the benefit of the Applicant, Applicant(s) accept Grant Award Amount Acknowledgment and sign an escrow agreement (if applicable) and the 24-month deed restriction. This deed restriction is recorded in the applicable County Recorder's Office to satisfy the Program compliance requirement. See [Section 10: Grant Acknowledgment Process](#).

## **8.8 Provisions of Funding**

The provisions of funding are based on the Solution Type selected by the Applicant. For Solution 1: Program Managed (Turnkey) Rehabilitation and Reconstruction, the Construction Manager (CM) pays homebuilding contractors directly. The Program reimburses the CM Contractor on approved invoices detailing those payments.

For Solution 2: Homeowner Managed Rehabilitation and Reconstruction, the Program CM pays the Applicant's general contractor from escrow funds first (if available), then from Program funds. All solution 2 payments will only be authorized after CM has completed a full inspection of the progress milestones and the Applicant has also signed off on the work completed. The Applicant does not receive direct funding in either Solution.

## **8.9 Homeowner Responsibilities**

By applying to the Program, the homeowner agrees to meet all requirements of the

Program, including the Environmental Stop-Work Order (see Section 9.3.3: Environmental Stop-Work Order), Application certifications, Grant Award Acknowledgment, Deed Restrictions, Subrogation Agreement, and all other executed legal documents. The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation at any point during the application process.

Additionally, the Program, in its sole discretion, has the authority to deny any application if the Applicant, or any party associated with the Applicant, becomes verbally or physically abusive or threatening in any way, whether in writing, in person or telephonically, to any Program or HCD staff or associate.

Finally, all Applicants undergoing either Solution 1 or Solution 2 rehabilitation or reconstruction must agree to the following during the construction process and after the completion of construction activities:

### **During Construction Process**

- **Ownership:** The homeowner agrees not to transfer or cause to transfer title to the property or any interest in the property during construction.
- **Access to Property:** The homeowner must arrange access to the property for building contractors providing construction services. If reasonable and timely access is restricted or denied to a building contractor who is making a good faith effort to perform required repairs, the award may be terminated.
- **Personal Property:** Upon acceptance of the Grant Award Amount Acknowledgment, if the homeowner is currently living in the property, the homeowner has 30 calendar days to move, at their own expense, all personal property out of the damaged property. The Program is not responsible for lost or damaged belongings of the homeowner that have occurred during construction. The homeowner must secure or relocate all personal property until construction is complete
- **Reasonable space:** During the construction phase the homeowner must not interfere in repair areas and make a reasonable effort to stay away from the construction zone.
- **Cooperation:** The homeowner shall comply with the terms of all Program agreements, as applicable, and shall cooperate with the Program, its officials, employees, assigns, agents, contractors, consultants and Construction Manager, including their assigns, employees, subconsultants and subcontractors (collectively, the "Assistance Providers") with respect to the Construction Work.

In the event the homeowner unreasonably interferes with the Work or an inspection in any manner, Contractor shall deliver a written notice to Applicant and the Program, ordering Applicant to cease any activity causing the interference. If Applicant does not cease the activities specified in the notice within three (3) calendar days, Applicant may be prohibited from participating in the Program and may be required to reimburse HCD for all Work performed on the Property by Contractor.

### **After Completion of Construction Activities**

- **Ownership:** The homeowner agrees not to transfer or cause to transfer title to the property or any interest in the property until the 24-month compliance period has ended, and the homeowner has been notified that the file has been closed out. Early transfer of property will, under most circumstances, constitute a breach of program requirements and cause an obligation on the

homeowner to repay all or part of the grant amount. In rare and limited circumstances based on the Program's demonstrable hardship process, early transfer may be allowed by Program.

- **Occupancy:** The homeowner must continue to occupy the home as their primary residence for a period of 24-months after Program rehabilitation or reconstruction is complete.
- **Insurance:** For homes in designated flood areas, the homeowner must acquire and maintain flood insurance coverage on the property in perpetuity after Program rehabilitation or reconstruction is complete. This obligation is also be passed on to subsequent owners of the property.
- **Taxes:** The homeowner must remain current on all property taxes on the property for a period of 24-months after Program rehabilitation or reconstruction is complete.

## 8.10 Demonstrable Hardship Determination

A demonstrable hardship is defined as a substantial change in a household's situation that prohibits or severely affects their ability to provide and maintain a minimal standard of living or basic necessities, such as food, housing, clothing, and transportation, causing economic distress well beyond mere inconvenience.

The demonstrable hardship must be severe, involuntary, and unexpected, and not generally for the same reasons shared with other households affected by the disaster.

Examples of a demonstrable hardship may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and excessive amount of debt due to a natural disaster, etc. However, no single event automatically defines a demonstrable hardship.

HCD considers each Applicant's overall situation if a demonstrable hardship is claimed, and documentation can be provided showing the cause and any other factors relevant to the issue of demonstrable hardship.

A demonstrable hardship must have occurred after the disaster and must be documented with objective documentable evidence.

Hardship determinations may be considered for Program exceptions, on a case-by-case basis, to include, but not limited to, additional assistance with funding, timelines for application and/or construction completion and residency requirements as it pertains to compliance and monitoring periods.

Hardship determinations are made at the sole discretion of the Program and are final.

## 9 Operating Procedures

### 9.1 Applicant Outreach

HCD is committed to affirmatively furthering fair housing and ensures accessibility through established affirmative marketing and outreach activities.

The Homeowner Assistance Program Manager (HAPM) vendor is tasked with implementing a detailed outreach plan to ensure that outreach and communications efforts reach eligible survivors from all racial, ethnic, national origin, religious, familial status, persons with disabilities, and gender groups and that they are given the opportunity to apply for funding to assist with rehabilitation or reconstruction of their primary residence that sustained damages due to the disasters. HCD oversees the HAPM vendor's efforts in developing and implementing the Outreach Plan and participates in outreach and marketing activities as needed.

Because the Program prioritizes LMI homeowners, it is critical that the outreach activities reach LMI individuals. Outreach activities may include door-to-door canvassing, and special efforts to communicate with hard-to-reach populations such as seniors or persons with severe disabilities.

Special outreach activities are directed to finding and communicating with LMI homeowners who may have had to temporarily relocate, such as elderly homeowners who may have gone to stay with family outside of the impacted area.

This outreach plan also provides an overview of HCD's communications goals and strategies.

Marketing is conducted through widely available media outlets, which may include:

- Advertisement in local media outlets, including newspapers and broadcast media, that provide unique access for persons who are considered members of a protected class under the Fair Housing Act
- Coordination with public and/or non-profit organizations
- Outreach at government offices, churches, grocery stores, senior centers, etc.
- Use of social media when appropriate

Measures are taken to make sure the Program is accessible to persons who are considered members of a protected class under the Fair Housing Act by holding community meetings as well as all advisory meetings in buildings that are compliant with the Americans with Disabilities Act (ADA). Translation services are available for all community meetings as well as advisory services.

Program marketing materials are presented in English and Spanish and are developed to meet accessibility standards.

In addition to marketing the Program during the launch and application intake period, outreach efforts are utilized during periods prior to specific Program updates to ensure that Program stakeholders are always informed and able to respond appropriately.

## 9.2 Survey

The Disaster Housing Assistance Survey for 2017 qualified disaster survivors was launched on November 1, 2019 to identify the demand for the Program and provide information needed for program design considerations.

The survey assists in ascertaining the specific recovery needs of impacted property owners as well as identifying demographic information to assist in targeting recovery funds to vulnerable populations.

A Disaster Housing Assistance Survey for 2018 disaster survivors was launched in December 2020.

HCD continues to follow policies and procedures for compliance with AFFH requirements during the planning and implementation of each housing activity to lessen area racial, ethnic, and low-income concentrations, and promote affordable housing across the disaster-affected areas.

The survey is the first step an individual can take toward seeking benefits under the Program. The survey is not an application. Regardless of the number of individuals per household, there may only be one survey per household. Duplicate surveys are closed so that only one survey per property remains active.

The survey requires the submission of basic information about the individual, his or her household and the property that sustained disaster related damage. The survey process allows HCD to evaluate the potentially eligible homeowner populations and begin the prioritization process.

## 9.3 Application Intake

Homeowners are prioritized, based on the tiered prioritization criteria, which includes the location of the property within the federally declared disaster counties, total household income, and level of damage. Application submission is opened to survey respondents by tier.

Applicants who choose to withdraw from the program must provide a request in writing or by email to their case manager or to the Program. Once an application is withdrawn a new survey and application will be required if the Applicant wishes to participate again.

Oversight of the application process is managed by HCD and its contractors. Applications are submitted electronically through eGrants which is HCD's system of record for this Program.

Paper applications may be completed, signed, and submitted by email to [ReCoverCA@hcd.ca.gov](mailto:ReCoverCA@hcd.ca.gov) or fax to 916-263-2764. Applications can also be mailed to:

ReCoverCA Program  
Department of Housing and Community Development  
2020 W. El Camino Ave., Room #405  
Sacramento, CA 95833

Reasonable accommodations are available to assist homeowners who do not have access to complete an online application. Hard copy applications are available for download at <https://recover.hcd.ca.gov/> or by contacting HCD at (916) 263-6461.

The OOR Program also accepts collect calls.

Program case managers are available to assist in application completion via telephone and at outreach events. Mobile intake is also available to assist those in need.

Applications are accepted until the goals of the Program have been met and/or all funds are obligated.

Once a person has completed an application, they become an Applicant to the Program. From that point forward, Applicants must abide by all Program policies and procedures outlined in this manual.

The file is assigned to a case manager, who are part of the procured HAPM vendor's team and are responsible for managing communications with the Applicant during the course of the Program. An Applicant can communicate with the case manager to obtain updates on their application status.

The Applicant(s) must sign the following Program required application electronically using DocuSign within eGrants or paper copies signed in *blue ink only*.

- Personal Information Release Authorization Form
- False or Misleading Statements
- Income Tax release(s) (4506T)
- Right of Entry (ROE) Authorization and Agreement
- Household Income Certification Form
- ReCoverCA Homeowner Grant Application Certifications
- Other Program-related documents as needed.

All required documentation may be submitted either electronically or in person during an appointment with a case manager.

The Applicant must sign all Program forms via electronic signature or manual signature. To submit required documentation electronically, Applicants must enter a valid email address for each household member 18 years of age or older. *Documents that are manually signed, must be signed in blue ink only to be accepted.*

There may be multiple owners on title to the damaged residence who are not occupants of the household. Non-occupant owners sign all applicable Program documentation. All individuals on title are required to sign the following:

- Personal Information Release Authorization Form
- False or Misleading Statements



- Other Program-related documents as needed

The Program is not liable for disputes arising between owner occupants and non-occupant owners.

### 9.3.1 Limited English Proficiency (LEP)

Homeowners whose primary language is not English are provided vital Program documents (e.g., brochures and any relevant forms) as well as other tools for guidance translated to their native language. By translating and providing Program documents into their native language, all homeowners are given reasonable opportunity to understand Program requirements. As a standard practice, Program documentation is translated into Spanish. Translation into other languages is completed upon request.

### 9.3.2 Special Needs

In accordance with Section 504 of the Rehabilitation Act of 1973 requirements, necessary accommodations are made to ensure that eligible elderly persons and persons with special needs can successfully participate in the Program. These accommodations could include but are not limited to ensuring that all facilities are readily accessible by persons with disabilities, the use of American sign language and braille, oral presentation of documents, and home visits by the case managers.

All applicants are provided a Verification of Disability form, which offers options for commonly requested accommodations that may be requested without additional documentation. Additional accommodations can be made if necessary. An applicant can establish their need for additional special accommodation by presentation of a mobility card, or presentation of proof of SSDI benefits.

### 9.3.3 Environmental Stop-Work Order

Homeowners that have begun rehabilitation or reconstruction work on their damaged property prior to the submittal of an application are required to stop work upon application submittal. The Program issues a stop-work notification to homeowners requiring an end to ongoing work, so that an environmental review can be conducted. Homeowners that do not comply with the requirement to stop-work will be deemed ineligible for Program assistance.

HUD rules and regulations that govern the environmental review process can be found at 24 C.F.R. part 58.

The provisions of the National Environmental Policy Act (NEPA) established the broad national framework for protecting the environment and is a policy to ensure all branches of the government give proper consideration to the environment.

The California Environmental Quality Act (CEQA) is the California statute that institutes a statewide policy of environmental protection. The regulations in 40 C.F.R. parts 1500 through 1508, as well as other state and federal laws and regulations (some of which are enforced by state agencies) also may apply depending upon the type of project and the level of review required.

**In order to be compliant with 24 C.F.R. part 58, activities that have physical impacts or which limit the choice of project alternatives *cannot be undertaken, even with a homeowner's own funds, prior to obtaining environmental clearance.*** If prohibited activities are undertaken after submission of an application but prior to receiving approval from the Program, the homeowner is at risk for the denial of CDBG-DR assistance. The reason is that these actions interfere with the state and Program's ability to comply with

NEPA and Part 58.

In order to be eligible for Program, Applicants must comply with the environmental requirements which include:

- Stop all on-going construction activities at the time of application submission to the Program.
- Wait until the environmental clearance is completed prior to initiating Program approved work on the property.

Applicants who do not comply with these requirements are potentially ineligible for assistance and may be subject to repayment of the Program funding, if already received.

## **9.4 Eligibility Verification**

### **9.4.1 Ownership Requirements**

The Applicant must have been the owner of the property at the time of the disaster and still own it currently. If the Program is unable to verify ownership by the Program's data feed from applicable tax assessor offices, ownership is verified by using the following documentation for Stick-built homes:

- Property tax records, showing the Applicant owned the property at the time of the disaster and matched with the most recently available tax record showing that the Applicant currently owns the property.
- Deeds or other legal documents to be reviewed on a case-by-case basis.
- Title searches will be conducted by the Program.

Ownership of mobilehomes and MHUs is verified by using the following documentation:

- Certificate of Title from California HCD
- County tax assessment for the structure
- Recorded lease agreement.
- Bill of Sale

Additional documents related to ownership of both Stick-built, mobilehome, and MHU structure types are reviewed on a case-by-case basis and in conjunction with unit size and type determinations.

For properties held in trust, ownership eligibility is verified by reviewing the applicable trust document recorded in the conveyance records of the county in which the damaged property is located (see Section 6.1.c: Trust).

### **9.4.2 Occupancy Requirements**

The Program confirms primary residence status by verifying the Applicant's property tax homeowner exemptions at the time of the disaster. If the tax records from the time of the disaster have established ownership in the Applicant's name and show the County has granted the Applicant a primary residence homeowner property tax exemption, the property is considered their primary residence. Program can also accept the address shown on the Applicant's filed federal tax returns (IRS Form 1040) from the disaster year to substantiate primary residence or a FEMA IA funding or SBA loan for disaster survivor's approval letter

In the absence of the Program confirming a primary residence homeowner property tax exemption from records provided by the County, *the Program* uses the following hierarchy to establish occupancy (all occupancy documentation must be from the time

of the disaster):

- Voter registration records submitted together with driver's license.
- Valid driver's license from time of disaster with damaged address listed accompanied by a copy of a bank statement or a credit card statement sent to damaged residence in the month preceding or month of the applicable disaster
- Copy of Applicant's insurance policy covering the contents or personal property in the home. The documentation must confirm insurance coverage was effective at the time of the disaster.
- Copy of electric, gas, water, trash, sewage, cable, or cell phone bill. The bill must confirm that service was provided in the month preceding or the month of the applicable disaster.
- Letter from electric, gas, water, trash, sewage, cable, or cell phone company. The letter must confirm that service was provided in the month preceding or month of the applicable disaster.

The Program, after review of occupancy supporting documents makes a determination on primary residence eligibility based on known circumstances and available information at the time of processing on a case-by-case basis.

Applicants may be required to sign an affidavit during grant application process, certifying that the Applicant was the owner-occupant of the damaged residence (for further information, see Section 6.2: Occupancy).

#### 9.4.3 Damage Requirements

Noted in Section 6.0, the Program primarily uses FEMA damage levels to verify disaster-related damage to confirm need and initial eligibility and determine prioritization. However, a FEMA award does not guarantee Program eligibility.

FEMA damage levels include:

- Major/Severe: \$8,000 or more of FEMA inspected real property damage, caused by the disaster or other casualty; or
- Minor: Less than \$8,000 in FEMA inspected real property damage; or

If the information is unclear or not available, it is the Applicant's responsibility to provide proof of disaster related damage to the structure through supporting documentation.

Examples of supporting documentation include, but are not limited to, the following:

- Interior and/or exterior photos of the disaster related damaged unit, with points of reference that can be compared to the initial home inspection photos. SBA damage assessment
- CAL FIRE records or data
- Receipts of repairs completed prior to the initial home inspection; and/or
- Insurance claim documentation.

#### 9.4.4 Structure Requirements

The property must be a fully titled and substantially conforming (with current zoning and ordinances), single-family dwelling on a permanent foundation or affixed to a permanent pad (leased or owned pad), such as a Stick-built (conventional construction), modular, mobilehome or MHU (i.e., not a condominium, duplex, fourplex, or other multi-owner property). "Fully titled" includes a permanent Certificate to Occupy on file with the city or county that was issued and active at the time of the disaster.

### 9.4.5 Income Requirements

The Program collects income information for all Applicants and household members who are 18 years of age or older. The information is used to determine requirements related to tracking expenditures on activities that benefit low-to-moderate income households, as established by HUD.

Annual household income is verified by reviewing the Adjusted Gross Income reported on an Applicant's IRS 1040.

Applicants must certify whether their income has changed since their most recent tax return information. Income eligibility is verified at the time of application for Program eligibility and is valid for one year from that date.

The Applicant must accept their Grant Award Amount Acknowledgment within twelve months of the income certification date or income must be recalculated by the Program.

If there has been a change in the Applicant's household income, or the Applicant did not file a tax return, the Program may allow the following income documentation:

- Last three months of paystubs
- Most recent social security income statements.
- Most recent unemployment statements.
- Most recent pension income statements; or
- Signed statement from employer verifying at a minimum:
  - Date of employment
  - Current Position
  - Wages and frequency of pay
  - Employer name and title
  - Employer phone number

NOTE: Program personnel may contact employers to validate statements

If an Applicant does not have any income, they are required to complete the zero-income certification section of the income verification form. After the Applicant completes the Zero-Income Certification on the income verification form, the Program may request documents explaining how the Applicant is paying costs of living, i.e., mortgage payments, utilities, and/or property taxes.

If a family member is providing assistance to the Applicant, a signed Verification of Recurring Cash Contributions, and supporting documentation of the recurring contributions are required. The Program compares Applicant's annual household income to HUD's current published income limits in effect for their county or metropolitan area. To be recognized as Low-to-Moderate Income (LMI), a household's annual gross income cannot exceed 80% of Area Median Income (AMI), adjusted for family size for the county in which their primary residence is located.

HUD's income limits are published on their website found at the following link:

<http://hudexchange.info/resource/5334/cdbg-income-limits/>

## 9.5 Duplication of Benefits (DOB)

### 9.5.1 Summary of DOB

The amount of the duplication is the amount of assistance received or available to an Applicant in excess the Applicant's total need. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) requires that recipients of federal disaster recovery funding make certain that no "person, business concern or other entity" will receive duplicative assistance. A Duplication of Benefits (DOB) occurs when:

- A beneficiary receives assistance or has assistance available to them, and
- It comes from multiple sources (examples: private insurance, FEMA, NFIP, non- profits, etc.), and
- The total assistance amount available to the Applicant, after excluding non-duplicative amounts, exceeds the need for a particular recovery purpose.

DOB Analysts will perform the first level of review for all potential duplication of benefits (DOB) during preliminary eligibility determinations. As part of this review, the DOB Analyst evaluates all benefits reported by the Applicant during the application collection process for accuracy, coordinates with private insurance providers and other organizations to verify benefits received and performs a search of third-party data sources to identify potential DOB that was unreported by the Applicant.

An Applicant's total DOB amount received will impact the assistance available to them. The total DOB amount is deducted from the total cost of rehabilitation or reconstruction, as determined by the Scope of Work (SOW), which may leave a gap funding amount.

### 9.5.2 Regulatory Basis

The Duplication of Benefits Policy herein was developed in accordance with Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (42 U.S.C. 5155) as well as HUD Federal Register Notices 84 FR 28836 & 28846.

- Section 312(a) of the Stafford Act requires the Federal Government to assure that **no person receiving Federal financial assistance receives funds for any part of a loss already paid by insurance or any other source.**
- Section 312(c) makes any person receiving duplicative assistance liable to the Federal Government for the duplicative amount and states that **"the agency which provided the duplicative assistance shall collect [it] from the recipient when the head of such agency considers it to be in the best interest of the Federal Government"** (42 USC 5155(c)).
- Additionally, Section 312(b) of the Act permits the payment of assistance to someone who is or may be entitled to future payments from insurance or another source **"if such person agrees to repay all duplicative assistance to the agency providing the Federal assistance"** (42 USC 5155(b)).

The Stafford Act directs administrators of Federal assistance to ensure that no person, business, or other entity will receive duplicative assistance and imposes liability to the extent that such assistance duplicates benefits available to the person for the same purpose from another source. The amount of the duplication is the amount of assistance provided in excess of need. The Stafford Act requires that recipients of federal disaster recovery funding make certain that no "person, business concern or other entity" will receive duplicative assistance.

**A duplication occurs when a person, household, business, or other entity receives disaster assistance from multiple sources for the same recovery purpose, and the total assistance received for that purpose is more than the total need.**

In accordance with the Stafford Act, the Program will use the following framework to ensure that any funds provided by the Program are non-duplicative:

1. Assess the Applicant's total need for assistance prior to any assistance being provided,
2. Identify all assistance received or available,
3. Exclude non-duplicative assistance amounts,
4. Identify total DOB Amount,
5. Determine the maximum eligible award,
6. Determine the Program cap (if applicable), and
7. Determine a Final Program Award.
8. Reassess Unmet Need if necessary

The Program will conduct a duplication of benefits analysis prior to an award being made to an Applicant. If it is later determined or revealed that the Applicant has received additional assistance or did not disclose all assistance received, the award will be reduced or modified to account for the additional funds received. If the Applicant knowingly did not disclose all provided assistance, the award can be rescinded, and the Applicant deemed ineligible for the program.

### 9.5.3 DOB Process

The duplication of benefits process involves a two-tiered verification process:

#### **DOB Analysis:**

The initial review is completed by the DOB analyst who confirms all datasets are obtained and reviewed including government (FEMA, SBA), private insurance, legal disaster-related settlements, and any other assistance types. ,.

If the DOB analyst is unable to confirm the total assistance received, the application shall be returned to the case manager for Applicant correspondence to request needed documentation, and necessary updates.

Once all assistance is identified by the analyst, rejection by the Applicant of any reported assistance types considered by the program as non-duplicative are documented and the findings are recorded within the system of record with applicable documentation uploaded. After the DOB Analyst has confirmed the total assistance received, the analyst submits to the DOB reviewer.

#### **DOB Review:**

The secondary review is completed by the **DOB reviewer**. Within the secondary review, the DOB reviewer shall perform a review of all assistance types. Additionally, the DOB reviewer is responsible for confirming all assistance has been identified and accurately reflected within the system of record. If the DOB reviewer discovers any discrepancies with the supporting documentation from the analyst or additional assistance, the application is returned to the DOB analyst for updates. If the DOB reviewer validates that all assistance, documentation, and information is correctly entered in the system of record, the application is marked as "Review Complete" in

eGrants. "Review Complete" signifies the completion of the DOB review process.

#### 9.5.4 Calculating Total Assistance

##### a) a. Sources of Funding

Total assistance includes any disaster-related resources such as cash, lawsuit settlements, insurance proceeds, grants, and subsidized loans received by or available to an Applicant, including awards under local, state, or federal programs, and from private or nonprofit charity organizations for damage and repair of the primary residence. At a minimum, each Applicant will include a review of the following assistance types:

##### 1. FEMA

FEMA Individual Assistance (IA) may have been received by program Applicants for home repairs. If the assistance received was FEMA IA for home repairs, the amount will be considered a DOB. FEMA IA will be determined and verified by the Program through the FEMA IA NEMIS database. If the Applicant can document the FEMA IA amount received was for the purpose of home repair, the program will use the documentation provided by the Applicant to adjust the FEMA IA amount. The documentation provided by the Applicant must come from FEMA and reflect the Applicant's name, damaged property address, and FEMA Registration Number.

##### 2. SBA

The Small Business Administration provides disaster assistance loans for home repairs and are considered a DOB for federally funded repair/reconstruction programs. If the Applicant has executed loan documentation with the SBA and has legal control over the loan funds for home repairs, this amount may be considered a DOB. Please see Section 7.7 for additional information regarding SBA loans.

The full amount of the SBA loan available to the Applicant for repair/replacement assistance will be included in the DOB calculation unless all or a portion of the loan is declined or cancelled. This is to allow Applicants with open SBA loans or balances to close them and then not include any balances going forward. Often an Applicant may have accepted an SBA loan but not used it or only used a portion that was advanced in hopes of repairing but then stopped realizing the loan was either insufficient or debt repayment became a hardship due to delays for additional assistance. Case managers may need to assist Applicants in contacting the SBA to close their loans that remain open. An SBA loan is considered available to the Applicant when it is accepted, meaning that the borrower has signed a note or other loan document that allows the lender to advance loan proceeds, and has not been subsequently cancelled as provided for in 84 FR 28836 V.B.2.

##### 3. Insurance

All property insurance settlement amounts for loss to dwellings are considered a DOB. Private insurance includes, but is not limited to, homeowners, fire, wind and hail, National Flood Insurance Program (NFIP), Increased Cost of Compliance (ICC), and Additional Living Expense (ALE) coverages.

However, if property insurance benefits are paid in a lump sum, the Applicant must provide documentation that delineates benefits received for contents and personal property, loss of buildings (detached garage), or other expenses (allowable living expenses), if applicable. This documented amount will then be excluded from DOB calculations.

A Proof of Loss Statement with line-item detail is required to be submitted to the Program, to determine duplicative assistance. It is also determined that the line item for the “recoverable depreciation allowable” amount in an insurance claim is deducted as a DOB, unless otherwise documented by the homeowner and the insurance company.

Insurance proceeds taken by a mortgage company as a forced mortgage payoff or paydown do not count as a duplication of benefits. Applicants are required to provide documentation to the Program that the mortgage payoff was not voluntary.

Insurance proceeds will be determined and verified by the Program by contacting the insurance company and verifying proceeds. If the Program is unable to obtain a response from the insurance company within three attempts to do so, the Program may consider using the amount self-reported by the Applicant, though all other documentation in the file must support the self-reported amount.

#### 4. Lawsuit Settlements

Funds received from the PG&E Fire Victims Trust settlement and from the Southern California Edison settlement, are not considered DOB for the ReCoverCA program per HUD. Other lawsuit settlement funds will be evaluated for DOB applicability as more information becomes available.

Legal fees that were paid by the Applicant to successfully obtain insurance proceeds are offsets to the homeowner and are not included as part of their DOB. Please see Section 7.0 for additional information regarding offsets. Homeowners need to provide evidence of payment and a judgment or settlement document demonstrating homeowner’s success in the legal action. All other legal fees that a homeowner may have paid out of any disaster assistance proceeds are deducted as part of their DOB if the assistance funding used was intended for, repair, or reconstruction of the damaged residence.

#### 5. Disaster Recovery Act Funding

The Disaster Recovery Act (DRA) authorizes FEMA to provide hazard mitigation funding in areas that Fire Management Assistance Grants are awarded as a result of wildfire and windstorm disaster mitigation. If funds were received from FEMA to provide hazard mitigation grant funding through the DRA, these funds are considered a DOB.

#### 6. Other Funding

Any funding received for the same purpose of the grant funding must be disclosed by the Applicant and accounted for and evaluated by the Program for DOB. For example, funding provided by a non-profit organization to assist Applicants in repairing or reconstructing their home must be reported in the application process and verified by the Program.

##### b) In-Kind Donations

In-kind donations are non-cash contributions, such as donations of professional services, use of construction equipment, or contributions of building materials that the Applicant may have received for their recovery efforts which serve the same needs as the CDBG-DR repair scope and requirements. The value of qualified in-kind donations is not counted as a duplicative amount, but rather may be subtracted from the Applicant’s total need amount due to those donations lowering the Applicant’s unmet



need entering the program. Contributions of materials or labor for non-eligible repair items will not be subtracted from the Applicant's total repair need.

- c) Sources Not Considered as Disaster Assistance - Total assistance does not include the following:
1. Personal assets: checking or savings, excluding the insurance proceeds and/or disaster assistance for repairs deposited into the Applicant's account.
  2. Retirement accounts
  3. Credit cards or lines of credit
  4. Commercial and/or Private loans
  5. Temporary housing
  6. Fire Victim Trust compensation settlement amounts
  7. Social Services Block Grant (SSBG) funding
  8. CalHome Program loans used for a Disaster Response and Recovery Act of 2018 (DRRA) Qualifying Disaster<sup>4</sup> See Section 9.5.14 for additional details.
  9. Any other sources considered non-duplicative or for a different purpose as defined by the Program

#### 9.5.5 Availability of Resources Included in Total Assistance:

Federal regulations require the program to consider all funds "available" to Applicants when calculating assistance, not just funds received. The applicable Federal Register Notice (84 FR 28836) states that funds are "available" to an Applicant if they (1) would have received them by acting in a reasonable manner, or in other words, by taking the same practical steps toward funding recovery as would disaster survivors faced with the same situation but not eligible to receive CDBG-DR assistance; or (2) has received the assistance and has legal control over it. Available assistance includes reasonably anticipated assistance that has been awarded and accepted but has not yet been received. Applicants are expected to seek insurance or other assistance to which they are legally entitled and to behave reasonably when negotiating payments to which they may be entitled.

#### a. Non-Duplicative Assistance and Offsets

Not all assistance received by an Applicant is considered a duplication of benefit for housing repair or reconstruction. Therefore, there are types of assistance received by an Applicant which will not constitute a duplication of benefits, referred to as non-duplicative or offsets.

The Program will allow for reductions of duplication of benefit totals if the Applicant can prove that the use or control of the funds meet certain criteria. In accordance with 84 FR 28336, the Program may exclude for duplication of benefits purposes "assistance that was: provided for a different purpose; provided for the same purpose (eligible activity), but for a different, allowable use (cost); not available to the Applicant; a private loan not guaranteed by SBA; or any other asset or line of credit available to the Applicant." 84 FR 28336 also states that declined or cancelled subsidized loans (loans other than private loans) are not a DOB. Each of these categories is further described below.

#### 9.5.6 Funds Provided for a Different Purpose:

Any assistance provided for a different purpose than the CDBG-DR eligible activity, or a general, non-specific purpose (e.g., "disaster relief/recovery") and not used for the

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<sup>4</sup> For DRRA Qualifying Disasters, FEMA has advised that a loan is not a prohibited duplication of benefits under section 312(b)(4)(C) of the Stafford Act, as amended by section 1210 of the DRRA, provided that all Federal assistance is used toward a loss suffered as a result of a major disaster or emergency.

same purpose must be excluded from total assistance when calculating the amount of the DOB. The Federal Register defines three general categories for which homeowners generally receive assistance: (1) replacement housing; (2) repair assistance; or (3) interim (temporary housing) so any funding received for purposes other than those three may not be considered DOB.

#### 9.5.7 Funds for the Same Purpose but for a Different Allowable Use

Funds received for the same purpose as funds provided under the OOR Program but used by the Applicant for a different allowable cost may be excluded from the final award calculation. In these circumstances, if the Applicant can document that the funds received were used for a different but eligible use, then the funds are not duplicative. Eligible forms of documentation may include but are not limited to receipts or paid invoices, demonstrating that funding was spent for a different eligible use. The Program will review documentation submitted on a case-by-case basis.

#### 9.5.8 Funds not Available to the Applicant

Funds that are not available to an Applicant may also be excluded from the final award calculation. Funds are not available to the person or entity if the person does not have legal control of the funds when they are received and are used for a non-duplicative purpose. For example, if a homeowner's mortgage requires any insurance proceeds to be applied to reduce the loan balance, then the bank/mortgage holder (not the homeowner) has legal control over those funds. Therefore, the homeowner is legally obligated to use insurance proceeds for that purpose and does not have a choice in using them for any other purpose, such as to repair or reconstruct the house. Under these circumstances, insurance proceeds are not considered duplicative.

Conversely, if a disaster-affected homeowner chooses to apply insurance proceeds to reduce an existing mortgage, or requests that the lender demand payment, insurance proceeds may be considered duplicative and reduce the amount of disaster assistance available.

However, if a mortgage requires insurance proceeds to be used for the repairing of the property, those proceeds must be considered as assistance for the same purpose as the CDBG-DR OOR Program funds.

A homeowner does not need to possess cash assistance to be considered as being in legal control over receiving benefits for a particular purpose.

#### 9.5.9 Private Loans

Unlike SBA loans (or any other subsidized loan or Federal loan guarantee program that provides assistance after a major disaster or emergency), private loans not guaranteed by SBA need not be considered duplicative assistance. Private loans are loans that are not provided by or guaranteed by a governmental entity, and that require the Applicant to repay the full amount of the loan under typical commercial lending terms. Since private loans are not provided under a government program, they do not need to be considered as potentially duplicative assistance.

#### 9.5.10 Other Assets or Lines of Credit

Other assets or lines of credit available to a homeowner or a business owner need not be included in the award calculation. This includes, but is not limited to checking or savings accounts, stocks, bonds, mutual funds, pension or retirement benefits, credit cards, mortgages or lines of credit, and life insurance. Please note that these items may be held in the name of an individual or in the name of a business.

### 9.5.11 Declined or Cancelled Subsidized Loans

Declined loan amounts are loan amounts that were approved or offered by a lender in response to a loan application, but were turned down by the Applicant, meaning the Applicant never signed loan documents to receive the loan proceeds. Declined subsidized loans are not to be included in the calculation of DOB. The Program will attempt to verify declined loan amounts using third-party data or through correspondence from the lender. If the Program cannot ascertain whether or not the Applicant declined the loan, the loan may still be excluded from DOB calculation if the Applicant provides a written certification stating that the Applicant did not accept the subsidized loan.

Cancelled loans are loans (or portions of loans) that were initially accepted, but for a variety of reasons, all or a portion of the loan amount was not disbursed and is no longer available to the Applicant. The cancelled loan amount is the amount that is no longer available. The loan cancellation may be due to default of the borrower, agreement by both parties to cancel the undisbursed portion of the loan, or expiration of the term for which the loan was available for disbursement. To document that a subsidized loan is cancelled, the Applicant must provide either: written communication from the lender confirming the loan is cancelled and no longer available to the Applicant; or a legally binding agreement between HCD and the Applicant that indicates the period of availability of the loan has passed and the Applicant agrees not to take actions to reinstate the loan or draw any additional undisbursed loan amounts.

**NOTE:** Only the accepted amount of the cancelled loan will be considered a DOB.

### 9.5.12 Treatment of Subsidized Loans per DRRA Amendments

The Disaster Recovery Reform Act (DRRA) of 2018 modified the treatment of subsidized loans under the Stafford Act for disasters declared **between January 1, 2016 and December 31, 2021**, so that when certain conditions are met, the loans are no longer a DOB.

For subsidized loans made in response to DRRA Qualifying Disasters, accepted but undisbursed loan amounts (e.g., accepted but undisbursed SBA loan amounts) are not considered a DOB.

DRRA amendments also allow for individuals to be reimbursed for some costs of CDBG-DR eligible activities that were paid with subsidized loans if it can be proven that all federal assistance was used toward a loss suffered as a result of the major disaster or emergency. If the subsidized loan was used to carry out a CDBG-DR eligible activity that addressed a loss suffered as a result of a major disaster or emergency, HUD considers reimbursement of eligible costs paid with that loan to be used toward a loss suffered as a result of the major disaster or emergency. If an Applicant falls under this provision, refer to section [V.B.2\(iii\) of 84 FR 28836](#) for a list of conditions to be met.

### 9.5.13 Other Adjustments and Offsetting Amounts

In some cases, when an Applicant can demonstrate that they used disaster assistance funds for a different allowable use, this would allow for an adjustment or offset to DOB. These offsets apply to non-FEMA funding sources only. Applicants must provide documentation for allowable activities to offset potential duplication of benefit:

- **No Receipts Provided:** If the Applicant is unable to provide receipts as required in this policy to demonstrate other, allowable disaster related uses of funds already received, the full amount of

housing repair and/or replacement assistance previously received must be deducted from the amount of funding for which the Applicant would otherwise be eligible

- **Partial Receipts Provided:** If partial receipts are provided by the Applicant documenting that only a portion of the housing repair and/or replacement assistance previously received was used as intended, the amount received not supported by receipts must be deducted from the amount of funding for which the Applicant would otherwise be eligible.
- **All Receipts Provided:** If receipts are provided by the Applicant documenting that the full amount of housing repair and/or replacement assistance previously received was used as intended, and as required in this policy to demonstrate other, allowable disaster related uses of funds already received, no deduction is made from the award amount for which the Applicant is eligible.

#### a. Offsetting Activities / Allowable Disaster Related Uses

##### **Temporary Housing Assistance**

Allowable uses include temporary housing costs such as dwelling rent, hotel stays, RV- related expenses associated with dwelling in the RV, and applicable utilities that occurred because of temporary displacement from the primary residence due to the disaster. Eligible temporary displacement is from the time of the event until the date of the verification letter. Evacuation costs are not eligible for duplication of benefits offset.

Temporary housing expenses can offset the potential duplication of benefits amount. When a homeowner receives insurance funds as compensation for the loss of their home as a result of the disaster and those funds, where not explicitly restricted by insurance for use towards interim housing, are used for interim housing costs, (e.g., buying a trailer to live in, on-site, until their home could be rebuilt) those funds are not counted as DOB as those funds are funds for a different purpose under HUD's duplication of benefits requirements.

##### **Temporary Housing Expenses**

Insurance funds and other non-FEMA benefits received as a lump sum that is not itemized in a policy or a summary of benefits notification, and spent by an Applicant on temporary housing expenses from the date of the disaster, which can be documented by the Program, can be deducted from the DOB total. If sufficient documentation for these expenses is provided the DOB will be reduced by that amount.

Eligible Temporary Housing Offset Expenses may include but are not limited to:

- Non-Luxury personally owned Recreational Vehicle (RV) or Vehicle
  - o (Capped at \$40,000 and receipt/bill of sale required)
- Trailer Rental or Purchase
- RV or Trailer Park Rent
- Dwelling Unit Rent
- Hotel or Short-Term Rentals
- Temporary Housing-Related Utilities
- Other Temporary Housing Arrangements on a case-by-cases basis review

Documentation required for temporary housing offsets can include, but are not limited

to:

- Non-Luxury Vehicle or Recreational Vehicle Receipts or Title (if applicable)
- Trailer Rental or Purchase Receipts or Title (if applicable)
- Hotel or Short-Term Rental Receipts
- Dwelling Unit Lease or Rental Agreements
- Proof of Payment for Other Temporary Living Arrangements including bank statements or credit card purchases
- Temporary Housing Expense – Self Affidavit for up to 60 days Food and other personal items are ineligible for DOB offsets.

### **Repair Costs**

Applicants may have begun rehabilitating or reconstructing their damaged residence with funding received from insurance, SBA and/or FEMA. Inspections completed by the Program will be used to determine value of completed repairs which may be used to offset an Applicant's DOB. Additionally, any qualified temporary stabilization expenses that cannot be verified by a current on-site estimation will be considered on a case-by-case basis with proof of documentation such as receipts.

### **Theft, Vandalism, or Contractor Fraud**

If an Applicant is a victim of theft, vandalism, or contractor fraud, the amount paid for the materials or for work or to the contractor may be excluded from duplication of benefit if properly documented. The Applicant would have had to have filed a formal complaint with a government authority (e.g., California Contractor's State License Board, a consumer protection agency or police department) setting forth in detail the cause and amount of fraud in sufficient form to be verifiable and affirmed through enforcement follow-up.

Scenarios that may result in a reduction of DOB include:

- The contractor or workers were paid, but no work was performed.
- The contractor or workers were paid, but only partial work was performed, and the work was never completed.
- The contractor or workers were paid and did perform the work, but it is sub-standard or shoddy and must be corrected.
- The homeowner paid the contractor or workers for materials that were never delivered to the home, used in the home, or disappeared from the work site.
- The homeowner procured materials that were onsite, and they were stolen from the property by a contractor, workers, or others engaging in theft.
- Materials on the worksite were vandalized.
- Installed materials (i.e., completed work) were vandalized.
- Installed materials may have been stolen from homes.

This procedure is intended to assist homeowners who have experienced any of the scenarios described above or any similar scenario not listed by providing relief related to lost money that would otherwise be considered a duplication of benefit. The

homeowner must prove any contractor fraud, bad workmanship, vandalism, or theft. If proven, the homeowner's duplication of benefit can be reduced, and the program can provide scope to cover the completion of the Applicant's home repairs.

Homeowners will have to prove that they have filed a formal complaint with law enforcement, the California Contractor's Licensing Board, or the Attorney General or that they have filed a civil action in a California court. The intent of the contractor-fraud policy and procedure is to take into account all relevant evidence a homeowner can provide to make a reasonable determination of whether the duplication of benefit amount should be reduced. It is a totality of circumstances that will support this justification.

A homeowner's engagement or indication that he or she will be engaging in litigation related to the fraud, workmanship, vandalism, or theft does not preclude the Applicant from obtaining a duplication of benefit reduction. The Applicant will sign a Subrogation agreement at grant execution that requires the Applicant to return any portion of funds that he or she may later receive related exclusively to repairs of the home for which the program may provide. Therefore, the existence of a lawsuit is not grounds for denying this DOB reduction analysis.

The first step in this process is for the program to collect some basic information from the homeowner. This information will be filled into the Contractor Fraud/Theft/Vandalism Example worksheet.

- Name of the contractor(s) or workers to whom funds were paid
- Amount paid to each contractor or worker alleged to have stolen funds, failed to complete work that had been paid for, or completed shoddy work that must be re-done
- If theft or vandalism, the date on which the theft or vandalism of materials/work occurred
- The name of any police department, regulatory agency, or court with which a formal complaint was filed
- The date the formal complaint was filed and the item or case number of the report
- Brief description of the alleged incidents

To demonstrate contractor or builder fraud and/or theft or vandalism for consideration of a duplication of benefit reduction, the Applicant must provide the following:

- Contractor Fraud:
  - o Either a contract with a contractor to perform repairs to the damaged property or evidence of payment(s) made to contractor or builder demonstrating the attempt to rebuild or repair the damaged property as well as proof that the rebuilding and/or repairs were not completed.
    - Proof of payment can be in the form of canceled checks, paid invoices, or paid receipts. Bank statements or credit card statements that contain proof of payment through checks or other means of electronic transfer may also be used.
  - o Evidence that a formal complaint was filed against the contractor or builder accused of fraudulent practices with the proper law enforcement officials or a state regulatory agency or court (civil complaints)
    - Complaint must have been filed within 1 year of the discovery of the fraudulent activity of the contractor/builder. The Applicant must provide the case or item

number or report number and the name of the law enforcement or regulatory agency with which it was filed. If a civil action was filed, the Applicant must provide the name of the court where the action was filed and the docket number of the case.

- Theft or Vandalism:
  - o Proof (i.e., paid receipts, photos, filed complaint) that property of the Applicant's damaged home was stolen or vandalized
    - Proof of payment such as a canceled check, receipts, bank statements or credit card statements is also required.
  - o Evidence that a formal complaint of theft or vandalism was filed with the proper law enforcement officials or a state regulatory agency or court (civil complaints).
    - The Applicant will also be expected to provide the case or item number or report number and the name of the law enforcement or regulatory agency with which it was filed.

### **Mortgage Forced Payment (involuntary payoff/paydown)**

If an Applicant's mortgage company placed a force payment on insurance proceeds, the insurance amount paid to satisfy a force payment is not a duplication of benefit. The Applicant would have to provide the document proving that the mortgage company did not release the insurance proceeds in the amount of the outstanding mortgage amount.

### **Legal Fees**

Legal fees that were paid in successfully obtaining insurance proceeds will be credited to the Applicant and will not be deducted as part of the Applicant's duplication of benefits. Applicants will need to provide evidence of payment.

### **Tax Filing**

Tax filings related to losses to the home do not affect funding assistance awards and are not considered duplication of benefits. Applicants should consult their personal tax advisor about any tax-related matter.

#### **9.5.14 Repayment of Excess DOB**

Section 312(b)(1) of the Stafford Act requires grantees to ensure that Applicants agree to repay all duplicative assistance to the agency providing that Federal assistance. To address any potential DOB, each Applicant must also enter into an agreement (Subrogation agreement or similar document) with the CDBG-DR grantee to repay any assistance later received for the same purpose for which the CDBG-DR funds were provided.

Any assistance determined to be duplicative must be deducted from the Program's calculation of the Applicant's total award prior to awarding assistance. The Program will reduce Applicant awards through a reduced scope of work (award) for non-essential items associated with repair, reconstruction, or relocation, such as appliances that the Applicant is able to fund on their own.

In some instances, there may be duplication of benefit in excess of the amount which may be reasonably deducted from the Applicant's award via reduced scope of work. In

these instances, the Applicant is considered to have excess duplication of benefits. Applicants with excess DOB will be notified by their case manager. Applicants must resolve the excess DOB within thirty (30) days after the document was sent by providing the Program with a cashier's check for the full amount of the excess DOB. Applicants who cannot resolve the excess DOB within those thirty (30) days will not be eligible for assistance under the Program.

Applicants deemed ineligible for failure to resolve excess DOB will be mailed an Ineligibility Determination letter. The Ineligibility Determination letter notifies the Applicant of the reason for ineligibility and outlines the process to appeal the decision.

### 9.5.15 Sample DOB Calculation

DOB Calculation Step	Example Given
1. Identify Applicant's Total Need	\$250k
2. Identify Total Assistance	FEMA \$25k + Insurance \$75k + SBA +Charity +Lawsuit Settlements = \$100,000 total DOB
3. Identify Non-Duplicative Amounts  <i>Examples of Non-Duplicative Amounts:</i> <ul style="list-style-type: none"> <li>• Amounts used for a different purpose, or same purpose, different allowable use</li> <li>• Declined and cancelled subsidized loan balances</li> <li>• Subsidized loan amounts that were used specifically toward a loss suffered as a result of the major disaster or emergency (per the DRRA)</li> <li>• Assistance received for the same purpose as the CDBG-DR Grant can be offset by expenses incurred by the property owner if they are verifiable receipts, invoices, pictures, and other relevant documentation confirming the expenses.</li> </ul>	Insurance \$15k for landscaping + Insurance 25k building foundation + Declined subsidized loans +Offsets = \$40,000
4. Identify Total DOB Amount (Line 2 minus Line 3)	\$60k
5. Calculate Maximum Award (Line 1 minus Line 4)	\$190k
6. Program Award Cap (if applicable)	\$500k



**7. Final Award**

(Amount in line 5, up to the program cap amount in line 6. The award amount is the program cap amount if amount in line 5 is greater than the amount in line 6. )

**\$190k**

## 9.6 Pre-Construction Activities

After the initial DOB verification is complete and Case Management determines that an Applicant is eligible for assistance, a Work Order is created for the Construction Management staff to initiate Pre-Construction Activities.

Pre-Construction Activities consist of:

- Initial Home Inspection
- Tier 2 Environmental Review
- Design Process

All pre-construction activities are performed for any rehabilitation or reconstruction project, regardless of Program solution.

### 9.6.1 Initial Home Inspection

Prior to the Initial Home Inspection, Construction Management staff will consult the eGrants system for the following information:

- Program Solution (1 or 2)
- Damaged structure type (MHU, Stick-Built, or ineligible)
- Damaged structure characteristics (square footage, bedroom count, etc)
- Applicant household size
- Verification of damage
- Work in Place Data (if any)
- Relevant DOB data

The Initial Home Inspection is conducted by Construction Management-contracted inspectors. Inspectors will visit the property and gather any necessary information to determine the following:

- a) Assesses property and what action would be needed to bring the house to HUD housing quality standards.
- b) (If applicable) Verifies any repairs already completed for eligible DOB offsets as reported to Case Management in the Application Process.
- c) Reports back to the Program any and all issues relating to feasibility they observe during their inspection.

Before the Initial Home Inspection, the case manager contacts the Applicant to schedule an appointment for the initial site inspection, providing at least 72 hours advance notice. All communications and attempted communications are documented in the system of record, eGrants. The Applicant/homeowner or someone designated to act on their behalf must be present during the initial site visit.

Staff conducting the initial inspection collect sufficient data to determine the feasibility for Rehabilitation, Reconstruction, or Replacement. The inspector verifies, upon request of eligibility team, any information from the homeowner regarding damage as well as work

that has been initiated or completed.

The inspector also conducts a room-by-room inspection to identify any repairs needed to bring the home into compliance with construction specifications.

CM Home Inspectors will observe and document needed repairs with notes and at a minimum of the following photos:

- Front elevation
- All other exterior elevations
- Interior photos of disaster damage
- Adjacent exposures (backyard, side yards, proximity of dwellings, and any outbuilding)
- Obvious environmental issues (such as hazardous trees threatening the construction site)

#### *a.* Verification of Work in Place

Work in Place (WIP) refers to repair activities already completed at the time of the Application.

During the DOB Review, the Program DOB Team verifies that the completed repairs match the list of Program eligible activities and are consistent with damages caused by the disaster(s). The applicant is charged with supplying backup information such as Photographs and narratives to substantiate existing repairs at the time of inspection.

If there is a question whether a repair was made or not made, the Program DOB Team will use a professional opinion or seek information obtained by the CM Initial Inspection team from their inspection visit as the deciding factor on whether the item should be indicated as validated. If the Applicant lists a repair but it is obvious to the Program DOB Team that the repair has not been completed, the Program DOB Team indicates that the repair of the item cannot be validated.

#### *b.* Estimated Cost of Repairs (ECR)

An Estimated Cost of Repair (ECR) is prepared to document the line items and estimate the costs of repairs needed to bring the house back to HUD Housing Quality Standards of livability. In an effort to establish a basis for quantifying these materials and labor costs needed, the ECR uses standardized unit-based costs through the use of Standard Grade Building Material costs established prior to the start of the program that are reflective of costs per region served.

Quantities and measurements taken during the initial site inspection are input into a construction estimating tool for all projects to ensure consistency throughout the Program. The ECR provides line-item details of eligible needed repairs in units of measure and quantities to bring the house back to HUD Housing Quality Standards of livability.

All cost estimates for work completed or for work still needed to complete a construction project are created using Standard Grade Building Material costs and [Minimum Architectural and Design Standards](#) defined by the Program.

Existing Rehabilitation or Reconstruction of detached structures such as garages, sheds, swimming pools, decks, or fencing are not included in the ECR as eligible construction

activities.

The ECR is then reviewed by the eligibility team to determine the program approved construction pathway

### 9.6.3 Environmental Review

All federal regulation regarding lead-based paint, environmental review, housing quality standard, procurement, labor standards, etc., apply to this Program. If issues are identified within an application, an application may be required to undergo additional reviews, and this may take additional time to resolve.

The National Environmental Policy Act of 1969 (NEPA), as amended, established the national policies, procedures, and regulations for protecting and enhancing environmental quality.

It requires the evaluation of environmental impacts of proposed federally funded projects and identification of any necessary mitigation measures to minimize or prevent adverse impacts. An environmental review is necessary for all HUD-assisted projects, including projects funded partially or in full by CDBG-DR, prior to any commitment of funds.

All rehabilitation and reconstruction projects undertaken with CDBG-DR funds and all activities related to that project are subject to the provisions of NEPA, as well as to the HUD environmental review regulations at 24 C.F.R. part 58.

The HUD environmental review process must be completed before any funds are committed and disbursed for Program-eligible activities. No work may start on a proposed project before the environmental review process is completed, even if that work is being done using non-HUD funds. If work has already been started with non-HUD funds, the applicant will be required to stop existing work until the environmental review process is complete.

Environmental review must be concluded for each project prior to the firm commitment of any Program funding. A violation of this requirement may jeopardize federal funding to this project and disallow all costs that were incurred before the completion of the environmental review and HUD's approval for release of funds.

The primary objectives of the HUD environmental review are to identify specific environmental factors that may be encountered at potential project sites and to develop procedures to ensure compliance with regulations pertaining to these factors.

An environmental review consists of a statutory checklist of required review items that documents the project meets NEPA and all other environmental requirements. Properties with environmental findings are not permitted to proceed under housing activities unless the finding is corrected.

Laws and regulations which contain environmental provisions that must be complied with include:

- Noise
- Historic Properties
- Coastal Zones

- Environmental Justice
- Floodplains
- Wetlands
- Manmade Hazards
- Water Quality
- Air Quality
- Endangered Species
- Farmland Protection

Environmental reviews are conducted according to the HUD environmental review regulations at 24 C.F.R. part 58 and may be subject to specific provisions based on the specific site and level of review necessary. Rehabilitation and reconstruction must meet the requirements under 24 C.F.R. part 58.5 that document the limited impact of the activity in the area overall. This is completed through a tiered approach working with local jurisdictions and the individual project sites.

Should a property undergo an environmental review, but then fail to make it to the construction phase, these costs (as well as any other project delivery costs expended) remain activity delivery costs.

**a. California Environmental Quality Act Compliance**

The California Environmental Quality Act (CEQA) is the state's companion to NEPA. CEQA compliance is required on all projects carried out, approved, or funded by a California public agency that may result in an adverse physical change in the environment, either directly or indirectly.

Documentation of CEQA compliance must be met along with the NEPA regulations within the environmental review. The following exemptions exempt the Program from CEQA review:

**CEQA Article 19 Categorical Exemptions**

14 CCR Section 15302. Replacement or Reconstruction

"Class 2 consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced..."

14 CCR Section 15303. New Construction or Conversion of Small Structure

"Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure. The numbers of structures described in this section are the maximum allowable on any legal parcel. Examples of this exemption include but are not limited to: (a) One single-family residence, or a second dwelling unit in a residential zone. In urbanized areas, up to three single-family residences may be constructed or converted under this exemption.

## **CEQA Article 18 Statutory Exemptions**

### 14 CCR Section 15269. Emergency Projects

"Projects to maintain, repair, restore, demolish, or replace property or facilities damaged or destroyed as a result of a disaster in a disaster-stricken area in which a state of emergency has been proclaimed by the Governor pursuant to the California Emergency Services Act, commencing with Section 8550 of the Government Code. This includes projects that remove, destroy, or significantly alter an historical resource when that resource represents an imminent threat to the public of bodily harm or of damage to adjacent property or when the project has received a determination by the State Office of Historic Preservation pursuant to Section 5028(b) of Public Resources Code."

All projects are carefully considered during the environmental review to ensure they meet the categorical exemption classes listed in the regulations.

#### *b.* Tier I

A Tier I, or broad, review encompasses geographical areas or neighborhoods often with similar environmental characteristics. Jurisdictions with housing applications and awards must complete a Tier I Environmental Review to document area compliance with regulations, statutes, and executive orders under 24 C.F.R. part 58.5, which may include all or most of the following as applicable:

- Description of proposed project activities by all funding sources.
- Project location(s)/area(s) supported by a locational map.
- Color photographs, site plans, project plans, and maps (e.g., topographic, aerial).
- Existing environment on and around project site/area and how it is expected to change as a result of the project.
- Other information as recommended by environmental agencies and project professionals.

Supporting documentation, including maps and letters from agencies as applicable, must be included as backup evidence for the above requirements.

If the proposed activities can be determined to have no adverse impact on an environmental resource and comply with the associated environmental law/authority, then environmental impacts can be cleared during the Tier I review.

When proposed activities have the potential to adversely impact environmental resources or compliance with the associated environmental law/authority cannot be determined, then steps identifying compliance must be included in the review.

The review identifies how the project achieves compliance for each unresolved environmental resource during the Tier II/Site-Specific Review.

This review is submitted to the State for review and approval through a Notice of Intent/Request for Release of Funds.

#### *c.* Tier II

Each awarded property must be reviewed in accordance with specific location-based regulations under NEPA, including EPA hazards, airport and fly-by noise levels,

historical properties (OHP), and flood zones. These Tier II, or site-specific, reviews should provide the following for each project site:

- Entire project scope and all phases of the project from beginning to end
- Color photographs, site plans, project plans, and maps (e.g., topographic, aerial)
- Temporary impacts anticipated by construction activities and a timeline for construction
- Toxic and/or Hazardous Sites data
- Coordination or exemption letters from state or federal agencies if necessary
- Testing for lead and asbestos
- Any other supporting documentation

If any compliance issues were identified in the Tier I review, those must also be addressed at Tier II. The Tier II review is submitted to the state for review and approval.

Tier II reviews shall include testing for lead-based paint and exposed surfaces containing lead in properties constructed prior to 1978. All Program Applicants receive a copy of the EPA's "The Lead-Safe Certified Guide to Renovate Right" to notify them the concerns and dangers of lead-based paint. Documents detailing the risks are distributed to all homeowners, and acknowledgement of the receipt of such information is required via signature, initial, or electronic acknowledgment.

For homes built prior to 1978, all exposed surfaces are inspected for the presence of defective surfaces (cracking, peeling, etc.). All defective surfaces are tested for lead-based paint. Should any lead-based paint be found, coverage, removal, or other corrective actions taken are conducted in a manner that avoids further diffusion of lead particles throughout the residence, and in accordance with HUD regulation 24 C.F.R. part 35.

The Tier II environmental review is also required to address asbestos for a housing rehabilitation or demolition project when submitted to the state. Asbestos is a mineral fiber and was used commercially in numerous building materials during the past century.

Similar to lead, asbestos can be found in many older homes and requires special care to remove. Removing and disturbing materials that contain asbestos can release the tiny fibers into the air, creating a health risk to anyone in the area.

The EPA regulates asbestos procedures for rehabilitation or demolition actions under the Clean Air Act and require notification and strict work practices for asbestos handling, removal, storage, and transport under 40 C.F.R. part 61, Subpart M.

HUD does not have specific regulations related to asbestos. However, to ensure housing units are decent, safe, and sanitary, housing rehabilitation and demolition projects need to determine if asbestos is present.

Homes built prior to 1978 are tested for the presence of asbestos in areas needing repair, and more broadly if the house is demolished for reconstruction.

Contractors hired to abate and remove asbestos must be state-certified and licensed to handle and dispose of asbestos according to EPA and Cal/OSHA standards.

All Program Applicants are to be notified of the dangers of asbestos and the risks involved in removing any asbestos containing material (ACM). In addition, agreements with contractors shall contain language on exposure to and removal of materials containing asbestos in any home if applicable.

Homeowners can use the California State License Board's Consumer's Guide to Asbestos<sup>5</sup> for guidance on asbestos, hiring contractors, and disposing of materials.

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<sup>5</sup> <https://www.cslb.ca.gov/Resources/GuidesAndPublications/AsbestosGuideForConsumers.pdf>  
Owner-Occupied Rehabilitation and Reconstruction Program Policies and Procedures  
Version 3, June 2022



Proper removal and disposal of asbestos containing materials (ACM) are included in the SOW. ACMs which are friable, or which the renovation or demolition risks disturbance, must be removed and disposed in accordance with Federal and Territorial regulations by firms and individuals properly licensed for the work.

If asbestos should become apparent after construction begins, procedures align with local abatement procedures as well as HUD and the Environmental Protection Agency (EPA) are followed. Costs for additional assessment and/or removal are handled as a change order to the building contractor.

All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. Construction Manager (CM) shall provide HCD with a copy of the *Asbestos Waste Disposal Manifest* for all ACMs removed from the site, as a condition precedent to final payment.

#### 9.6.4 Design Process

The Design Process incorporates information gathered during the Initial Home Inspection and the Tier 2 Environmental Review to produce a Scope of Work.

The Design Process consists of:

- Homeowner model/floorplan selection
- Site-specific design work visit
- Creation of Scope of Work

##### a. Homeowner Model/Floorplan Selection

After the ECR is generated and Tier 2 Environmental Review is completed, Solution 1 homeowners will be invited to select the floorplan for which they are eligible (See Section 7.4 for Model Eligibility Standards). Applicants may select any floorplan smaller than the largest plan they qualify for. Solution 2 Applicants will not have a homeowner selection phase due to the fact that their home plans are already completed and construction has started.

CM will provide OOR Program applicants two floorplan options for two (2)-bedroom, three (3)-bedroom, and four (4)-bedroom homes using a standardized plan set that can be built on a majority of sites. In some instances, these “proto-type” plan sets may be modified dimensionally to fit zoning and on-site code requirements. Narrow lot two-story options are available on an as-needed basis. Additionally, CM will provide OOR Program applicants with one floorplan for five (5)-bedroom or one floorplan for six (6)-bedroom home as required and determined by HCD. All floor plan options have three exterior elevation options. When an applicant property is unable to accommodate one of the model floorplans provided, construction management may provide specially modified or new plan sets subject to review and approval by HCD.

Based on the characteristics of the damaged home and the existing footprint, the case manager/CM representative presents all allowable plan sets that meet the requirements for the standard home and include footprints up to the current square footage. The homeowner is permitted to select the model they prefer of these choices.

The homeowner may work with the case manager to adjust to a plan that works in their

circumstances. Applicants who choose accessibility features, may work with the case manager to select standard features to support the accessibility request.

The Applicant is allotted reasonable time to review materials and make final selections.

b. Site-specific design work visit

Construction Management-contracted staff will visit the Applicant's home and conduct the following:

- Provide survey
- Elevation certificates (as needed)
- Geotechnical services with reports
- Permitting activities
- Activities associated with inspections, repairs, and replacements to water wells and/or septic systems
- Any other inspections or tasks required to cost out a site-specific scope of work

c. Scope of Work Creation

A Scope of Work (SOW) includes the estimate of activities and funding required to complete the repair of the damaged residence or complete a full reconstruction effort.

Based on the approved pathway, Scopes of Work are determined, and valuations are determined by inputting quantities and measurements into a construction estimating tool for all projects to ensure consistency throughout the Program. The estimating tool utilizes current construction costs with inclusion of regional or county adjustments as well as applicable taxes to account for pricing differences between regions.

The SOW contains a detailed listing of activities needed to complete the project and includes all eligible construction activities detailed in materials and labor, necessary environmental mitigation (as required), eligible accessibility features.

*The Program estimates the cost of reconstruction or rehabilitation in quantities using "Standard Grade" materials. Therefore, it is likely that the Program's assessment of the value of reconstruction or rehabilitation is lower than other assessments that the Applicant may have, whether from SBA, NFIP, a private contractor, or another third-party entity.*

Necessary improvements such as widened doorways, ramps, level entry and doorways, and grab bars in the bath areas are included in the scopes of work, if applicable.

The following items are NOT included in the SOW (non-exhaustive list):

- Purchase of tools and equipment
- Repair or replacement of detached structures such as sheds, garages, swimming pools, decks, docks, or boat ramps (garages may be included when required by local codes)
- Replacement of special features, trims, and designer features that exceed basic livability requirements and features of standard grade homes such as sky lights, wainscoting, and wood paneling, jacuzzies, copper gutters and roofs (these items may be repaired if they present a health

- or safety hazard or replaced with Program standard grade material)
- Repair or replacement of fencing, landscaping, or security systems
- Replacement of damaged Personal Property, including but not limited to:
  - Washing Machines, Dryers, Dishwashers
  - Window air conditioner units

The Program prices the SOW to rehabilitate or reconstruct, based on standard grade materials and a schedule of unit costs for site specific conditions. Due to the scope and nature of this program, Applicants cannot request material or finish upgrades.

All escrowed funds must be exhausted before any Program funds are disbursed.

### 9.7 Building Codes

All residential construction projects must comply with the current published housing construction codes of the State of California. Housing construction codes for building in California follow federal and state laws, regulations, and adaptations for construction of single family and multifamily units.

Building standards are published as the California Building Standards Code under the California Code of Regulations, Title 24, and construction standards must meet or exceed all applicable requirements for housing or building construction.

Construction standards for HCD’s housing projects can be referenced online at: <https://www.hcd.ca.gov/building-standards/index.shtml>.

#### a. Local Building Codes

Contractors and subcontractors are also held to compliance with building codes set forth by any local government where work is being completed and the codes are more restrictive than the state or federal laws.

Inspections must include reviews for compliance with local, state, and federal building standards. Code Enforcement inspectors are provided by local and state governments. Where possible, proposed activities must consider projects or programs that improve hazard mitigation to reduce future losses.

Specific code compliance to achieve hazard mitigation, such as WUI codes, are implemented where applicable according to local code and the unique needs of impacted communities.

#### b. Wildland-Urban Interface (WUI) Area Building Codes.

WUI area building codes are designed to mitigate the risks from wildfire to life and property. The standards within a WUI area code vary according to the scope that a community is willing to adopt and enforce. Typically, however, a WUI area code may include the following topics:

- **Structure density and location:** number of structures allowed in areas at risk from wildfire, plus setbacks (distance between structures and distance between other features such as slopes).

- **Building materials and construction:** roof assembly and covering, eaves, vents, gutters, exterior walls, windows, non-combustible building materials, and non-combustible surface.
- **Vegetation management:** tree thinning, spacing, limbing, and trimming; removal of any vegetation growing under tree canopies (typically referred to as “ladder fuels”), surface vegetation removal, and brush clearance; vegetation conversion, fuel modifications, and landscaping.
- **Emergency vehicle access:** driveways, turnarounds, emergency access roads, marking of roads, and property address markers.
- **Water supply:** approved water sources and adequate water supply.
- **Fire protection:** automatic sprinkler system, spark arresters, and propane tank storage.

#### c. CALGreen – California Green Building Standards Code

In May 2018, the California Energy Commission adopted new building standards that requires all newly constructed homes to include solar photovoltaic systems, effective January 1, 2020. Homes built with the 2019 standards use approximately 53 percent less energy than those built under current 2016 standards.<sup>2</sup>

Additionally, all new construction of residential buildings or reconstruction of substantially damaged buildings must incorporate the state’s green building standards. California Green Buildings Standards Code (CALGreen) addresses planning and design, energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality with the intent of improving public health, safety, and general welfare.

CALGreen requirements apply to the planning, design, operation, construction, use, and occupancy of nearly every newly constructed building or structure in the state, as well as additions and alterations to existing buildings that increase the building’s conditional area, interior volume, or size.<sup>3</sup>

### 9.8 Housing Counseling

Applicants to ReCoverCA housing programs are required to participate in the ReCoverCA Housing Counseling Program as a condition for receiving an award. Applicants must complete at least one housing counseling session led by a CDBG-DR funded housing counselor. The housing counseling session must be completed prior to the Applicant’s ReCoverCA Grant Award Acknowledgment. In special circumstances this requirement may be deferred but must be completed before project completion.

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<sup>2</sup> California Energy Commission, 2019 Building Energy Efficiency Standards, <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2019-building-energy-efficiency>

<sup>3</sup> California Department of Housing and Community Development, “Building Standards: CALGreen Compliance” <http://www.hcd.ca.gov/building-standards/calgreen/index.shtml>.

## **9.9 Preliminary Grant Determination**

The Program determines the grant amount by calculating the final project cost, based on the final SOW. All DOB received by the Applicant for the same purpose of rehabilitation or reconstruction is deducted.

The cost of any construction activities which are already underway or complete by the Applicant are evaluated and if approved by program is input into the Applicant's award calculation as a reduction to the DOB.

Finally, the outstanding construction activities needed to complete a reconstruction project or return the home to pre-disaster livability standards are input into the grant determination, to calculate the preliminary grant award, not to exceed the Program award cap of \$500,000 per damaged structure for 2017 and 2018 eligible Applicants.

If any household member is disabled and special accommodations are needed, Applicants can request special accommodations and Scope modifications. The cost of such modifications is reviewed for reasonableness and count towards the Applicant's award cap of \$500,000 per damaged structure for 2017 and 2018 eligible Applicants, however exceptions can be made for necessary special accommodations that increase an Applicant's scope of work above the grant award cap limit.

Based on the ECR and associated Environmental Reviews, an analysis is performed to determine if the type of assistance that the Program can provide is rehabilitation or reconstruction (replacement for MHUs).

### **9.9.1 Stick-Built Homes**

Where the ECR determines the cost to repair a home is 80% or more of the reconstruction cost (as assessed by the CM), then the property must be reconstructed, not repaired. A reconstructed home is a new structure on the same site, using the same construction type as the original structure (i.e., Stick-built replaced with a Stick-built).

For Solution 1, the Program follows internal contractor selection processes to select the contractor for the construction of the home.

For Solution 2, the Program requires proof that contractors meet all program requirements including, but not limited California licensing, plans approved and permitted by the appropriate local authorities, proof that work completed on the project meets the OOR Program's 25% construction draw milestones, insurance, and are not debarred from receiving state or federal funds.

### **9.9.2 Mobilehomes and Manufactured Housing Units (MHUs)**

Cost effectiveness is considered in repairing significantly damaged mobilehomes and MHUs. To be considered for rehabilitation, the cost to repair the mobilehome or MHU must be \$5,000 or less based on the Program developed Scope of Work. Additionally, to be considered for rehabilitation, MHUs must be a 2009 model or newer.

Mobilehomes and MHUs with more than \$5,000 in damage or older than model year 2009 are not considered for rehabilitation but may be eligible for replacement.

Demolition, removal, and other site prep including any required elevation component or

foundation rebuild is included in the cost of replacing a mobilehome or MHU and counts against the Applicant's max grant amount.

The Program allows for MHUs to be moved to sites that differ from the original location at the time of the disaster. The new sites must be located within the impacted counties of Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma, Yuba, Los Angeles, San Diego, Santa Barbara, Shasta, and Ventura. The new sites must also already have necessary sewage and utility hookups and comply with any necessary zoning and permitting requirements.

Sites for consideration are dependent upon the same environmental reviews detailed for single family, Stick-built home rehabilitation. Site specific environmental review results and any necessary environmental remediation costs could impact the timeframe and site-specific eligibility for MHU moves.

### **9.10 Award Calculation**

The Program calculates the total grant award amount using this formula:

1. Identify Applicant's total need
2. Calculate potential Duplication of Benefits (DOB)
  - a. Calculate total assistance (from all sources, duplicative and non- duplicative)
  - b. Subtract non-duplicative exclusions from total assistance to get DOB
3. Subtract DOB from total need
4. Obtain one of three results:
  - a. Zero award – DOB is equal to or greater than total need
  - b. Grant award – remainder total need is greater than DOB but less than or equal to grant cap (\$500,000)
  - c. Account shortage – remainder total need is greater than DOB and greater than grant cap. Applicants must provide funds to cover difference..

Once the maximum award cap has been determined, the Program issues an Award Acknowledgment Letter for the Applicant to sign and return to the Program. This letter is an acknowledgment of Applicant eligibility and the calculation of the estimated grant amount.

An Applicant may be eligible for the Program; however, the calculation of the award may result in a zero-award. This may be due to the amount of funding received in DOB exceeding the SOW of repairs or reconstruction of the damaged property. In this case, the Applicant receives a Zero-Award Letter, outlining the DOB amounts and the calculation to determine the zero-award amount.

Homeowners must provide funding to cover gaps in the cost of construction if there is a gap in funding caused by a DOB. Additional funds provided by the homeowners are escrowed for the construction of the home. All Applicant escrowed funds are drawn down first, prior to the use of Program funds.

### **9.11 Maximum Grant Amount**

The current maximum CDBG-DR grant amount for housing Rehabilitation, Owner-Occupied Rehabilitation and Reconstruction Program Policies and Procedures  
Version 3, June 2022

Reconstruction, or Replacement of mobilehomes/MHUs sis \$500,000 for eligible Applicants per housing unit.

The maximum grant amount may include the following:

- Construction contract; the accepted bid price for the cost of materials and labor
- Construction contingency fees
- Drafting and engineering fees if any
- Permit fees and any related building fees
- Site preparation for replacement housing
- Escrow and recording fees

As detailed in [Section 8.10](#), demonstratable hardship determinations are considered for Program exceptions to the maximum grant amount.

Additionally, scope modifications to include the cost of special accommodations for disabled Applicants and household members are considered Program exceptions to the maximum grant amount.

### **9.12 Subrogation – Repayment of Duplicative Assistance**

Subrogation is a legal doctrine that allows one person to take on the rights of another. In the context of disaster recovery grants, a homeowner must enter into a Subrogation agreement where HCD obtains the right to collect any additional disaster recovery or insurance payouts the homeowner receives for the applicable disaster related events after the homeowner has accepted their Grant Award Acknowledgment and entered into CM construction contract for Program benefits.

All available duplicative funding must be reported to the Program and accounted for, regardless of when it was received by the Applicant. If the Applicant receives additional funding for the same purpose of the grant award, even after the award is accepted or funded, the Applicant is required to report all additional funding to the Program.

Upon additional benefits being received, the Program recalculates the award and provides instructions as to whether the Applicant must remit duplicative amounts to the Program. Applicants are required to certify acceptance of the Subrogation Agreement during grant acknowledgment.

A final DOB review is conducted prior to close out of the project file. Any identified DOB amount must be recaptured, and the amount must be repaid to HCD.

To screen against additional insurance, FEMA, and/or SBA funds received, an internal monitoring and compliance process is conducted to confirm if assistance was ultimately received for a period of 24 months after construction completion.

## **10 Closing Process**

During the Closing Process, the Applicant will determine how they will respond to the award letter, transfer any escrow funds, and sign their construction contract.

Applicant(s) accept the Grant Award Acknowledgment and sign an escrow agreement (if applicable) and the 24-month deed restriction. This deed restriction is recorded in the applicable County Recorder's Office to satisfy the Program compliance requirement.

### **10.1 Pre-Award Verifications**

Applicants are responsible for providing truthful, accurate, and complete applications to the Program. However, prior to making an award, the Program is responsible for reviewing each Applicant file to verify all information is complete, Applicant eligibility is verified, and all benefit calculations are completed correctly.

The Case Manager conducts the initial financial analysis and grant award determination with verification by the HAPM and HCD.

### **10.2 Final File Review (Quality Assurance/Quality Control 1 + 2)**

After the design process is completed, the HAPM team will conduct Quality Assurance/Quality Control 1 (QA/QC1) to ensure file completion and feasibility of the project before submitting the completed file to HCD. HCD Staff will conduct Quality Assurance/Quality Control 2 (QA/QC2) before final approval to move into Grant Award Acknowledgement.

### **10.3 Award Acknowledgement Letter**

An award letter is generated and posted to the Applicant's account and a notification email is sent to the Applicant once the following steps have been successfully completed:

- Completed application
- Submission of all required documents
- Eligibility determination is completed
- DOB analysis completed
- Tier II environmental review completed
- Property inspected with ECR, and SOW determined
- Award amount is determined

The award letter provides the Applicant with information about their potential eligible award amount, any homeowner escrow required to eliminate gaps in funding, award calculation, SOW, and information about the appeals process.

In the Homeowner Interface, the Applicant can opt to accept the award determination, appeal the award determination, or consult with their case manager on the calculation of their eligible award amount.

When an Applicant is deemed ineligible, they receive a letter stating the reason and



outlining the appeal process.

#### **10.4 Grant Award Acknowledgment**

Applicants must accept their Grant Award Acknowledgment in eGrants upon completion and clearance of the environmental review and before any grant funds are paid on behalf of an Applicant. At Grant Award Acknowledgment, once accepted by the Applicant funds are obligated to the homeowner.

If escrow funds are required, the homeowner is made aware that funds need to be placed in escrow before construction can begin. After acceptance of the Grant Award Acknowledgment in eGrants, the homeowner will be directed to sign their Escrow Agreement.

Application to this program requires the homeowner to certify that they understand and agree to all the terms and requirements of the program including the following provisions:

1. Homeowner Award Calculation, which explains how other resources determined to be DOBs were handled and how the grant was calculated. The award is calculated using the DOB Review for any repairs or reconstruction completed and the final SOW for rehabilitation work or reconstruction costs required to complete the Applicant's project.
2. Flood Insurance Requirement (if necessary), which informs the homeowner of the requirement to obtain flood insurance and pass that obligation on to the subsequent owners.
3. Subrogation and/or Assignment Agreement, in which the homeowner agrees that any additional funds the homeowner may receive from potential DOB sources belongs to the Program and confirms their obligation to immediately notify the Program if they receive such funds.
4. The application process includes required application certifications that include a declaration of the 24-month Deed Restriction that the homeowner agrees to abide by.
5. Confirm they still own the damaged property and they have not received notices of default or seizure that may affect the title of the damaged property and their obligation to immediately notify the Program if they receive such notices.
6. Hold Harmless Indemnification. Homeowner agrees to indemnify and hold harmless HCD and its agents, staff, employees, officers, directors, affiliates, successors and assigns, of and from any and all claims, demands, debts, contracts, expenses, causes of action, lawsuits, damages, and liabilities of every kind and nature, including any claims of owner or employee negligence, whether known or unknown, in law or equity, including any claims against and/or regarding the Contractor or subcontractors, which they have, ever had or may have ("Claims"), arising from or in any way related to contractor's obligations under the agreement with respect to the Project. This includes reasonable attorneys' fees the Program may incur in enforcing this hold harmless indemnification. However, this indemnification does not apply to any acts of gross negligence, or intentional, willful, or wanton misconduct of the Program.

#### **10.5 Transfer Escrow Funds**

After signing the Grant Award Acknowledgement, the Case Manager will contact the applicant and arrange transfer of Applicant's escrow funds into a third-party account held by the HAPM services vendor.

#### **10.6 Temporary Relocation of Impacted Tenants**

Owner-Occupied Rehabilitation and Reconstruction Program Policies and Procedures  
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The ReCoverCA Owner-Occupied Rehabilitation/Reconstruction Program is voluntary and not subject to the Uniform Relocation Act (URA) requirements for Homeowners. However, URA would be applicable to tenants that currently occupy a property at the time the Homeowner has applied for the Program. Displacement due to a disaster does not trigger URA so if there were tenants that were displaced by the disaster, URA is not applicable to those tenants. However, if a property awarded funding through the ReCoverCA Program has a tenant(s) currently present and legally occupying, the tenant(s) might meet the URA definition of “displaced” and be entitled to receive temporary URA Relocation benefits.

### **10.7 Notice to Proceed (NTP)**

The Construction Manager follows the procedures below for issuing an NTP for both Solution 1 and Solution 2 projects:

1. The Construction Manager verifies with the Case Manager that all Program required agreements and documents have been fully executed and no additional documents are required from the beneficiary.
2. The Construction Manager develops an NTP package to include:
  - NTP checklist and all supporting documents required for the subject property to ensure a complete package is on file prior to construction
3. After all necessary documentation is included in the NTP Package and the contract is executed with the Applicant, the Construction Manager (CM) initiates the administrative requirements including but not limited to:
  - Proof that valid performance and payment bonds submitted to the Program (when required by the Program)
  - All insurance policies are active as required by the contract
  - Verified Tier 2 clearance approved
  - Utilities have been properly disconnected and retired.
  - Contractor issued construction permits and program provided permitted plans.
  - Homeowner and any occupants have moved out and a contents removal plan has been agreed upon between the building contractor and the homeowner.
4. Contractor holds all valid Contractor Registrations and has SAMS clearance
5. For Solution 1 projects in excess of \$100,000 construction value, the building contractor has provided an overall bonding letter to the Construction Manager, which verified their bonding capacity. The copy of the site-specific bond or blanket-bond is verified before the NTP is issued.

The Construction Manager issues an NTP for Reconstruction or Rehabilitation based on project requirements. The NTP is issued in writing using the appropriate form. The NTP is provided in hard copy or a scanned version is e-mailed to the building contractor and the scanned version is uploaded into the homeowner’s file.

# 11 Construction

The Construction Manager's responsibilities include maintaining and creating paperwork for assignments, overseeing contractor pre-construction meetings, and monitoring projects by conducting on site progress inspections. Construction Managers upload the results of all progress inspections to eGrants/System of Record to be used by Program staff for building contractor's invoices and draw request processing.

## 11.1 Construction Monitoring, Periodic, and Final Inspections

Solution 1 and Solution 2 building contractors are responsible for contacting the Construction Manager to request an onsite progress inspection once construction milestones have been reached. The Construction Manager conducts inspections to verify the work being invoiced has been performed in a workmanlike fashion.

- When work is nearing completion, the building contractor notifies the Program of a specific date when the job is ready for final inspection, which guarantees that all work has been completed according to contract specifications.
- The Construction Manager will deliver copies of all building inspections and permits issued by the local building authority(ies).
- The Program verifies that the homeowner receives all warranties and instruction booklets for installed equipment.

Construction Manager will withhold 5% of the total project cost as a final payment for a period up to 45 days.

## 11.2 Draw Request Process

Work must start on each specific project within 30 days after permits are issued for the site and NTP issued. The Construction Management vendor may submit draw requests for payment at the following intervals:

### Stick-built Reconstruction project draw intervals:

- 25% Substantially Complete (prior to vertical construction and dry-ins. Milestone includes demolition where necessary, slab pour where necessary/foundation installed, all rough sewerage, and electrical conduit)
- 75% Substantially Complete (prior to insulation and drywall. Milestone includes framing, roof, windows, and exterior siding installed)
- 95% Substantially Complete (milestone includes all finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items. House is complete at this point)
- 100% Retainage (5% retainage will be invoiced 45-days after construction completion and key turnover to Applicant)

### Stick-built Solution 2 draw intervals:

Solution 2 Stick-built draw intervals are calculated as a dollar value percentage of the scope of work needed to finish the applicant's solution 2 project. The dollar value and construction milestones will vary between projects. The Applicant's general contractor (Applicant GC) may

request a progress inspection (and bill) outside of these draw intervals only if the progress inspection request constitutes at least 20% of the scope of work value and the Program's CM approves of the draw. CM will conduct no more than one progress inspection per month.

- 25% Of scope of work value completed
- 75% Of scope of work value completed
- 95% Substantially Complete (milestone includes all finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items. Home complete at this point)
- 100% Retainage (5% retainage will be invoiced 45-days after construction completion and key turnover to Applicant)

#### MHU acquisition and installation project draw intervals:

- 25% (milestones include MHU ordered and construction contract signed)
- 75% (milestone includes Written confirmation from the factory that the unit is ready)
- 95% Substantially Complete (milestone includes all finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items)
- 100% Retainage (All finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items. Also, Also a 5% retainage will be invoiced 45-days after construction completion and key turnover to Applicant)

Draw requests must be accompanied by progress reports with photos, building inspections by local building authorities, all necessary permits issued by local building authorities, and sign-off by construction inspector certifying that all work is satisfactory and complies with all state and local building codes.

Prior to the final payment, all expenses will be reviewed by HCD as allowable per CDBG-DR regulations.

### **11.3 Change Orders**

Change orders may be necessary during Rehabilitation or Reconstruction for either Solution 1 or Solution 2 projects. The purpose of the change order is to communicate and record changes to the SOW, contract amount milestones and/or contract time. Change orders are issued when the initial agreed upon scope and/or pricing requires modification due to unforeseeable conditions. The building contractor must complete a change order and the homeowner must sign, acknowledging they are aware of and approve the requested changes. The change order and all supporting documentation must be delivered to the Construction Manager for approval. Homeowner-initiated changes in SOW are not accepted unless the change is related to an accessibility issue or building code changes that have developed since the development of the SOW.

The Construction Manager reviews all requests for change orders, evaluating for cost reasonableness of the change order and submits to the senior Construction Manager for approval. Additionally, change orders must be reviewed in accordance with all

federal, state, and program environmental requirements. The Construction Manager notifies the building contractor in writing of either approval or denial of the building contractor's proposed change order. No change order, regardless of whether there is a cost involved, shall be deemed valid if it is not approved in writing. The change order is prepared by the general contractor, approved by the Construction Manager, and signed by the contractor and the homeowner before the Program's approval. Work completed without written authority is considered unauthorized and at the contractor's expense. All Change Orders must be supported by a cost reasonableness analysis and consists of:

- The reason the change is necessary
- The type and SOW needed
- The estimated cost
- The estimated number of days to complete

The Construction Manager transfers the approved Change Order and all supporting documents to the Case Manager for recalculation of award amount. If the change results in a modification to grant award amount, the Grant Award Acknowledgment is amended in addition to the construction agreement. Changes that result in a change to the grant amount requires HCD approval to modify the Grant Award Acknowledgment.

Costs included in approved change orders are invoiced on the final draw only.

#### **11.4 Construction Warranty**

In accordance with California Civil Code 900, a builder shall provide a homebuyer with a minimum one-year express written limited warranty covering the function, fit and finish of the following building components:

- Cabinets
- Mirrors
- Flooring
- Interior and Exterior Walls
- Countertops
- Paint Finishes
- Trim

Building contractors for both Solution 1 and Solution 2 projects must provide all express warranties prior to the inspector signing a final inspection form. Photographs of the construction work are taken for documentation purposes.

Homeowners must be provided with a warranty information binder detailing building warranties as well as instruction booklets and information for warranted items beyond the scope of the building contractor such as appliances.

The homeowner must sign an acknowledgement form indicating that they have reviewed warranties with their building contractor.

## 12 Appeals, Complaints and Grievances

Documentation on the appeals process for the award amount is included with each Applicant's Grant Award Acknowledgement or ineligibility letter. An appeal of the award amount must be filed within thirty (30) calendar days of the date of the award determination letter or ineligibility letter.

Award amount appeals are not accepted after the Grant Award Acknowledgment is executed.

### 12.1 Program Appeals

Once the file reaches award acknowledgment, zero-award determination, or an ineligible status, the Applicant has the option to file an appeal for one of the following reasons:

- a. Program eligibility,
- b. Grant award calculation, prior to the acceptance of the Grant Award Acknowledgment,
- c. Cost estimates, for repairs or Reconstruction, limited to measurements of the home and/or quantities of damaged materials only,
- d. Duplication of Benefits (DOB), and/or
- e. File closure.

Applicants may not appeal policies that have been approved and incorporated by the Program, such as the process for assessing the value of materials eligible within the Program. Also, statutory and regulatory requirements and standards may not be appealed.

Once the Program appeal has been submitted, the Program may request the Applicant to submit additional supporting documentation. Such supporting documentation may include, but not be limited to, Program eligibility documentation, property records, and/or correspondence from insurance companies, FEMA, or SBA.

Resolution of Program appeals are handled by conducting a thorough full file review of documentation provided to support appeal reason(s), and careful implementation of Program policies. This full file review may result in positive or negative changes to the eligibility status or an increase or decrease in the previous award amount.

Appeals must be submitted in writing, to the Program via eGrants, U.S. Mail, or email. See Section 12.1.1 for submission details.

An appeal determination letter will be mailed to the Applicant after complete review of the file and supporting documentation. Notices will also be sent via email and the eGrants system.

#### 12.1.1 Appeals Process

If the Applicant disagrees with an award determination made by the Program, they may file an appeal within 30 days from the date of receiving the award determination, zero award, or ineligibility letter.

To file an Appeal, the Applicant must provide any program determination, zero award, or ineligibility letter and any new information or supporting documentation that was not available at the time of the initial appeal. Applicants must also provide a narrative describing, in detail, the reason(s) they are requesting a review of the appeal determination.

All Appeal Review Requests must be submitted in writing in one of three ways:

By eGrants: Select the “Appeal” option on the eGrants Award Acknowledgement screen

By e-mail: [ReCoverCA@hcd.ca.gov](mailto:ReCoverCA@hcd.ca.gov)

By U.S. Mail: California Department of Housing and Community Development  
ReCoverCA OOR Program  
2020 West El Camino, Ave. Suite 405  
Sacramento CA 95833

Within 5 business days of receiving the Appeal request, the OOR Representative drafts an initial recommendation and provides it along with all appeal supporting documents to the OOR Program Manager. The Program Manager will make a determination within 7 business days after receipt of the Appeal.

After review, if the OOR Program Manager approves the Appeal request, the OOR Program Manager will instruct Case Management on the changes to be made to the Applicant’s file and a decision letter is mailed to the Applicant. If the OOR Program Manager is unable to approve the request, the Manager forwards the appeal request for final review by an Appeal review panel. Generally, the Appeal review panel will meet and decide on an Appeal within 17 business days of receipt of the Appeal.

The Appeal Review Panel is comprised of 3 or 5 members, the panel meets bi-weekly to review all outstanding appeal review requests that were not approved by the OOR Program Manager for final determination.

Appeal requests that do not provide new information that was not available at the time of the program grant or eligibility determination will be rejected without going to the appeal review panel.

Timeframes: Appeal requests are decisioned and an appeal review decision letter is mailed to the Applicant within 20-25 business days of receipt.

## **12.2 Section 504 Coordination Complaints and Grievances**

Section 504 of the Rehabilitation Act of 1973 is the anti-discrimination law that protects the rights of qualified individuals with disabilities to equal opportunity in programs and activities which receive federal funds.

It is the policy of HCD, and therefore its contractors or grantees, to fully comply with the requirements of the Americans with Disabilities Act (ADA), the Rehabilitation Act of 1973, and the California Fair Employment and Housing Act (FEHA) and state and federal laws related to the rights of persons with disabilities.

All individuals, a class of individuals, or their representative alleging discrimination have the right to submit a verbal or written complaint or grievance on the basis of the following protected category: race, color, religion, ancestry, physical or mental disability,

medical condition, genetic information, sex, sexual orientation, marital status, age, gender, gender identify, gender expression, military status or veteran status regarding services, activities, facilities, or benefits provided by the Program.

Any individual who believes they have been discriminated against by any facet of an HCD program or activity may file a verbal or written complaint or grievance with HCD by contacting HCD's designated Section 504 coordinator at:

California Department of Housing and Community Development

EEO Office – Attention ADA Coordinator

2020 West El Camino, Ave. Suite 630

Sacramento CA 95833

Email: [EEO-Office@hcd.ca.gov](mailto:EEO-Office@hcd.ca.gov)

Phone: (916) 263-3635

### **12.3 Construction Grievances**

Applicants may submit grievances with their Solution 1 contractor for work that does not meet the terms of the established homebuilding contractor standards and workmanship. The Applicants can present their grievance to the Program and the state to contest the work that is being or has been performed.

In order to be valid, the grievance must:

- Be filed in writing,
- Be relevant to the approved SOW, and
- Provide a detailed explanation of the grievance and its basis.

Solution 1 Construction Grievances must be submitted in writing, which may include mail, fax and/or email. The mailing address is listed below:

Department of Housing and Community Development CDBG-DR Program-

Construction Grievances

P.O. Box 952054

Sacramento, CA 94252-2054

Attn: ReCoverCA Program Manager, Suite 200

Solution 2 construction grievances must be resolved by the Applicant since the state is not a party to the contract between the Applicant and their homebuilding contractor.



## 13 Construction Closeout, Applicant Compliance, and Monitoring

After completion of construction, the Construction Manager conducts a final site visit to validate that all activities detailed in the SOW are complete and in accordance with all Program requirements and state and local building codes. The Construction Manager confirms that all work has been accepted by the local building inspector and that any required certificate of occupancy has been issued. At this time, the Construction Manager completes a final inspection form, signed off by the homeowner and the building contractor, indicating that all construction activities are complete and satisfactory. This final inspection and signoff are included with the Applicant's file. The Construction Manager also validates that the Applicant's file includes:

- All required permits and building inspection reports
- Final Program inspection
- Documentation on release of liens
- Certificate of occupancy
- All environmental reports and remediation details
- Construction warranties and any associated material or product warranties

Additionally, the Program Case Manager performs a closeout reconciliation of the Applicant file, ensuring that the following documents have been collected:

- Proof of ownership and occupancy at the time of closeout
- Update DOB verification
- If in flood zone, proof of flood insurance at time of closeout

### 13.1 Compliance

To safeguard the CDBG-DR investment in the property, HCD requires a deed restriction on properties funded through the Program. The deed restriction, recorded after the Applicant signs the Grant Acknowledgement, remains in effect for a period of 24-months following the date of receipt of the certificate of occupancy for the rehabilitated or reconstructed home. The deed restriction is filed in the applicable County Recorder's Office in the County Property Record for Stick-built homes and/or on the Title of the MHU.

For the entire length of the deed restriction period (24-months), the property **cannot**:

- Be sold,
- Be used as a second home, or
- Be converted into rental property.

If within the first 12-month monitoring period, Applicants fail to comply with the compliance requirements, the Applicant is responsible for repaying the **total grant** amount back to HCD.

If within 13-24 months monitoring period, Applicants fail to comply with the compliance requirements, the Applicant is responsible for repaying **fifty percent (50%)** of the total grant amount back to HCD.

Accordingly, all Applicants must be able to comply with the program requirements. Exceptions to this policy may include documented active-duty military relocation or deployment, as well as death or incapacity of eligible owner/occupant. All exceptions to compliance with program requirements are considered on a case-by-case basis.

### **13.2 Insurance**

If the property is repaired or rebuilt in a Special Flood Hazard Area, the Applicant is required to maintain flood insurance in perpetuity. This obligation is also be passed on to subsequent owners of the property. Applicants who fail to maintain flood insurance when required in perpetuity risk being ineligible for future disaster relief.

### **13.3 Duplication of Benefits**

A Subrogation agreement is signed by the Applicant(s), to ensure that if any additional duplication of funds is disbursed to the Applicant, after the grant calculation, the Applicant is required to pay these funds back to HCD.

Verification of no additional duplicative funds received are required during the 24-month compliance period.

### **13.4 Monitoring**

The 24-month deed restriction is monitored annually by the Program and/or HCD staff. The compliance and monitoring policy include the following percentages of grant repayment, if the Applicant is not determined compliant within the 24-month compliance period:

- If within the first 12 months monitoring period, Applicants fail to comply with the compliance requirements, the Applicant is responsible for repaying the total grant amount back to HCD.
- If within 13-24 months monitoring period, Applicants fail to comply with the compliance requirements, the Applicant is responsible for repaying fifty percent (50%) of the total grant amount back to HCD.

If the Applicant is in compliance, at or on the beginning of the 25<sup>th</sup> month of the compliance and monitoring period, the deed restriction, i.e., lien on the property, is released and the total grant amount is forgiven.

#### **a. Staff Organization**

The Program monitors Applicant compliance with program requirements and deed restrictions for the 24-month compliance period through the HAPM vendor. Any compliance activities that remain at the end of the HAPM vendor's contract with the state will be transitioned to HCD staff.

## b. Responsibilities

The responsibilities of the Compliance and Monitoring staff is to ensure that Applicants are compliant with the grant funding dates for a 12-month timeline and a 24-month timeline, for each funded grant.

## c. Compliance Questionnaire

Prior the end of the 12-month compliance period, a Compliance Questionnaire is mailed to the Applicant, at the damaged address or new MHU location. This letter lists all required documentation needed to prove compliance with the grant funds. A checklist is completed once all the required documentation is submitted by the Applicant.

- If the documentation determines the Applicant to be compliant, the file is flagged for the 24-month compliance due date.
- If the documentation is not sufficient, the file is determined non-compliant, and is processed through the Grant Recovery Process, to recapture the entire grant award.

Prior the end of the 24-month compliance period, a Compliance Questionnaire is mailed to the Applicant, at the damaged address or new MHU location. This questionnaire lists all required documentation needed to prove compliance with the grant funds, for the last 12-month period (specify dates). A checklist is completed once all the required documentation is submitted by the Applicant.

- If the documentation determines the Applicant to be compliant, the file is determined compliant and closed.
- If the documentation is not sufficient, the file is determined non-compliant, and is processed through the Grant Recovery Process, to recapture ½ of the grant award.

## 14 Grant Recapture

An Applicant may be required to repay all, or a portion of the assistance received from the Program. The reasons for grant recapture include, but are not limited to

- Providing false or misleading information to the Program.
- Withdrawal from the Program prior to completion of the project. Withdrawal from the program must be in writing or email and a new survey and application will be required if the Applicant wishes to participate again, provided the survey and/or application period are still open.
- Construction is not completed due to non-cooperation by homeowner(s).
- Non-compliance with the approved SOW in a manner that would make the home ineligible (i.e., did not comply with lead paint abatement requirements).
- Failure to report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other DOB received after award.
- Failure to complete the Solution 2 Homeowner-Managed Rehabilitation or Reconstruction requirements, according to program requirements.

### 14.1 Recapture Policy

To address any potential future DOB, Applicant beneficiaries must, as a requirement for participating in this Program, agree to enter into a signed Subrogation agreement to repay any assistance later received for the same purpose as the CDBG-DR funds. If, subsequent to an award, a re-assessment of need occurs and the Applicant receives an increased award, then the Applicant shall be required to sign a revised Subrogation agreement to repay any assistance later received for the same purpose as the CDBG-DR funds.

## 15 Program Closeout

The closeout of the Owner-Occupied Rehabilitation/Reconstruction Program is a process through which ReCoverCA determines that all applicable administrative and Program requirements of the OOR Program are completed. In general, a Program is ready for closeout when the following conditions are met:

- All eligible activities were completed.
- All Program funds were expended in full or all remaining funds are planned to be returned to HUD
- All reporting requirements were completed and submitted (except for the final report that is submitted during the closeout process, if applicable)
- Any special conditions of the Program were met
- All audit and monitoring issues affecting the Program were resolved

At this time, CDBG-DR specific guidance from HUD on Program closeout has not yet been produced. Final Program closeout may be adjusted to meet the closeout criteria set forth by HUD in a future federal register or through other official means.

Within 90 days of the execution date of the Closeout Certification, HCD submits to HUD a copy of the final performance and evaluation report described in 24 C.F.R. part 91 as well as Federal Financial Report SF-425 or a financial report that meets the criteria in 24 C.F.R. part 570.489(d).

## 16 Records Management

As outlined in the CDBG-DR Grants Administration Manual, records are maintained in accordance with 24 C.F.R. part 570.490, in reference to 2 C.F.R. part 200. Records are kept to document compliance with Program requirements, with federal, state, and local regulations, and to facilitate audit review by HUD. CDBG-DR records, including Program documents, are subject to the Freedom of Information Act (FOIA) and California Public Records Act (PRA).

### 16.1 Administrative Records

Administrative records, kept in electronic format, are files that apply to the overall administration of the CDBG-DR funded Program. They include the following:

- Personnel file,
- Property management files
- General Program files
- Legal files
- Financial records
- Project/Applicant files

### 16.2 Personally Identifiable Information (PII)

Personally, Identifiable Information (PII) is information that can be used to distinguish or trace individual's identities. Examples of PII include names, addresses, income verification documents, disability status, employment status, etc. which can be linked or is linkable to a specific Applicant and/or beneficiary of CDBG-DR Programs. As the Program receives direct applications from homeowners requesting assistance, the Program keeps all PII information for the duration of the project, in the eGrants system of record.

If records containing PII are subject to Freedom of Information Act or California Public Records Act requests, such records shall only be released in accordance with state and federal law. PII records are only stored as long as is necessary, in accordance with record retention requirements at 2 C.F.R. part 200.333 and 24 C.F.R. part 570.502(a)(7).

### 16.3 File Security

The Program has adequate procedures in place to collect and process Applicant provided information, while providing assurances that any Personally Identifiable Information (PII) is handled properly and sufficiently protected. The Program system of record, eGrants, is hosted on Amazon Web Services (AWS), which the California Department of Technology has approved for off-premises cloud services. It leverages the security features provided by AWS to protect sensitive or private information transmitted through or stored within the system. User permissions within eGrants ensures that each system user has restricted rights to features and modules approved only for their level of access.

Multi-Factor authentication is a feature in eGrants that requires more than one form of

authentication to verify user identity for a login or other transactions to protect user data. eGrants uses Google's reCAPTCHA V2 as a mechanism to prevent Internet bots from creating fake accounts to access the system. It requires human interaction to click the checkbox and respond to the challenge presented. reCAPTCHA is used on the Registration, Login, and Forgot Password screens of the Homeowner Interface. Additionally, eGrants requires the usage of strong user passwords, which include a mix of letters, numbers, and special characters. Passwords are encrypted to assure privacy. Finally, eGrants utilizes end to end encryption of Applicant social security numbers to ensure security.

In no case shall an Applicant's PII or file information be released to another party without written consent of the Applicant. In addition, CDBG-DR personnel are not permitted access to any file where there could be a potential or perceived conflict of interest.

#### **16.4 Record Retention**

HCD maintains Program and project-related documents, including financial records, supporting documents, statistical records, and other pertinent records. These records are maintained for a minimum period of five years from the closeout of HUD's grant with HCD. All subgrantees and contractors for the Program are also subject to this policy and all financial and Program files are maintained accordingly. Records are maintained to document compliance with Program requirements and federal, state, and local regulations and to facilitate an audit review by HUD. Records are maintained in accordance with 24 C.F.R. part 570.3, which states they must be maintained for a period of 5 years following the closeout of HUD's grant with the state. Proper records management ensures that:

- The state complies with all requirements concerning records and records management practices under Federal and state regulations.
- The state has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements and community expectations.
- These records are managed efficiently and can be easily accessed and used for as long as they are required; and
- These records are stored as cost-effectively as possible and when no longer required they are disposed of in a timely and efficient manner based on HUD Handbook 2225.6, Records Disposition Schedules, and HUD Handbook 2228.2.

#### **16.5 Applicant Files**

All Applicant files are maintained for the duration of five years after HCD's grant closeout with HUD, within the eGrants system of record.

Applicants are subject to audit and further review throughout their participation in the Program and up to five years after project completion. Applicants must provide additional documentation in support of their applications as requested by the State, its representatives or agents, HUD, HUD OIG, or the California Legislative Auditor. Failure to comply with these requests may result in recapture of funds.

#### **16.6 Fair Housing / Civil Rights**

HCD follows policies and procedures for compliance with Affirmatively Furthering Fair Housing (AFFH) requirements during the planning and implementation of all Program activities. Such policies and procedures involve a review that includes an assessment of the demographics of the proposed housing project area, socioeconomic characteristics, environmental hazards or concerns, and other factors material to the AFFH determination.

Programs are required to comply with all relevant fair housing laws, including the federal Fair Housing Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act. These laws prohibit discrimination in housing and federally assisted Programs on the bases of race, color, national origin, religion, sex, disability, and familial status. The federal obligation to affirmatively further fair housing stems from the Fair Housing Act. State fair housing laws, including the California Fair Employment and Housing Act, are also required for Fair Housing compliance.

### **16.7 Section 3**

For projects that have more than \$200,000 of federal funding for construction activities, Section 3 of the Housing and Urban Development Act of 1968 (Section 3), as amended, requires that economic opportunities generated by CDBG-DR funds be targeted toward Section 3 residents. Section 3 eligible residents are low- and very low-income persons, particularly those who live or reside in public, or government assisted housing.

In accordance with Section 3, construction contractors using CDBG funding for housing rehabilitation or to provide training and employment opportunities to lower income residents and contract opportunities to businesses in the project area.

Section 3 compliance actions include:

- Prepare and utilize a Section 3 Plan
  - Designate a Section 3 Coordinator
  - Take affirmative steps to follow the Section 3 Plan and document those efforts
  - Include the Section 3 Clause and the Contractor Certification of Efforts to Fully Comply with Employment and Training Provision of Section 3 in any bid packets for contracts on OOR projects. Notify all bidders that adherence to the State's Section 3 Plan is required for contracts and sub-contracts in excess of \$100,000
- d) The CM vendor is responsible for compliance with Section 3, not individual homeowners.