



**State of California**  
**Department of Housing and Community Development Program**  
**Policies and Procedures v8.0**

**Subject:** ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction, Community Development Block Grant - Disaster Recovery (CDBG-DR)

**Overview:**

1. Purpose: To establish the policies and procedures for the administration of the ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction.
2. Applies to: All HCD employees, individuals and organizations representing HCD while administering the ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction.
3. Cancels: Version 1.0 and Version 2.0, Version 3.0, Version 4.0, Version 5.0, Version 6.0, Version 7.0, and Version 7.1
4. Originator: ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction. CDBG-Disaster Recovery Branch, Housing Section - Division of Federal Financial Assistance

<b>Version</b>	<b>Approved By</b>	<b>Effective Date</b>
8.0	Stacy Rodgers CDBG-DR Section Chief	<b>3/16/24</b>
7.1	Stacy Rodgers CDBG-DR Section Chief	<b>1/12/24</b>
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3.0	Stacy Rodgers CDBG-DR Section Chief	<b>7/1/2022</b>
2.0	Joseph M. Helo Program Manager	<b>1/27/2022</b>

## 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.

## 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 Exclusion, 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 Program 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>

<b>Final V3.0</b>	<b>6/28/2022</b>	<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> <li>• Clarified the Duplication of Benefits process</li> </ul>
<b>Final V4.0</b>	<b>1/11/2023</b>	<ul style="list-style-type: none"> <li>• Reorganized document for plain language and better reading accessibility.</li> <li>• Updates to processes and descriptions throughout to include: <ul style="list-style-type: none"> <li>• Special Review Hold</li> <li>• Updated Income Determination Process</li> <li>• Unresponsive Applicants and Voluntary Withdrawals</li> <li>• Terms around HOAs</li> <li>• Standards for Heir Applicants</li> <li>• MHU moves</li> <li>• Income Review Process</li> <li>• Scope Reduction Policy</li> <li>• Repayment of Excess DOB</li> </ul> </li> </ul>
<b>Final V5.0</b>		<ul style="list-style-type: none"> <li>• Addition to section 5.1 and 5.3 distinguishing between co-owner and co-applicant/household members.</li> <li>• Changes to scope reduction policy in 7.4</li> <li>• Updates to program prioritization criteria 4.1</li> <li>• Update to DOB Temp Housing Exclusion 7.4</li> <li>• Update to open Program to households earning up to 120% AMI (Section 5.5).</li> <li>• Added language requiring that liens be cleared to explained prior to award (Section 6.1)</li> <li>• Further Reorganizing document for plain language and better reading accessibility.</li> </ul>

<b>Final V6.0</b>		<ul style="list-style-type: none"> <li>• ReCoverCA Housing Programs Reconstruction Subsidized Loan (RRSL) Policies and Procedures added where applicable.</li> <li>• Mitigation policies and procedures added where applicable.</li> <li>• Minimum occupancy period established.</li> <li>• Updated guidance on acceptable utility statements for supporting documentation.</li> <li>• Second home policies updated.</li> </ul>
<b>Final V7.0</b>		<ul style="list-style-type: none"> <li>• Removed the word “offset” and replaced with “exclusion”</li> <li>• Removed policy language that states that a property must be free from liens prior to an award due to policy change (previously Section 5.1)</li> <li>• Edited Section 1 to remove duplicative information and move language that belonged in more relevant sections</li> <li>• Moved relocation language from Section 1 to Section 10.5</li> <li>• Moved RRSL language from Section 1 to a new Section 2.5.1</li> <li>• Created Program Description: Section 2 and added subsections 2.1, 2.2, 2.3, 2.4, 2.5</li> <li>• Moved Program Solution description to Section 2.6</li> <li>• Removed duplicative program assistance section</li> <li>• Updated section numbers to align with new sections added throughout document for consistency purposes <ul style="list-style-type: none"> <li>• Reorganized Section 4</li> <li>• Combined all Eligibility Sections into Section 5</li> <li>• Made correction and added all FEMA damage levels to Section 5.2.2</li> </ul> </li> <li>• Updated naming conventions for OOR and OOM to ReCoverCA Housing Programs</li> <li>• Moved information from Duplication of Benefits section to DOB SOP.</li> <li>• Included Exceptions Panel for unique application scenarios</li> <li>• Updated Income Policy</li> <li>• Included dates for survey and application closings</li> <li>• Removed the use of Form 4506T</li> </ul>

<b>Final V7.1</b>	<b>12/12/23</b>	<ul style="list-style-type: none"> <li>• Added language for Death of an Eligible Applicant</li> <li>• Updated Footnotes</li> <li>• Foreclosure guidance added</li> <li>• Home selection language included</li> <li>• Public benefits required eligibility documentation</li> </ul>
<b>V8.0</b>	<b>3/16/24</b>	<ul style="list-style-type: none"> <li>• Updated Program's address throughout document</li> <li>• Processes, documents and/or clarifying language updated in the following sections:</li> <li>• General Requirements</li> <li>• Required Documents</li> <li>• Property Eligibility</li> <li>• Structure Type</li> <li>• MHU Site Relocation</li> <li>• Death of an Eligible Applicant</li> <li>• Occupancy and Primary Residence</li> <li>• Housing Counseling</li> <li>• Rehabilitation vs. Reconstruction/Replacement</li> <li>• Initial Home Inspection</li> <li>• Estimated Cost to Repair</li> <li>• Homeowner Model/Floorplan section</li> <li>• Design</li> <li>• Scope of Work Development</li> <li>• Property seizure language added</li> <li>• Second home policy updated</li> <li>• Clarification of treatment of legal fees added to DOB</li> <li>• Corrected alphabetical order of definitions</li> <li>• Added clarifying language to Stick-built home definition</li> <li>• Removed language from Reconstruction definition to align with policy</li> <li>• Footnote updated</li> <li>• Corrected page number format issue</li> </ul>

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## 2 Program Overview

In response to the wildfires that occurred in October and December of 2017 the U.S. Department of Housing and Urban Development allocated a total of \$212,000,000 to the State of California to support long-term recovery efforts following the devastation of wildfires, flooding, mudflows, and debris flows (DR-4344 and DR-4353). In response to wildfires that occurred from July through September 2018 (DR-4382) and November 2018 (DR-4407) the U.S. Department of Housing and Urban Development allocated another \$1,017,399,000 to support the recovery of these disasters. The California Department of Housing and Community Development (HCD) developed the ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction (“Program”) to assist eligible homeowners located in a Department of Housing and Urban Development (HUD) identified Most Impacted and Distressed (MID) counties with the rehabilitation or reconstruction of their disaster-damaged homes, or replacement of their Manufactured Housing Unit (MHU) or mobile home.

The Program offers two Program paths through “Solution 1” or “Solution 2” (- ReCoverCA Housing Programs stopped offering Solution 2 to survey respondents and Applicants in November 2022) with specific new house designs in varying square footage configurations for 2, 3, or 4-bedroom homes using the state-procured Construction Manager (CM). Households who apply for Program funds for Reconstruction or Rehabilitation of their disaster-damaged home are prioritized according to the household income and extent of damages.

## 3 Purpose

The purpose of this document is to outline the governing policies and procedures of the Program. As periodic updates are made to these policies and procedures, new versions will be posted on the HCD disaster recovery website <https://www.hcd.ca.gov/grants-and-funding/recoverca/program-resources> with a description of the changes made.

### 3.1 Program Description

The ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction provides assistance to eligible homeowners of owner-occupied residential structures to rehabilitate or reconstruct their primary residence to recover from damage because of the presidentially declared disasters **DR-4344, DR-4353, DR-4382, and DR-4407**. The first step for interested households seeking assistance under the Program is to complete the **Disaster Housing Assistance Survey** that will be prioritized according to the location of the property, household income, and extent of damages. Potential Applicants will then be invited to apply to the Program after the survey response is reviewed via email with a follow up from the assigned Case Manager, who will assist the Applicant throughout the recovery process from application to construction and project closeout.

### 3.2 Program Timeline

Both 2017 and 2018 Owner-Occupied Rehabilitation and Reconstruction ReCoverCA Housing Programs – Owner-Occupied Rehabilitation and Reconstruction were fully

launched in Spring 2021. Surveys will remain open until 11:59PM on December 31, 2023, and applications will remain open until 11:59PM on January 31, 2024.

### 3.3 National Objective

All CDBG-DR Programs must meet a National Objective. All housing activities for the Program must meet the Low- to Moderate-Income (LMI) or Urgent Need (UN) National Objective as defined herein. The UN National Objective will be used when serving households above 80% Area Median Income (AMI) as identified in the Prioritization Criteria Section herein.

### 3.4 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.

NOTE: A FEMA Award does not guarantee Program eligibility. If there is information discovered that contradicts the FEMA award, the Program reserves the right to request additional documentation.

### 3.5 Eligible and Ineligible Activities

The following Housing and Community Development Act of 1974 (HCD)<sup>1</sup> activities that are eligible for CDBG-DR assistance under the Program are:

HCDA Section 105a Activity number	Eligible Activities
105(a)(4)	Demolition and Site Preparation
105(a)(4)	Single family owner-occupied Rehabilitation, Reconstruction, or new construction
105(a)(25)	Repair and replacement of MHUs
105(a)(4)	Elevation
105(a)(4)	Hazard Mitigation
105(a)(11)	Relocation Assistance

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<sup>1</sup> (HCD Section 105(a)(4))

105(a)(8)	Public service (i.e., housing counseling)
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Below are activities that are not eligible within the Program:

Ineligible Activities
Mortgage payoffs
SBA home/business loan payoffs
Funding for detached structures such as garages, sheds, or 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 Rehabilitation or Reconstruction 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 local code
Additional decks, patios or covered or enclosed porches more than entry and egress requirements
Reconstruction or rehabilitation activities for homeowners that do not comply with the required environmental stop-work order
Reconstruction or Rehabilitation activities for 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.
*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

### 3.6 Eligible Counties

To be eligible for the Program, properties must be located within a HUD- or State-Identified Most Impacted and Distresses (MID) county. These are counties that received the greatest impact from these disasters and are shown in the table below:

Federally Declared Disaster Areas (Counties)				Most Impacted and Distressed (MID) Areas	
DR-4344	DR-4353	DR-4382	DR-4407	County	Zip Code
Butte	Los Angeles	Shasta	Butte	Sonoma	95470
Lake	San Deigo	Trinity	Los Angeles	Ventura	95901
Mendocino	Santa Barbara	Lake	Ventura	Shasta	94558
Napa	Ventura	Colusa		Lake	95422
Nevada		Glenn		Butte	93108
Orange				Los Angeles	

Sonoma					
Yuba					

*Table 1: Eligible Counties and Zip Codes*

## 4 Program Assistance

Program assistance for qualified applicants is in the form of a grant, for a maximum grant award of \$750,000. The total grant amount will be determined by using the total amount of the Scope of Work and subtracting any Duplication of Benefits (DOB).

Funding for all projects may come from 3 sources:

- 1) Applicant contribution to cover amounts that exceed the maximum grant amount and/or DOB, which must be placed in a Program-managed escrow account. For more information on DOB, see the Subsection labeled “Duplication of Benefits.”
- 2) Grant funds – Maximum of \$500,000; and/or,
- 3) Reconstruction Subsidized Loan (RRSL), Maximum of \$250,000.

### 4.1 ReCoverCA Rehabilitation/Reconstruction Subsidized Loan (RRSL)

Approved Solution 1, Tier 1-4 (LMI) Applicants who are eligible for a Grant Award may also be eligible for a RRSL Award to fill any Funding Gaps remaining after Grant Award, including DOB. The RRSL availability expires on October 5, 2023, and will no longer be available to Applicants thereafter.

The RRSL is meant to be used solely when an eligible Applicant with an Area Median Income (AMI) of 80% and below has exhausted all other sources of assistance or when no other sources of assistance are available to them. RRSL is not available as a stand-alone funding option and is intended to serve as a funding of last resort, ensuring that limited resources are allocated both efficiently and reasonably to those in need. Escrow funds must be exhausted first before the Program can begin disbursing Grant or RRSL funds.

The minimum RRSL amount is \$10,000 and maximum loan amount is \$250,000. RRSL's are forgiven in 20 percent (20%) increments annually over the five (5) year term of the loan. The combined cap per structure for the grant plus the RRSL when used together to receive an award through the program is \$750,000.

## 5 Roles and Responsibilities

### California Department of Homes and Community Development (HCD)

HCD's Federal Recovery Branch is responsible for Program development and oversees its delivery at the state level. HCD has procured qualified vendors to perform full scale program implementation. HCD provides oversight, monitoring, and quality assurance/quality control (QA/QC) on all work performed by the vendors.

### Homeowner Assistance Program Management (HAPM) Vendor (Case Management)

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.

### **Construction Management (CM) Vendor**

The Construction Management (CM) vendor 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 inspections and Environmental reviews, determining costs to Rehabilitate or Reconstruct (generating the ECR), developing the construction Scope of Work (SOW) for all approved projects directly or through general contractors, developing plans for Reconstruction projects, monitoring progress and closeout on all construction progress, as well as overseeing the draw request process.

## **6 Program Solutions**

There are two paths an application can take for recovery within the Program:

- Solution 1 - Program-Managed Reconstruction
- Solution 2 - Homeowner-Managed Reconstruction - ReCoverCA  
Housing Programs stopped offering Solution 2 to survey respondents and Applicants in November 2022.

The Recover CA program assigns Applicants to the correct solution based on the progress made on their Rehabilitation or Reconstruction. 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.

For both Solution 1 & 2 projects, self-supplied materials or labor are not qualified for CDBG-DR reimbursement, credit, or repayment requests. Eligible repairs that are properly documented and completed count as Exclusion credits against any potential DOB. The credits will be based on unit pricing and labor costs established by the Program.

### **6.1 Solution 1: Program-Managed Rehabilitation and Reconstruction**

The Program will manage and complete the rehabilitation or reconstruction of impacted homes using the state-procured CM. Replacements of mobile homes or MHUs fall under Solution 1.

The home will be assigned to either reconstruction or rehabilitation based on the existing condition of the home. During construction, the homeowner must vacate the property at their own expense. Exceptions can be made on a case-by-case basis.



The Program will offer specific new house designs in varying square footage configurations for 2, 3, or 4-bedroom homes. The Program will reconstruct homes using the defined by the Program and does not provide customized home designs.

## 6.2 Solution 2: Homeowner-Managed Construction – Rehabilitation and Reconstruction

Properties will only be eligible for Solution 2 if all the following requirements are met:

<b>Construction Progress Milestones</b>	The damaged property has completed the construction progress milestones associated with the 25% Stick-built Draw Intervals (see Subsection 15 labeled “Draw Request Process”). All construction must be fully permitted and have 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)
<b>Stop Work or Environmental Clearance</b>	All work has stopped after submitting the application, and only restarted after the Program provides an environmental clearance <sup>2</sup>
<b>Class B GC License</b>	The homeowner currently holds 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 Reconstruction 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).

- The damaged property has completed the construction progress milestones associated with the 25% Stick-built Draw Intervals (See Section 15.2). All construction must be fully permitted and have 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

All work has stopped after submitting the application, and only restarted after the Program provides an environmental. clearance, The Program does not recommend starting a project to qualify for Solution 2 if the applicant does not have sufficient funds to complete it.

<sup>2</sup> Program is required to place all projects on a stop work status to comply with federal regulation 24 CFR 58.22

NOTE: The Program 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. 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. Applicants who have already started a project must use their own general contractor to complete the project. The Applicant will continue to manage the entire project under the oversight of the Program CM.

Once the 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 to Complete/Work in Place (ECC/WIP) Report based on how much work is required to complete the reconstruction/rehab project.

The dollar value of the eligible Applicant's WIP will be counted against the Applicant's existing Duplication of Benefit (DOB) amount received by the Applicant, if any (otherwise called a "WIP Exclusion"). The remaining funds from the Applicant's DOB after WIP Exclusion will then be compared with the ECC/WIP Report for final Program Award determination and to determine what the homeowner required contribution amount will be (also known as escrow amount), if any.

Per federal environmental regulations outlined in the subsection labeled "Environmental Review", 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 an 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 funds have been, or will be, committed to the Applicant's project.

In addition to all the required eligibility documentation detailed in the Section labeled "Eligibility Criteria" herein, Applicants must also submit the following documents 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

Failure to produce the minimum required documents will prevent the Applicant from

proceeding with the 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 or may have to repay Program funds. See subsection labeled “Grant Recapture Policy (Subrogation)” for additional information.

The Program CM will do the following:

1. Review Applicant-provided plans and GC 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;
2. Complete Environmental Services site inspections in accordance with The California Environmental Quality Act (CEQA) standards and exemptions as applicable;
3. Complete Environmental Services site inspections in accordance with the National Environmental Policy Act (NEPA) standards;
4. Monitor, oversee, and inspect the construction progress 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; and
5. Conduct milestone inspections of the construction progress through substantial completion and release of final payment.

### **6.3 Mitigation Funding for Reconstruction of Disaster-Damaged Homes**

Homeowners determined to be eligible in the Program for Reconstruction are automatically eligible to receive up to an additional \$50,000 to incorporate mitigation measures that will make their homes more resistant to wildfires. These mitigation measures include:

Class A Fire Resistant Roofs with class A asphalt shingles and underlayment, ember resistant ridge vent, ember resistant drip edge, ember resistant flashing, and ember resistant exhaust caps for roof penetrations
Metal Gutters with leave/debris guard and downspouts
Ember and fire-resistant mesh vents (including dryer vent)
Enclosed eaves and soffits made of non-combustible materials
Fiber cement siding
Multipaned glass windows with tempered outer pane
Exterior doors and garage doors made of non-combustible materials

5' of defensible space around the home to include fire resistant skirting with weed prevention barriers if needed
Defensible space / fuels reduction on remainder of the parcel to include items such as tree removal, tree trimming, stump grinding as well as other fuel source landscaping
Replace existing wood fencing located within 5 feet of the home and attached to the home with metal fencing (Rehabilitation projects only)

## 6.4 Mitigation Funding for Rehabilitation of Disaster-Damaged Homes

Homes that only require Rehabilitation are not eligible for supplemental mitigation funding.

## 7 General Requirements

The Program requires the following:

Applicant Eligibility	Applicant meets Applicant Eligibility Criteria
Property Eligibility	Damaged residence meets Property Eligibility Criteria
Environmental Review	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.
Housing Counseling	Applicant participates in at least one housing counseling session led by a CDBG-DR funded housing counselor prior to the Applicant's Key Turnover. (Program, at its sole discretion, can grant a waiver on a case-by-case basis).
Requirements	All projects must comply with all applicable federal, state, and local codes and requirements
Certifications	Applicant agrees to Program Certifications.
Closeout and Monitoring	Applicant complies with the closeout and monitoring requirements during the 24-month monitoring period.

### 7.1 Program Certifications

An Award through the Program requires the Applicant to certify that they understand and agree to all the terms and requirements of the Program including the following:

Program Award	Details the total cost to Rehabilitate or Reconstruct the home, the total DOB amount, and the final Program Award amount.
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Escrow Agreement	Enter into an escrow agreement (if applicable) and deposit all required funding to cover any Funding Gaps between the Program Award amount and total cost to Rehabilitate or Reconstruct the home
Construction Agreement	Enter into a construction agreement with CM for the Rehabilitation or Reconstruction of the home.
NEPA	Comply with the requirements of the National Environmental Policy Act of 1969 (NEPA) found at 24 CFR Part 58 and stop all Rehabilitation or Reconstruction work upon submitting an application until environmental clearance is received by the Program.
Restrictive Covenant	Sign a restrictive covenant and comply with the 24-month or 60-month deed restriction, which requires the Applicant to occupy the Rehabilitated or Reconstructed home as their primary residence for the applicable term following the date of receipt of the certificate of occupancy of the rehabilitated or reconstructed structure.
Flood Insurance	Obtain and maintain Flood Insurance in perpetuity if the property is in a FEMA Special Flood Hazard Area.
Subrogation/Assignment Agreement	Comply with the Subrogation and/or Assignment Agreement, in which the Applicant agrees to immediately notify and remit to the Program any additional funds they may receive from potential DOB sources.
Ownership	Certify 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.

## 7.2 Applicant Responsibilities

The Applicant is responsible for meeting all program requirements. The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation.

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 must agree to the following during the construction process and after the completion of construction activities:

<b>Applicant Responsibilities During Construction</b>	
<b>Ownership</b>	The Applicant agrees not to transfer or cause to transfer title to the property or any interest in the property during construction.
<b>Access to Property</b>	The Applicant must arrange access to the property for the General Contractors (GC) providing construction services. If reasonable and timely access is restricted or denied to a GC who is making a good faith effort to perform required work, the award may be terminated.
<b>Personal Property</b>	Upon acceptance of the Grant Award Acknowledgment, if the Applicant is currently living on the property, they have 30 calendar days to move, at their own expense, all personal property out of the damaged property, at their own expense, until key turnover. Exceptions to these policies can be made on a case-by-case basis for Applicants only. Tenants are required to temporarily relocate from the property during construction, without exception. The Program can cover certain costs associated with tenant relocation (See the subsection labeled "Temporary Relocation of Impacted Tenants" below for details). The Program is not responsible for lost or damaged belongings of the Applicant and/or household members that have occurred during construction.
<b>Reasonable Space</b>	During the construction phase the Applicant must not interfere in work areas and make a reasonable effort to stay away from the construction zone.
<b>Cooperation</b>	The Applicant 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 any household member unreasonably interferes with the Work or an inspection in any manner, the Contractor shall deliver a written notice to the Applicant and the Program, ordering the Applicant to cease any activity causing

the interference. If the 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 Program funds to HCD for all Work performed on the Property by Contractor.

#### **Applicant Responsibilities After Construction Completion**

##### **Ownership**

The Applicant agrees not to transfer or cause to transfer title to the property or any interest in the property until the 24 or 60-month compliance period has ended, and the Applicant 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 require the Applicant to repay all or part of the grant amount.

##### **Occupancy**

The Applicant must continue to occupy the home as their primary residence for a period of 24-months after Program rehabilitation or reconstruction is complete, effective upon receipt of the certificate of occupancy, and 60-months if the Applicant also has a RRSL.

##### **Insurance**

For homes in designated flood areas, the Applicant must acquire and maintain flood insurance coverage on the property in perpetuity after Program rehabilitation or reconstruction is complete. This obligation is also required to be passed on to subsequent owners of the property. Applicants who fail to maintain flood insurance when required and in perpetuity are at risk of being ineligible for future federal assistance with disaster relief funding from any federal agency.

##### **Taxes**

The Applicant must remain current on all property taxes on the subject property for a period of 24-months, or 60-months, if Applicant received a RRSL, after Program rehabilitation or reconstruction is complete.

### **7.3 Prioritization Criteria**

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

### **7.4 Prioritization Tiers**

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

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

In addition, the Program has a cap of 20% of Program allocated funding for non-LMI Grant Awards (Tiers 5-8 outlined below).

Applicants with a household member who is disabled or has access or functional needs are given priority. 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 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	



## 8 Eligibility Criteria

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

### 8.1 Basic Eligibility Requirements

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

Basic Eligibility Criteria
<b>Public Benefit</b> 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.
<b>Ownership and Occupancy</b> Applicant must demonstrate they had ownership/ownership interest 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).
<b>Property Tax Status</b> Applicant must be current on property taxes or have an approved payment plan or tax exemption.
<b>RRSL Eligibility</b> To be eligible for RRSL, Applicant must not own any other housing unit.
<b>Authority to Apply to Program</b> Applicant(s) must have legal authority to complete an application, provide certifications and accept their Grant Award Acknowledgment and Loan Agreement, if applicable. <i>If one or more of the current owners of the property does not consent to fill out an application, the Program cannot provide assistance to this property.</i>
<b>Access to Property</b> Applicant must allow access to the damaged property for all necessary Program staff.
<b>Income</b> Applicant household income may not exceed 120% of Area Median Income. 80% of Program funding will go to assisting LMI Applicants. Only 20% of Program

funding may go to non-LMI Applicants. Program assistance to non-LMI Applicants will end once the 20% funding limit has been reached.

### **Solution 2**

Solution 2 Applicants are required to submit the following to be eligible for the Program:

- 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

### **8.1.1 Co-Applicants**

All property owners who will be living in the Rehabilitated or Reconstructed property must be designated as Co-Applicants on the application. If the Applicant wishes to exclude property owners from the Application, the excluded owner must agree to this in writing and demonstrate via documentation that they will not occupy the property. All non-Applicant owners of the property must sign the Owner Consent Form.

### **8.2 Required Documents**

All household members qualifying for the Program based on the threshold criteria are required to submit the documentation in the following table:

<b>Eligibility Requirement:</b>	<b>Required Document(s):</b>	<b>Applies to:</b>
Federal Public Benefit	<ul style="list-style-type: none"> <li>• REAL Driver License or REAL Identification Card;</li> <li>• U.S. Passport;</li> <li>• U.S. Birth Certificate;</li> <li>• Alien Registration Card;</li> <li>• Naturalization/Citizenship Certificate;</li> <li>• Annual Social Security statement; or</li> <li>• Supplemental Nutrition Assistance Program (SNAP) Benefit letter</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> <li>• Co-Applicants</li> </ul>
Income	<ul style="list-style-type: none"> <li>• Income Recertification Form</li> <li>• Most recent filed IRS 1040 tax form with supporting schedules;</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> <li>• Co-Applicants</li> <li>• Household Members over age</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>If most recent income tax return is not available, one of the following is acceptable:</b></li> <li>• Filed Tax Return Extension</li> <li>• Wages <ul style="list-style-type: none"> <li>○ 3 paystubs from the most recent 90-day period prior to the date of the application, they do not need to be consecutive unless the pay frequency is monthly;</li> </ul> </li> <li>• Retirement/Social Security <ul style="list-style-type: none"> <li>○ Current social security benefits letter (including benefits paid to minors)</li> <li>○ Current pension/retirement benefit letter (if applicable), or prior year 1099;</li> <li>○ Current annuity payment letter (if applicable), or prior year 1099.</li> </ul> </li> <li>• Self-Employment income: <ul style="list-style-type: none"> <li>○ Most recently filed tax return (1040 or 1040A) with all supporting schedules;</li> <li>○ Current year profit and loss statement(s)</li> </ul> </li> <li>• Rental Income <ul style="list-style-type: none"> <li>○ Current lease agreements(s)</li> </ul> </li> <li>• Unemployment Benefits: <ul style="list-style-type: none"> <li>○ Current benefit letter with gross benefit amount (notes: program personnel may contact employers for verification)</li> </ul> </li> <li>• Court Ordered Alimony/Spousal Maintenance: <ul style="list-style-type: none"> <li>○ Copy of court order documentation</li> </ul> </li> <li>• Trust Income <ul style="list-style-type: none"> <li>○ Most recent 1041 K-1</li> </ul> </li> <li>• Taxable Interest and Dividends (including amounts received by, or on behalf of minors): <ul style="list-style-type: none"> <li>○ Most recent statement or prior year 1099</li> </ul> </li> <li>• Documentation for other less common types of income that may be taxable at the federal level and will be assessed by the Program based on the type of income reported.</li> </ul>	18
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Ownership: Stick-Built Homes	<ul style="list-style-type: none"> <li>• Property tax bill (County or State);</li> <li>• Deed;</li> <li>• Title report;</li> <li>• Court order affidavit/succession;</li> <li>• Program will conduct additional verification</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> </ul>
Ownership: MHUs/Mobile Homes	<ul style="list-style-type: none"> <li>• Certificate of Title from HCD;</li> <li>• County tax assessment for the structure;</li> <li>• Recorded lease agreement</li> <li>• Bill of Sale and proof of payment</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> <li>• Co-Applicants</li> </ul>
Primary Residence	<ul style="list-style-type: none"> <li>• Property tax exemption;</li> <li>• Filed IRS 1040 tax returns;</li> <li>• Voter registration card prior to date of disaster;</li> <li>• FEMA (IA) award letter; or</li> <li>• SBA award letter</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> <li>• Co-Applicants</li> </ul>
Occupancy	<ul style="list-style-type: none"> <li>• Valid driver's license from time of disaster with damaged address accompanied by bank or credit card statement sent to damaged residence in the preceding or month of disaster</li> <li>• Voter registration records submitted with driver's license</li> <li>• Current insurance policy covers personal property in the home effective at time of disaster.</li> <li>• Copy of electric, gas, cable, or cell phone bill. The utility bill mailing address must match the property address and the address at which utilities are provided.</li> <li>• <b>NOTE:</b> Incidental services such as propane tank bills are not considered utility bills and may not be used to establish occupancy.</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> </ul>
Proof of Current Property Tax	<ul style="list-style-type: none"> <li>• Paid property tax bill;</li> <li>• Property tax deferral;</li> <li>• Property tax exemption; or</li> <li>• Property tax payment plan</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> <li>• Co-Applicants</li> </ul>
Duplication of Benefits (DOB)	<ul style="list-style-type: none"> <li>• FEMA Award letter</li> <li>• SBA loan</li> <li>• Insurance payments</li> <li>• Lawsuit settlements</li> <li>• DRRA funding</li> </ul>	<ul style="list-style-type: none"> <li>• Applicants</li> <li>• Co-Applicants</li> </ul>

	<ul style="list-style-type: none"> <li>• State Supplemental Grant Program assistance</li> <li>• In-Kind Donations</li> </ul>	
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The Program reserves the right and may, at its sole discretion, require additional documentation to determine an Applicant's eligibility in meeting Program requirements.

### 8.3 Property Eligibility

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

Property Eligibility Criteria
<b>Tieback to the Disaster</b> Damage to the property was the result of the qualifying event.
<b>Location</b> Location of the damaged property is within an area impacted by an eligible federally declared disaster. For eligible areas see subsection labeled Eligible Counties.
<b>Structure Type</b> The property must be a single-family dwelling on a permanent foundation or affixed to a permanent pad (leased or owned pad), such as Stick-built, modular, mobile home 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.
<b>Electric Access</b> There must be a registered, metered electrical connection on-site. Solar as a sole source of power is not eligible.
<b>Water Source Access (well or city)</b> There must be site access to a water source, and it must have sufficient water flow rate to support the structure. Program can upgrade wells but run the risk of increasing project costs.
<b>Waste Water Access</b> Home site must have ability to connect to a wastewater treatment system (septic or city sewer). If septic tank is required, the lot must meet size and soil requirements for a septic system accommodating the home. Where engineered or specialty systems are required, the project runs the risk of increasing project costs.

<b>Flood Hazard Area</b> Home sites cannot be in a flood hazard area.
<b>Parcel Requirements</b> <ul style="list-style-type: none"> <li>Parcel zoning must allow single-family residential.</li> <li>Home site must be clear, relatively flat, and cannot require excessive site preparation</li> </ul>
<b>Building Code Compliance</b> Building code compliance must be easily attainable by the Applicant/Program.
<b>Solution 2 - Additional Criteria</b> <ul style="list-style-type: none"> <li>If the project is a Reconstruction, the structure is not eligible for assistance if a Certification of Occupancy (COO) has been obtained. Rehabilitation projects may retain their COO.</li> <li>If the structure does not have a COO, the structure under construction may not be occupied.</li> <li>Applicants may not resume construction activities until environmental clearance has been given.</li> <li>All work completed must be permitted.</li> </ul>

Due to potential unforeseen issues that could be found on the site, the Program cannot guarantee that funding can be provided even if all the above criteria are met.

### 8.3.1 Structure Type

#### Eligible Structure Types

Eligible structure types include single-family dwellings, mobile homes, and MHUs. Structure type is verified using third-party data.

#### Ineligible Structure Types

Ineligible structure types include condominiums, accessory (appurtenant) detached structures, including sheds and similar structures, container homes, recreational vehicles, houseboats, camper trailers, and multi-unit dwellings. Properties without utility connections are not eligible structures. Solar as a sole source of power is not eligible.

#### **FEMA damage levels include:**

Categories	Damage Level
Minor-Low	Less than \$3,000 of FEMA inspected real property damage
Minor-High	\$3,000 to \$7,999 of FEMA inspected real property damage
Major-Low	\$8,000 to \$14,999 of FEMA inspected real property damage and/or 1 to 3.9 feet of flooding on the first floor

Major-High	\$15,000 to \$28,800 of FEMA inspected real property damage and/or 4 to 5.9 feet of flooding on the first floor
Severe	More than \$28,800 of FEMA inspected real property damage or determined destroyed and/or 6 or more feet of flooding on the first floor.

NOTE: A FEMA award does not guarantee Program eligibility.

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

- CAL FIRE records or data
- Insurance claim documentation
- SBA Damage Assessment
- FEMA Award Letter

### 8.3.2 MHU and Stick-Built Site Relocation

If the damaged property was an MHU in a rented space in a park, the Program allows the Applicant to relocate to a new location that differs from the original disaster location.

Both MHUs and stick-built homes may be eligible for relocation, contingent on HCD review, due to site conditions and limitations discovered during the design and scoping process.

Sites for consideration are dependent upon an environmental review 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 site relocation.

The new MHU site must meet the following criteria to be considered eligible for Program funding:

MHU Eligibility Criteria	
<b>Location</b>	The new site 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.
<b>Electric Access</b>	There must be a registered, metered electrical connection on-site. Solar energy as a sole source of power is not sufficient.
<b>Water Source Access (well or city)</b>	There must be site access to a water source, and it must have sufficient water flow

rate to support to the structure. Program can upgrade wells but run the risk of increasing project costs.
<b>Flood Hazard Area</b> Home pad sites cannot be in a flood hazard area.
<b>Parcel Requirements</b> <ul style="list-style-type: none"> <li>• Parcel zoning must allow MHU use.</li> <li>• Property must, at minimum, be suitable for a 60-foot house to be delivered via a paved road</li> <li>• Home pad and access to the home pad must be clear, relatively flat, and cannot require excessive site preparation</li> </ul>
<b>Building Code Compliance</b> Building code compliance must be easily attainable by the Applicant/Program.

The new Stick-Built home site must meet the following to be eligible for Program Funding:

<b>Stick-Built Eligibility Criteria</b>
<b>Location</b> The new site 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.
<b>Electric Access</b>  There must be a registered, metered electrical connection on-site. Solar energy as a sole source of power is not sufficient.
<b>Water Source Access (well or city)</b> There must be site access to a water source, and it must have sufficient water flow rate to support the structure. Program can upgrade wells but run the risk of increasing project costs.
<b>Waste Water Access</b> Home site must have ability to connect to a wastewater treatment system (septic or city sewer). If septic tank is required, the lot must meet size and soil requirements for a septic system accommodating the home. Where engineered or specialty systems are required, the project runs the risk of increasing project costs.



<b>Flood Hazard Area</b> Home sites cannot be in a flood hazard area.
<b>Parcel Requirements</b> <ul style="list-style-type: none"> <li>• Parcel zoning must allow single-family residential.</li> <li>• Home site must be clear, relatively flat, and cannot require excessive site preparation</li> </ul>
<b>Building Code Compliance</b> Building code compliance must be easily attainable by the Applicant/Program.

The Program determines feasibility at initial inspection. Program reserves the right to restrict the location of the new home, because the new site is not the site of the previous or existing structure damaged during the fire, additional requirements are mandated for the Environmental Review process, resulting in longer lead times for Tier II reviews compared to same-site reconstructions.

Due to potential unforeseen issues that could be found on the new site, the Program cannot guarantee that funding can be provided even if all the above criteria are met.

### 8.3.3 Homeowners Associations (HOA)

**Solution 1:** The Program will only use designs for Solution 1 homes and will not build custom homes to comply with HOA requirements.

**Solution 2:** The Program will not make major changes to the original floorplans or facades to comply with HOA aesthetic regulations, however, there are minor fixtures such as color and trim which can be altered at applicant request, and accessibility features are not an issue.

If the HOA requires a larger stick built or MHU than what the Program has previously verified the Applicant is eligible for, the Applicant will be required to pay the price difference between the larger and smaller models to be eligible for that model. This will be treated as an additional homeowner obligation.

## 8.4 Model Eligibility Policy

### 8.4.1 Floorplan Assignment Process – Determining Unit Size and Type

Case Management will verify previous structure type, bedroom count, and conditioned square footage using third-party data such as commercial real estate databases, county records, or previous building permits.

The CM will then provide Applicants with a list of Program floorplans they are eligible for

based on the bedroom count of their damaged property, and number of current household members following the occupancy standards as outlined in the subsection below labeled “Occupancy Standards” if only their household size increased since the disaster, and last, on the conditioned square footage of the damaged property.

## 8.5 Occupancy Standards

The following occupancy standards determine an applicant’s eligible reconstruction floorplan(s):

Occupancy Standards	
<b>Head of Household</b>	1 BR for head of household and their spouse/partner.
<b>Children under age 12</b>	1 BR for every two children under age 12
<b>Children over age 12</b>	1 BR for each child over age 12
<b>Multi-Generational Adults*</b>	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.
<b>Live-in Aides</b>	1 BR for approved live-in aides
<b>Other Situations</b>	<ul style="list-style-type: none"> <li>• Absent due to placement in a foster home are also counted when determining unit size counted.</li> <li>• Adult children on active military duty and permanently institutionalized family members are not included in the bedroom count.</li> </ul>

The Program may grant exceptions to the occupancy standards when justified by the age, sex, health, disability, or 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).

## 8.6 Ownership

### 8.6.1 Ownership Requirements

The Applicant must have been the owner of the damaged property at the time of the

qualifying event AND be the current owner of the property. The Program establishes ownership by matching the owner's name on the application with title report. at the time of the disaster and currently.

Properties with the title held in a business name, such as a Limited Liability Company, Partnership, Corporation, Sole Proprietorship, or S corporation, are not eligible. Program grant funds are not intended for businesses.

The Program will conduct third-party data searches to locate and verify all owners with potential interest in the property.

### **8.6.2 Joint Ownership**

Applicants with joint ownership of a property, as listed on the property title, must submit a Co-Owner Consent form, signed by all co-owners, which gives each co-owner's consent for the Program to modify the damaged property up to demolishing and reconstructing the property, if the applicant qualifies to receive assistance.

### **8.6.3 Special Circumstances Related to Type of Ownership**

#### 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 or 60-month monitoring period.

#### Mobile homes or MHU's on leased land

Applicants with mobile homes 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.

#### Required Documentation

The Applicant must show that they meet the criteria for their specific type of ownership by providing the following documents as required for each:

<b>Stick Built Home on lease land</b>	<b>Mobile Home or MHU on leased land</b>
All documents are required: <ul style="list-style-type: none"><li>• Property tax records that show the Applicant owned the structure at the time of the disaster</li><li>• 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</li></ul>	One (1) document is required: <ul style="list-style-type: none"><li>• Certificate of Title from California HCD</li><li>• County tax assessment for the structure</li><li>• Recorded lease agreement</li><li>• Bill of Sale and proof of payment</li></ul>

<ul style="list-style-type: none"> <li>Insurance Policy naming the Applicant as the insured</li> </ul>	
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The Program reserves the right, in its sole discretion, to require the Applicant to provide additional documentation at any point during the application process. Additional documents related to ownership of both Stick-built, mobile home, and MHU structure types are reviewed on a case-by-case basis and in conjunction with unit size and type determinations.

### Trust

Properties held in a trust are reviewed on a case-by-case basis depending on the terms of the trust. The following documents are required for Program's review:

Document	Required Information	Applies to
Trust Agreement, all amendments	<ul style="list-style-type: none"> <li>Name of Trust</li> <li>TIN, EIN, or SNN</li> <li>Date of Trust Creation</li> <li>Date of Amendment(s)</li> <li>Property Address</li> <li>Name of all trustees</li> </ul>	<ul style="list-style-type: none"> <li>Applicant(s)</li> <li>Co-Applicant(s)</li> <li>Co-Owner(s)</li> <li>Trustor(s)</li> <li>Grantor(s)</li> <li>Trustee(s)</li> </ul>

It is important to note that when an Applicant is required to provide their signature on behalf of a Trust, that their name is written the same as it is depicted in the Trust, and not how they signed the Grant Deed. Also when adding a Trust as a Co-Applicant, the Trust name will need to be entered exactly how it is listed in the Grant Deed.

### Foreclosure

Applicants whose homes are in pending litigation for foreclosure, are in foreclosure or have been foreclosed upon since the disaster are ineligible for the Program. Applicants whose properties were seized or are at risk of being seized due to delinquent property taxes or tax liens are not eligible. The applicant is not excluded from re-applying to the program if the applicant can provide documentation showing the pending litigation or foreclosure has been resolved and the applicant retains ownership.

### 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 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 assistance under this program.

#### Death of an Eligible Applicant

When the Program is notified of the passing of an Applicant, the CM 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, if applicable, 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, Trust, probate documents, and/or court orders and evidence of title transfer to start the new eligibility review process. After the passing of an eligible Applicant, the application will be reviewed in accordance with the following specific scenarios:

1. **Death after Application and prior to the execution of the Construction Contract:** If an eligible Applicant passes away after an application is submitted, but before construction begins, the eligible Applicant's heir/successor may be deemed eligible to receive assistance through the program if:
  - The heir/successor is a household member listed on the application; and
  - The heir/successor can demonstrate current ownership of the damaged property via one of the accepted methods outlined in this section; and
  - The heir/successor meets all other eligibility requirements.

If no eligible household member-heir is identified, the application will be withdrawn.

2. **Death after executing the Construction Contract:** If an eligible owner-occupant passes away after the **execution** of the Construction Contract but before construction completion, the Program will complete construction of the property per the agreed upon specifications of the original Applicant. The heir may not request changes to the property that were not approved by the Program and original Applicant.  
All disbursement and construction activities will continue while the

Program verifies and/or completes the following:

- Receives the death certificate and confirms the death of the Applicant occurred after execution of the Construction Contract. Receives a court order providing the name of the approved heir or successor of the Estate of the deceased Applicant.
- Amends the existing application to add the name of the heir or successor of the Estate as the representative of the estate who will then accept the Grant Award Acknowledgment to assume all obligations and authorize rights for the terms of the Application, Application Certifications, the Grant Award Acknowledgment, and the Construction Contract.
- Obtains a new signed covenant from the applicant (heir or successor) and reconveys the prior covenant.
- Obtains proof of title transfer from the heir or successor.
- Identification for the heir/successor Applicant from the list of acceptable documentation.

If the heir/successor does not intend to occupy the reconstructed home as their primary residence for the term of the covenant, the heir/successor will be subject to the recapture policy detailed in Section 12.1 herein.

3. **Death during the monitoring and compliance period:** If an eligible owner-occupant, living in the home, passes away during the monitoring period, see Monitoring and Compliance section 12.1.

## **8.7 Occupancy and Primary Residency**

### **8.7.1 Occupancy Requirements**

The Applicant must have occupied the property for at least sixty (60) days preceding the date 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 may require the Applicant to provide additional documentation or affidavits to explain any discrepancies at any point during the application process. The Program, after review of occupancy supporting documents, decides on primary residence eligibility based on known circumstances and available information at the time of processing the application.

### Special Circumstances Related to Type of Occupancy

The following exceptions apply under special circumstances related to occupancy:

Exceptions to Occupancy
<b>Active-duty military personnel</b> 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
<b>Homeowners incapacitated due to illness</b> 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.
<b>Homeowners who were incarcerated during the disaster</b> 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.

#### **8.7.2 Unmet Housing Need Since the Disaster**

If, after the disaster, the Applicant has purchased, built, or rebuilt a primary residence or has occupied or re-occupied a previously owned property (including a rental property) as their primary residence, then the Applicant no longer has an unmet housing need and is not eligible for Program assistance. The damaged property will then be considered a second home even if the Applicant occupied it at the time of the disaster as their primary residence. Establishing residency in an owned property (Stick-built or MHU) makes the Applicant ineligible for assistance under the OOR Program.

If an Applicant purchased a MHU on leased land/renting a park space after the disaster, and the unit is substandard (not suitable for habitation), the Applicant can submit an

appeal to receive an exception to this policy that must include:

1. A hardship letter that includes an agreement to decommission the substandard unit upon occupancy of the new unit;
2. Evidence of land to place the new unit; and,
3. Documentation that the unit is substandard via a red tag inspection, code enforcement report, or home inspection provided by a professional third-party inspector citing health and safety code violations.

## **8.8 Income Eligibility**

In compliance with HUD's National Objective, at least 70% of approved applicant households must be low-to-moderate income (LMI) with a total household annual gross income that does not exceed 80% of Area Median Income (AMI), adjusted for family size, as published annually by HUD. Applicants will be screened for income eligibility through submission of specific required income documentation or third-party data sources.

To be recognized as Low-to-Moderate Income (LMI), a household's Modified AGI 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.

Income eligibility is verified at the time of application for Program eligibility and is valid for twelve (12) months from that date.

A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. Household members are all persons (minors and adults) who are living in the damaged home.

The Program determines LMI status by using a modified HUD definition for Adjusted Gross Income (AGI), established in 24 CFR 570.3 (1) (iii), at the time assistance is provided for the individual, family, and household. The Modified AGI definition, as reviewed by HUD on October 12, 2022, allows the Program to not count negative income reported on Part 1 of Schedule 1 on the Internal Revenue Service (IRS) Form 1040 ("tax return") towards the Applicant's annual household income. The Program will re-calculate the AGI using zero for Schedule 1, Part 1 income. The Program collects income information for all Applicants and household members who are 18 years of age or older.



All household members over the age of 18 must provide a copy of their previous year's filed federal tax return with all supporting schedules or tax return transcript for the Modified AGI of the household to be calculated.

There may be situations where a household member may have had no obligation to file a tax return, have not yet filed, or filed an extension. In that case, the household member will be required to submit current documentation that reflects their current income. Acceptable documentation is shown in the table below:

Income Source	Form of Documentation
Wages	<ul style="list-style-type: none"> <li>3 paystubs from the most recent 90-day period prior to the date of application; they do not need to be consecutive unless the pay frequency is monthly.</li> </ul>
Self-employment/ Business Income	<ul style="list-style-type: none"> <li>Current year profit and loss statement.</li> </ul>
Taxable Dividend and Interest Income (including amounts received by, or on behalf of minors)	<ul style="list-style-type: none"> <li>Most recent statement; or</li> <li>Prior year 1099</li> </ul>
Unemployment Benefits	<ul style="list-style-type: none"> <li>Current benefit letter with gross benefit amount.</li> </ul>
Social Security and Supplemental Security Income (SSI)	<ul style="list-style-type: none"> <li>Current Social Security Benefits letter (including benefits paid to minors)</li> </ul>
Trust	<ul style="list-style-type: none"> <li>Most recent IRS 1041 form (U.S. Income Tax Return for Estates and Trusts)</li> </ul>
Retirement (Pension, IRA, 401(k), Annuity)	<ul style="list-style-type: none"> <li>Current pension/retirement benefit letter (if applicable) or prior year 1099;</li> <li>Current Annuity payment letter (if applicable) or prior year 1099</li> </ul>
Rental Income	<ul style="list-style-type: none"> <li>Current lease agreement(s)</li> </ul>
Court Ordered Alimony/Spousal Maintenance	<ul style="list-style-type: none"> <li>Copy of court order documentation</li> </ul>

Documentation for other less common types of income that may be taxable at the federal level and will be assessed by the Program based on the type of income reported.

Special circumstances related to Household Income and their requirements are described in the table below:

Special Circumstances related to Household Income
<p><b>Household Member has either no obligation to file a tax return, has not yet filed, or has an extension:</b>  The household member is required to submit current documentation that reflects their current income. Acceptable forms of documentation can be found in the table below in the “Required Documents” subsection.</p>
<p><b>Household Income has changed since most recent filed tax return:</b>  The Applicant will need to fill out an Income Recertification Form. If the updated household income changes the LMI status (LMI, non-LMI, above 120%), the program will require a more recent tax return or may allow the Applicant to provide additional information such as pay stubs or other proof of income to verify the change if a more recent tax return is not available. Acceptable supporting documentation is listed in the table in the “Required Documents” section. The Income Recertification Form is current for one year from the date the applicant signs it. A new Household Income Certification Form will also be required if the Applicant’s income determination changes at all prior to the Program Award.</p>
<p><b>Applicant did not accept Grant Award Acknowledgement within 12 months:</b>  Applicant will be required to recertify their income, via the Income Recertification Form.</p>
<p><b>Household Members with Zero Income:</b>  Applicant will be required to complete the Zero Income Certification.</p>
<p><b>Applicant expects to receive income from new sources:</b>  Applicant must report income from other sources as part of the income eligibility review.</p>
<p><b>Applicant is receiving financial assistance from a family member:</b>  Applicant must provide a signed Verification of Recurring Cash Contributions, and supporting documentation of the recurring contributions are required.</p>

### 8.8.1 Income Determination

After receiving all required documents, the Program will make a final income determination and will record it in eGrants. To be recognized as Low-to-Moderate Income (LMI), a household’s Modified AGI 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:  
<https://www.huduser.gov/portal/datasets/il.html>.

Applications will be assigned to the appropriate prioritization tiers according to income calculation and determination. As of April 1, 2023, the Program is now accepting Applications from households earning above 80% AMI. Households earning more than 120% of AMI are not eligible for the Program. Only up to 20% of total Program funding may be allocated to Non-LMI Applicants.

## 9 Terms of Assistance

### 9.1 Eligible Award Cap

The maximum *Program* Award cap is \$750,000 per damaged, legally permitted, and zoned primary residence for eligible Applicants.

Assistance Type	Assistance Explanation	Minimum Amount	Maximum Amount
Grant	Applicants may be eligible for a grant amount greater than \$500,000 if a demonstrable hardship is approved by the Program. See subsection labeled “Demonstrable Hardship Determination”, for more information.	N/A	\$500,000
RRSL (expires 10/5/2023)	Borrowers may be eligible for a loan amount under \$10,000 if a demonstrable hardship request is approved by the Program. A loan amount greater than \$250,000 will not be approved.	\$10,000	\$250,000
Total	The <i>Program</i> Award cap is \$750,000, inclusive of the Grant and RRSL maximum amounts.	N/A	\$750,000

### 9.2 Housing Counseling Requirement

Applicants are required to participate in the ReCoverCA Housing Counseling Program as a condition for receiving an award and complete at least one housing counseling session led by a Program-funded housing counseling organization. One housing counseling session must be completed prior to the Applicant’s Key Turnover. The Program, at its sole discretion, may waive the Housing Counseling requirement on a case-by-case basis.

Housing Counseling organizations partnered with this Program include:

Organization Name	In-Person Service Counties	Remote Service Counties
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Catholic Charities of the Diocese of Santa Rosa	Lake, Mendocino, Napa, Sonoma	Lake, Mendocino, Napa, Sonoma
Neighborhood Housing Services of Los Angeles County (LANHS)	Butte, Los Angeles, Nevada, Orange, Santa Barbara, Shasta, Ventura, Yuba	Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, Santa Barbara, San Diego, Shasta, Sonoma, Ventura, Yuba
Garden State Consumer Credit Counseling, Inc dba Navicore Solutions	San Diego	Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, Santa Barbara, San Diego, Shasta, Sonoma, Ventura, Yuba

## 10 Rehabilitation vs. Reconstruction/Replacement

The damaged home may require Reconstruction or Rehabilitation, depending on the condition of the home. The level of construction required, either Rehabilitation or Reconstruction/replacement, and the Estimated Cost to Repair (ECR) are determined by the Program based on the CM's initial inspection, Standard Grade Building Materials, and the Program's [Minimum Architectural and Design Standards](#).

### 10.1.1 Reconstruction

Reconstruction is defined as the rebuilding of a structure on the same site in substantially the same manner, unless otherwise technically infeasible. Site constraint situations uncovered during the initial site visit and further documented with supporting evidence from the construction manager, of the inability or found to be technically infeasible, to transport and/or install a new manufactured housing unit at the subject site may be reviewed for a stick-built home. HCD must have the opportunity to review, request further documentation, and concur with the documentation provided before a determination is provided to the property owner. This is not a property owner driven discussion or option, but only driven by documentation of site constraints, provided by the construction manager to support any further review. Stick built homes will need to have a satisfactorily completed Tier II environmental review based on site characteristics and be able to meet local building code requirements as a part of any conditional approval.

### 10.1.2 Rehabilitation

Rehabilitation is defined as the improvement of an existing structure through alterations, incidental additions, or enhancements. Rehabilitation is permissible when the total cost of Rehabilitation does not exceed \$100,000. 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.

For Rehabilitation projects, self-supplied materials or labor are not qualified for CDBG-DR reimbursement, credit, or repayment requests. Eligible repair exclusion credits will be provided for all documented and properly completed work based on unit pricing and labor costs established by the Program.

### 10.1.3 Determining Rehabilitation versus Reconstruction on Stick-Built Homes

The Program will conduct an analysis to determine the cost effectiveness and feasibility of rehabilitation or reconstruction of the Applicant's home. There will be no analysis conducted when there is no existing structure to rehabilitate for homes destroyed or demolished as a result of the disaster. The Program may, at its determination, consider a change from Rehabilitation to Reconstruction if one or more of the following conditions exist:

- Estimated Cost to Rehabilitate exceeds \$100,000.
- Home is deemed substantially damaged by the local jurisdiction.
- Home Rehabilitation would not result in substantial improvement of the dwelling.
- Home is deemed not suitable for Rehabilitation by the Program's engineer.
- Home is deemed not safe to enter by the Program's engineer.
- Home has unpermitted repairs completed after the disaster.

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).

### 10.1.4 Replacement of Mobile Homes and Manufactured Housing Units (MHUs)

The following conditions apply when determining to rehabilitate or replace a mobile home or MHU:

Rehabilitation	Reconstruction
<ul style="list-style-type: none"><li>The cost to Rehabilitate is below \$5,000</li><li>MHUs is a 2009 model or newer</li></ul>	<ul style="list-style-type: none"><li>The cost to rehabilitate exceeds \$5,000</li><li>Mobile home or MHU is older than 2009 model year</li><li>The owner may not retain the damaged unit</li></ul>

Demolition, removal, and other site prep including any required elevation component or foundation rebuild is included in the cost of replacing a mobile home or MHU and is included in the Applicant's Program Award amount.

There may be an exception to allow new construction only in the case of a damaged mobile home unit located in a mobile home park where the park is permanently closed due to the disaster

## 11 Duplication of Benefits

### 11.1.1 Summary of DOB

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as

amended, 42 U.S.C. §5121 et seq., prohibits any person, business concern, or other entity from receiving federal funds for any part of such loss as to which he/she has received financial assistance under any other program, from private insurance, charitable assistance, or any other source.

A Duplication of Benefit (DOB) occurs when total assistance received by the applicant exceeds non-duplicative assistance received.

The applicant must report all assistance received from other sources for the repair, replacement, or reconstruction of their damaged property. 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 Program grant amount 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 Funding Gap.

The Program will conduct a duplication of benefits analysis prior to a Grant 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 Grant Award will be reduced or modified to account for the additional funds received. If the Applicant knowingly did not disclose all provided assistance, the Program Award can be rescinded, and the Applicant deemed ineligible for the program.

#### **11.1.2 DOB Process**

The duplication of benefits process involves a two-tiered verification process that consists of DOB Analysis and DOB Review. 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. After the DOB Analyst has confirmed the total assistance received, the analyst submits to the DOB reviewer. 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.

#### **11.1.3 Calculating Total Assistance: 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 Rehabilitation of the primary residence. At a minimum, each Applicant will include a review of the following assistance types:

### 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 database. If the Applicant can document the FEMA IA amount received was not 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.

### SBA

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

The full amount of the SBA loan available to the Applicant for repair/reconstruction 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. CM's 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.

### 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 Renters or Landlord's insurance policies.

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 other 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 Applicant and the insurance company. 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.

#### 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 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 considered exclusions to the homeowner and are not included as part of their DOB. Homeowners need to provide evidence of payment and a judgment or settlement document demonstrating the 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 Rehabilitation or Reconstruction of the damaged residence.

#### Disaster Recovery Reform Act Funding

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

#### Other Funding

Any funding received for the same purpose as 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 Rehabilitating or Reconstructing their home must be reported in the application process and verified by the Program.

- **State Supplemental Grant Program (SSGP)** for Real Property. SSGP provides grant assistance for homeowners to repair, replace, or rebuild



their home which serves as the same purpose as the Program funds. SSGP may provide funds to Applicants to repair, relocate, or relevel their mobile home after a disaster event. The awarded amount verified by the Program for the purpose of housing real property is considered a DOB.

- **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 Program Funds. 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 items will not be subtracted from the Applicant's total need.

#### 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.

#### **11.1.4 Calculating Total Assistance: Non-Duplicative Assistance and Exclusions**

Not all assistance received by an Applicant is considered a duplication of benefit for housing Rehabilitation 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 Exclusions.

##### Sources Not Considered Duplicative:

- Personal assets: checking or savings, excluding the insurance proceeds and/or disaster assistance for repairs deposited into the Applicant's account.
- Retirement accounts
- Credit cards or lines of credit
- Commercial and/or Private loans

- Temporary housing
- Fire Victim Trust compensation settlement amounts
- Social Services Block Grant (SSBG) funding
- Subsidized loans used for a Disaster Recovery Reform Act of 2018 (DRRA) Qualifying Disaster<sup>3</sup>.
- Any other sources considered non-duplicative or for a different purpose as defined by the Program

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. Eligible repair exclusion credits will be provided for all documented and properly completed work based on unit pricing and labor costs established by the Program. 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.

#### 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 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.

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

Funds received for the same purpose as funds provided under the Program but used by the Applicant for a different allowable cost may be excluded from the Grant 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

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<sup>3</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 because of a major disaster or emergency.

invoices, demonstrating that funding was spent for a different eligible use. The Program will review documentation submitted on a case-by-case basis.

#### Funds not Available to the Applicant

Funds that are not available to an Applicant may also be excluded from the Grant 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 Rehabilitate 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 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.

#### 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.

#### 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.

### 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 on 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.

### 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. This exception is applicable to CalHome loans, the RRSL and accepted but undisbursed SBA loans. However, all subsidized loans must be committed on or before October 5, 2023, to comply with the sunset provisions outlined in V.B.2(iii) of 84 FR 28836. Disbursement of subsidized loan proceeds can continue after October 5, 2023, sunset date.

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 because 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 because of a major disaster or emergency, HUD considers reimbursement of eligible costs paid with that loan to be used toward a loss suffered because 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.

#### Debris removal

The State and local partners have assisted many applicants with debris removal. This assistance is a cost that is billed to the homeowner. Insurance proceeds received specifically for debris removal are not counted as a duplication of benefits assistance if the lot has already been cleared as determined by the initial inspection.

#### **11.1.5 Calculating Total Assistance: Exclusion Activities / Allowable Disaster Related Uses**

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 Exclusion to DOB. Applicants must provide documentation for allowable activities to qualify for a potential exclusion to 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 Rehabilitation and/or Reconstruction 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 Rehabilitation and/or Reconstruction 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 Rehabilitation and/or Reconstruction 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 Grant Award amount for which the Applicant is eligible.

#### 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. The eligible temporary displacement is for a maximum of a 60-day period

within the period from the disaster event to the date of the application acceptance verification letter. Evacuation costs are not eligible for duplication of benefits exclusions. Temporary housing expenses can be credited against 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, FEMA 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. There may be situations, due to the shortage of available and affordable housing, where applicants spent their benefits including but not limited to insurance, FEMA repair or replacement fundings, or non-FEMA benefits on temporary housing. Under these situations and with appropriate documentation, the Program will allow these expenses to be used only as a credit against DOB. Eligible Temporary Housing Exclusion Expenses, as well as documentation required may include but are not limited to:

Temporary Housing Exclusion Expenses	Documentation Required
Non-luxury personally owned Recreational Vehicle (RV) and/or Vehicle (Capped at \$40,000 and receipt/bill of sale required)	Receipts, Bill of sale, or Title, if applicable
Trailer Rental or Purchase	Receipts or Title, if applicable
RV or trailer Rent	Receipts, lease, or rental agreements
Dwelling Unit Rent	Receipts, lease, or rental agreements
Hotel or Short-Term Rental	Receipts or rental agreement
Temporary Housing-Related Utilities	Self-Affidavit for up to 60-days Food and other personal items are ineligible for DOB Exclusions
Other Temporary Housing Arrangements on a case-by-case basis review	Proof of Payment for Other Temporary Living Arrangements including bank statements or credit card purchases

### 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 the value of completed repairs which may be used to as a credit against 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 Applicant 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 Applicant 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.

Applicants 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 consider all relevant evidence an Applicant 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.

An Applicants' engagement or indication that they will be engaging in litigation related to fraud, workmanship, vandalism, or theft does not preclude the Applicants from obtaining

a duplication of benefit reduction. The Applicants will sign a Subrogation agreement at grant execution that requires the Applicants to return any portion of funds that they 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 Applicants. This information will be filled in on the Contractor Fraud/Theft/Vandalism worksheet.

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:

1. Contractor Fraud:

- 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 Reconstruct or Rehabilitate the damaged property as well as proof that the Reconstruction and/or Rehabilitation were not completed. Evidence of proof of payment for services not completed should be provided.
- 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)

2. Theft or Vandalism:

- Proof (i.e., paid receipts, photos, filed complaint) that property of the Applicant's damaged home was stolen or vandalized
- Evidence that a formal complaint of theft or vandalism was filed by providing a case number along with the name of the agency where the complaint was filed. (law enforcement officials or a state regulatory agency, civil court complaints, etc.

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. Additionally, if an applicant can provide evidence from recorded Deed of Trust that includes an insurance clause that verifies if the restoration or repair was not economically feasible or mortgage lender's security would be lessened and allows lender to apply insurance proceeds to the mortgage amount secured whether then due, is sufficient to satisfy forced payment.

Due to the sharp economic impact placed on the Most Impacted and Distressed (MID) counties as result of the wildfire, local town and counties home value assessments have



taken a sharp decline since before the wildfires. These economic circumstances further provide evidence that some mortgage lenders security interest would have become affected shortly after the wildfires. Under these situations and with appropriate documentation, the Program will allow these involuntary payments with insurance funds consideration on a case-by-case basis to be used only as an Exclusion to DOB.

### 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 need to provide evidence of payment and a judgment or settlement document demonstrating their success in the legal action. All other legal fees that an Applicant may have paid out of any disaster assistance proceeds are deducted as part of their DOB if the assistance funding used was intended for Rehabilitation or Reconstruction of the damaged residence.

### **11.1.6 Scope of Work Reduction to Address a Funding Gap**

Applicants eligible for a Grant Award that also have a Funding Gap may elect to take a scope reduction and/or provide funding to close the gap. A Scope of Work Reduction lets the Program select specific items in an Applicant's SOW for exclusion from the project or allows an applicant to select a smaller footprint altogether. If the Applicant elects to take a scope reduction, the Program will assist the applicant with choosing options for reducing their scope. The cost differential between the home for which an applicant qualifies and the lower priced home they select will be used to reduce any Funding Gap.

#### **Rules for SOW Reduction:**

1. Scope reductions may be offered to applicants whose SOW is above the Grant Award cap or that otherwise have a Funding Gap.
2. Only the items listed below may be selected for exclusion from an Applicant's SOW. The Program has determined that these items will have the lowest acceptable impact to the quality of the structure post-rebuild.
3. All items flagged for SOW reduction must be recorded on the Applicant's final SOW with their full Xactimate line-item costs highlighted.
4. If an Applicant selects a smaller floorplan, the cost difference between the larger and the smaller floorplan, as calculated by comparing the models' "Box Price" lists, must be recorded on the Applicant's Homeowner Selection Form.
5. The Applicant is still required to provide gap funds if the reduction is not greater than the Applicant's Funding Gap.

**Items allowed for SOW exclusion:**

1. Garage
2. Program approved alternative finish materials
3. Alternative driveway design (gravel instead of paved)
4. Selection of alternative/smaller floorplan
5. Additional scope exclusions or changes can be considered on a case-by-case basis.

**11.1.7 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 Grant Award calculation prior to issuing a Grant Award Acknowledgement.

If after the Grant Award Acknowledgement is issued, the applicant is deemed to have received assistance over the Program Award amount (excess DOB), the applicant will receive a Duplication of Benefit Notification and be required to pay the Program in accordance with the recapture policy (See subsection labeled "Grant Recapture Policy (Subrogation for more information)).

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.

**11.1.8 Sample DOB Calculation**

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 Grant Award,
6. Determine the Program cap (if applicable), and
7. Determine a final Program Award.
8. Reassess Unmet Need if necessary

DOB Calculation Step	Example Given
1. Identify Applicant's Total Need	\$250,000
2. Identify Total Assistance	\$25,000 (FEMA) + \$75,000 (Insurance) = \$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 because of the major disaster or emergency (per the DRRA)</li> <li>• Expenses incurred by the property owner that are documented with verifiable receipts, invoices, pictures, and other relevant documentation confirming the expenses can be used as credit against assistance received for the same purpose as the CDBG-DR Funds.</li> </ul>	\$15,000 (Insurance for landscaping) + \$25,000 (Insurance for building foundation) = \$40,000 non-duplicative amount
4. Identify Total DOB Amount (Line 2 minus Line 3)	\$60,000
5. Calculate Maximum Grant Amount (Line 1 minus Line 4)	\$190,000
6. Program Grant Cap (if applicable)	\$500,000
7. <b>Grant Award</b> (Amount in line 5, up to the program cap amount in line 6. The Grant Award amount is the program cap amount if amount in line 5 is greater than the amount in line 6.)	<b>\$190,000</b>

## 11.2 Subrogation – Repayment of Duplicative Assistance

The Applicant and HCD will enter into a Subrogation agreement at acceptance of the Grant Award Acknowledgement which gives HCD the right to collect any additional assistance or insurance payouts the Applicant receives for the applicable disaster-related events (DOB) after the Applicant has accepted their Grant Award Acknowledgment and entered a CM construction contract for Program funds. All available duplicative funding must be reported to the Program and accounted for,

regardless of when it was received by the Applicant.

Upon additional benefits being received, the Program recalculates the Grant Award and provides instructions if the Applicant must remit duplicative amounts to the Program. DOB reviews are conducted again prior to closing out of the project file. Any DOB amount identified during these reviews must be repaid to HCD. See the subsection labeled “Grant Recapture Policy (Subrogation)”, for additional information.

### **11.3 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 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.

## **12 Pre-Award Procedures**

### **12.1 Applicant Outreach**

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

HAPM 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's efforts in developing and implementing the Outreach Plan and participates in outreach and marketing activities as needed.

It is critical that the outreach activities reach populations prioritized by the Program, including LMI households and households with persons with disabilities. 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.

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.

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

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.

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.

## **12.3 Application Process**

### **12.3.1 Application Forms**

The Applicant(s) must sign the following Program required application electronically using DocuSign within eGrants or paper copies signed with an original signature:

- Personal Information Release Authorization Form
- False or Misleading Statements
- Right of Entry (ROE) Authorization and Agreement
- Household Income Certification Form
- Homeowner Certifications
- Other Program-related documents as needed.

All required documentation must be signed by the Applicant via electronic or manual signature and may be submitted either electronically or in person during an appointment with a case manager.

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 with an original signature to be accepted.*

There may be multiple owners on title to the damaged residence who are not occupants of the household. All occupant and non-occupant owners on title must sign the Co-Owner Consent Form.

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

### **12.3.2 Submitting an Application**

Homeowners are prioritized based on the tiered prioritization criteria, including 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. Applications are accepted until the goals of the Program have been met and/or all funds are obligated.

Once a survey respondent has been invited to apply, the main method of submitting an application is via eGrants which is HCD's system of record for this Program.

**eGrants Applications may be submitted at <https://hcd.ca.gov/recoverca>**

Paper applications may be completed, signed, and submitted by fax to 916-263-2764. Applications can also be mailed to:

ReCoverCA Housing Programs  
Department of Housing and Community Development  
ReCoverCA Housing Programs  
651 Bannon Street, Suite 706  
Sacramento CA 95811

Reasonable accommodations are available to assist homeowners who do not have access to complete an online survey. Hard copy surveys are available for download at **Survey** or by contacting HCD at (916) 202-1764. The 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.

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 is part of the HAPM team and is responsible for managing communications with the Applicant during the Program. An Applicant can communicate with the Case Manager to obtain updates on their application status.

#### Applicant Responsiveness and Voluntary Withdrawal

During the application process, Applicants are expected to respond to Program requests for information/materials in a timely fashion to complete the eligibility process. At no time should a Program request for additional information go unanswered beyond (21) calendar days from the date when the Case Manager reaches out with the request. If the Applicant needs an extension, clarification, or assistance, they must make that request within the twenty-one (21) calendar day window from the date of application

submission. If the Applicant fails to provide the requested information/materials or fails to ask for an extension or assistance, their application will be closed.

If an Applicant becomes unresponsive, the application will be closed. “Unresponsive” is defined as the failure to answer or return three (3) consecutive phone calls, and failure to respond to one (1) written request within (21) calendar days.

Exceptions to the above may be approved by the Program on a case-by-case basis for clearance of title defects, death or illness of a homeowner, or other circumstances beyond an Applicant’s control.

Applicants may request to voluntarily withdraw from the Program at any time by providing a request to withdraw in writing or by email to their Case Manager or to the Program. However, if an Applicant cannot or will not provide a written request to withdraw, a detailed case note may be used to support the Applicant’s withdraw request. All Applicants who choose to withdraw will have the option to rescind their request to withdraw within thirty (30) calendar days. If an Applicant chooses to withdraw after construction has begun, the Applicant will be required to repay all Program funds expended on the Rehabilitation or Reconstruction of their home through a recapture process. A withdrawn application is final and not appealable. Once an application is withdrawn, a new application will be required if the Applicant wishes to participate in the Program again.

#### Limited English Proficiency (LEP)

Applicants 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 applicants are given reasonable opportunities to understand Program requirements. As a standard practice, Program documentation is translated into Spanish. Translation into other languages is completed upon request.

#### 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 with a Verification of Disability form, which offers options for commonly requested accommodation that may be requested without additional documentation. Additional accommodation can be provided 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.

#### 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 Applicants requiring an end to ongoing work, so that an environmental review can be conducted. Applicants 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.

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.

#### **12.3.3 Funding Gap Meetings**

If a Funding Gap exists, the Program will set up a meeting to discuss all available options to fill the Funding Gap with the Applicant, including but not limited to a scope of work reduction and RRSL. The Applicant will indicate their interest in the RRSL by completing and signing the “Gap Coverage Applicant Interest Form” for HAPM to proceed with the loan processing. A separate RRSL application is not required. The program will use the documentation provided in the Program application to verify RRSL eligibility and underwriting. The Program may request additional or updated documentation, as needed, to verify RRSL eligibility.

#### **12.3.4 RRSL Approval Letter and Loan Agreement**

If applicable and an Applicant meets RRSL eligibility review and underwriting standards, HAPM will issue an approval letter together with a Loan Agreement which states the Program has agreed to lend funds, and the Applicant (“borrower”) has agreed to borrow, an amount not to exceed \$250,000. The final loan amount will be evidenced by the Final Award Details letter and Promissory Note. The Loan Agreement also provides for the terms of the loan including: no monthly repayment, and zero percent interest rate with a 5-year (60-month) restrictive covenant or code condition. The RRSL is a personal loan forgivable on a pro-rata basis subject to the Applicant occupying the subject property as their primary residence over the 5-year (60-month) compliance period. By signing the Loan Agreement, the Applicant acknowledges that they understand and accept the loan terms including the following provisions:

### Flood Insurance

Flood Insurance is required for the term of the loan if the property securing the RRSL has been determined to be in an area which has a special flood hazard. Federal Law requires that flood insurance, available through any agent, be written in either the maximum amount available or the loan balance, whichever is less.

### Loan Document Execution

Applicants who are owners of real property will execute the 60-month restrictive covenant, a promissory note and request for notice. Applicants whose Manufactured Housing Unit is not affixed to a permanent foundation will execute a Promissory Note and have a pro placed on their unit by HCD for the term of the loan. For either structure type, amounts repaid or forgiven under the terms of the Promissory Note cannot be re-borrowed. HAPM will provide the loan documents to a third-party escrow and title company to be signed and notarized by the Applicant(s) and will retain copies of all executed documents for monitoring and compliance.

## **13 Design Process**

After the initial DOB verification is complete and HAPM determines that an Applicant is eligible for assistance, a Work Order is created for the CM staff to initiate the Design Process which consists of:

- Initial Home Inspection
- Environmental Review
- Design Process

These activities are performed for any Solution 1 or Solution 2 rehabilitation or reconstruction project.

### **13.1 Initial Home Inspection**

The Initial Home Inspection is conducted by CM-contracted inspectors. If the inspection is for a Rehabilitation, the Applicant or someone designated to act on their behalf must be present during the initial home inspection and must be over the age of 18. Inspectors will visit the property and complete the following:

- Assess property, notate and photograph visible disaster damage, applicant reported damages, code and jurisdictional requirements, environmental hazards or issues, and all items to be addressed in order to meet Program Quality Standards (PQS) for safe, sanitary, and secure housing.
- For existing structures, inspectors to capture the full exterior and interior of the home, regardless of the location of the disaster damages to ensure Program Quality Standards.

- Where applicable, inspectors to capture outbuildings or additional dwelling structures, as well as notable issues outside of the property that could affect construction.
- Verify any work already completed for eligible DOB Exclusions as reported to Case Management in the application process, if applicable.
- Staff conducting the initial inspection will collect sufficient data to determine the feasibility for Rehabilitation, Reconstruction, or Replacement.
- CM Home Inspectors will observe, and document needed repairs with notes and, at a minimum, collect 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)
  - Develop Initial Inspection Report.

All federal regulations regarding lead-based paint, environmental review, Program 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.

During this visit, Program staff will check for compliance with the stop-work order signs of habitation for Solution 2 applicants. If any such violations are found, the Applicant will be deemed ineligible for the Program and will not be allowed to proceed.

### **13.2 Verification of Work in Place**

Work in Place (WIP) refers to repair activities already completed at the time of the Application. WIP items can be used as Exclusion DOB expenses and reduce the DOB funds an Applicant must provide to complete the project.

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. The Program DOB Team will use information obtained by the CM Initial Inspection team from their inspection visit as the deciding factor on whether an item should be counted as WIP. 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 excludes that item from the WIP.

### **13.3 Estimated Cost of Repair (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 Program Quality Standards of habitability. The ECR uses standardized unit-based costs using Standard Grade Building Material costs and Minimum Architectural and Design Standards defined by the Program 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 construction estimating tools 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 Program Quality Standards of habitability. The ECR is then reviewed by the eligibility team to determine the Program approved construction activities.

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. Demolition of detached structures may be included in ECR if the detached structure poses a possible health and safety risk or is a risk to a new structure due to proximity.

The ECR is then reviewed by the eligibility team to determine the Program approved construction activities.

### **13.4 Environmental Review**

All federal regulations 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. 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.

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.

### **13.5 Design Activities**

Design Activities incorporate information gathered during the Initial Home Inspection, site surveys, and the Environmental Review to produce a Scope of Work.

The design activities consists of:

- Homeowner model/floorplan selection (Solution 1 only)
- Site-specific design work visit (Solution 1 only)
- Creation of Scope of Work

#### **13.5.1 Homeowner Model/Floorplan Selection**

Home Model/Floorplan Selection is only available for Solution 1 Applicants and occurs after the ECR is generated and Environmental Review is completed. Applicants may select any floor plan equal to or smaller than the largest plan they qualify for. All home selections are final once signed and may not be changed at any point after signature, unless initiated by the Case Management team due to lot restrictions determined later during the design process.

CM will provide Solution 1 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 most sites. Program Applicants with five (5)-bedroom or six (6)-bedroom homes will be provided one floorplan as required and determined by the Program.

The Applicant may work with the CM to adjust to a plan that works in their circumstances within the confines of the available options. Applicants who choose accessibility features may work with the CM to select standard features to support the accessibility request.

#### **13.5.2 Design**

CM-contracted staff will visit at Applicant's home and conduct the following:

- Property surveys
- Obtain elevation certificates (as needed)
- Geotechnical services and/or soils analysis
- Assessment of Permitting Requirements
- Activities associated with inspections of water wells and/or septic

- systems
- Contractor site visits
- Site plan, structural, and architectural plan sets
- Any other inspections or tasks required to cost out a site-specific scope of work.

### **13.5.3 Scope of Work Development**

After all site-specific design work is completed, the CM applies site-specific conditions to one of the Program's standard plan sets selected by the Applicant. The CM's GC will produce a final plan set that will be used to build the new home. From this the final plan set; the CM produces a Scope of Work to estimate the cost of building that plan set.

A Scope of Work (SOW) includes the estimate of activities and funding required to complete the rehabilitation of the damaged residence or complete a full reconstruction effort and includes all eligible construction activities detailed in materials and labor, necessary environmental mitigation (as required), and eligible accessibility features.

The SOW and valuations are determined by inputting quantities and measurements into a construction estimating tools for all projects based on the location and date to ensure consistency throughout the Program.

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. The program does not allow Applicants to upgrade materials or furnishings. Necessary improvements such as widened doorways, ramps, level entry, doorways, and grab bars in the bath areas are included in the SOW, 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)
- Repair or replacement of unpermitted additions to the dwelling.
- 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
- For Solution 2 Applicants: Solution 2 Applicants who act as their own general contractor (owner builders) are not eligible to receive overhead and profit in their SOW amount.

Project re-evaluation may be required based on excessive site work as determined by the estimated value of construction for site preparation required to perform necessary activities including, but not limited to, the following:

- Prepare a building pad for the home's foundation due to extreme topographic conditions that limit the construction area based on codes and standards for property sloping.
- Provide access to the property and building pad to allow for the delivery of materials and/or a manufactured home (where applicable).
- Mitigate extreme water flow routinely prevalent during inclement weather.
- Repair or construct retaining walls due to topographic conditions creating lot limitations within construction setbacks.

CM will consult with HCD on the best path forward. If approved, the recommendation will be presented to the homeowner through Case Management. The determination may qualify the applicant for a relocation or additional funds being required where the SOW is in excess of the Award Cap.

### **13.6 Building Code Compliance**

All residential construction projects must comply with the current published housing construction codes of the State of California. Housing construction codes for buildings 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, Title 25, 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:

- Local Building Codes
- Wildland-Urban Interface (WUI) Area Building Codes
- CALGreen – California Green Building Standards Code

## **14 Award Determination and Calculation**



Applicants may be eligible for Rehabilitation or Reconstruction under Solution 1 or 2. Each Grant Award is calculated using the scope of remaining work, for the eligible Rehabilitation or 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 Program's maximum grant cap of \$500,000 per damaged structure for eligible Applicants.

$$\frac{\text{Total Need (Approved SOW Amount)}}{\text{SOW Amount}} - \frac{\text{Assistance Received (DOB amount)}}{\text{amount}} = \text{Remaining Need}$$

To calculate the total eligible Grant Award, the Program uses the following process:

**Step 1:** Determine an Applicant's total need by conducting structure and model eligibility review, an initial site inspection to include Work in Progress (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 rehabilitate or reconstruct the damaged property into a habitable structure (using standard materials and building practices).

**Step 2:** Calculate 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 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 subsection titled "Duplication of Benefits."

**Step 3:** Determine how much of the total assistance is considered a non-duplicative exclusion to DOB (see Duplication of Benefits section for more information). For Solution 2 properties, the Program-determined dollar value of already completed WIP is considered an exclusion to the Applicant's total DOB.

**Step 4:** The cost of any construction activities already underway or complete by the Applicant are evaluated and input into the Applicants Grant Award Calculation as a reduction to the DOB, if approved by program.

**Step 5:** Program compares the DOB amount with total need. If the total need is greater than the DOB amount, grant funds are applied up to a limit of \$500,000 per damaged structure for eligible Applicants. Applicants who are eligible for a grant award may also be eligible for a RRSL to fill any funding gaps remaining after grant award, including



DOB and/or SOW Grant cap coverage. Together, a grant and RRSL award cap is \$750,000 per damaged structure. See 10.1 RRSL Eligibility Determination and Calculations. If the DOB amount is greater than total need, no program funds are awarded.

**Step 6:** The Grant Award determination yields one of four results:

Award Type	Explanation
Zero Award	When the DOB is equal to or greater than total need
Grant Award	The total need is less than or equal to the grant cap of \$500,000 and the applicant does not have any DOB.
Grant Award + DOB	When the remaining need is greater than DOB but less than or equal to the grant award cap of \$500,000.
Grant Award + Amount Over Grant Cap	Remaining Need is greater than DOB and greater than the grant cap. Applicants must provide funds to cover the difference between the award and the total SOW cost.

**Step 7:** If a Solution 1, Tier 1-4 Applicant's Grant Award calculation yields results with an existing funding gap they will be invited to a Funding Gap Meeting with their Case Manager to review all available options to cover the Funding Gap. Solution 1, Tier 1-4 Applicants will be eligible for an RRSL to cover this gap.

## 14.1 RRSL Eligibility Determination and Calculations

The RRSL loan is underwritten to account for affordability and risk in the event of a default. **The RRSL award availability expires on October 5<sup>th</sup>, 2023.** To determine the RRSL eligibility and loan amount, the Program uses the following process:

### Step 1: Income Review

Review of all income documentation to confirm the Applicant household income does not exceed 80% Area Median Income (AMI), adjusted for family size for the county in which their primary residence is located. Documents provided for verifying eligibility and underwriting of the Loan Award will be used for loan underwriting. However, if the documents have expired and need to be updated, HAPM will reach out and obtain the required documents from the Applicant. HAPM will ensure that gross income from Modified AGI reported on recent tax returns are used to calculate income or use of other acceptable documents if tax returns are unavailable. HAPM will provide a copy of the Income worksheet AGI method from eGrants, Income certification form from eGrants and completed RRSL underwriting worksheet as part of the RRSL Loan package to be reviewed by HCD prior to loan approval and issuance of a Loan Agreement. In-depth income verification with source documents will be carried out by HCD during the QAQC2 review and any discrepancy in income shall be resolved with HAPM prior to execution of a Promissory Note and restrictive covenant.

### Step 2: Additional Ownership Verification

HAPM also verifies that the Applicant does not own any other housing unit(s), except for the subject primary residence. Documents acceptable to verify ownership of other housing units include:

Most recent tax returns

RealQuest search by name for ownership of other real estate properties on <https://pro.realquest.com/>

Completed Interest Form verifying no ownership interest in any other housing unit(s).

If any documents, verify any ownership interest the applicant may provide a final certified settlement statement or a copy of the grant deed to verify property disposition.

### Step 3: Affordability

The Program calculates the Applicant's monthly housing costs to ensure they do not exceed 38% percent of the Applicant's Household income for the 60-month term of the loan to determine affordability to repay the loan in case of default. Affordability is determined by amortizing the RRSL amount on a 30-year term with zero interest and dividing that monthly payment by the verified monthly income for the household.

### Step 4: Risk

Program assesses risk of non-repayment if the Applicant defaults on the loan during the 60-month loan term by calculating the combined loan to value (CLTV) ratio, not to exceed eighty (80) percent. The Program calculates CLTV by first determining the Estimated Property Value as follows:

$$\begin{array}{lcl} \text{Assessed Land Value} & & \\ \text{(obtained from} & + & \text{Applicant ECR or} \\ \text{property tax bill)} & & \text{SOW (whichever is} \\ & & \text{available)} \\ & = & \text{Estimated Property} \\ & & \text{Value} \end{array}$$

Next, the Program obtains the first mortgage statement (if applicable) from the Applicant and adds any outstanding balance amount to the RRSL amount to determine the Total Loan Amount against the subject property as follows:

$$\text{Outstanding mortgage balance} + \text{RRSL amount} = \text{Total Loan Amount}$$

Finally, the Program divides the Total Loan Amount by the Estimated Property Value to determine the CLTV. The Applicant must meet the CLTV of 80% or less to meet the risk assessment criteria.

$$\text{Total Loan Amount} \div \text{Estimated Property Value} = \text{CLTV (cannot exceed 80\%)}$$

### **Step 5: Eligibility Determination**

Applicants must meet the affordability criteria of 38% of their housing costs for at least one year of the five-year loan term AND the risk criteria of CLTV less than 80% to be eligible for the RRS�. Loans meeting only one of these criteria will be submitted to HCD leadership for review and approval at their sole discretion.

### **Escrow**

After calculating DOB and Program Award Amounts, if there is still a gap in funding needed to cover the full SOW, Applicants are responsible for providing that funding prior to moving forward in the Program.

The amount that is the Applicant's responsibility must be remitted to the Program and placed into a Program-managed escrow account, prior to entering a construction contract with CM. The funds from the escrow account are disbursed first followed by RRS� funds. Once all funds from these sources are fully disbursed, then the grant funding is disbursed.

### **14.2 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, award acceptance, and compliance processes. After consideration of new information and documentation during these reviews, the Program may make changes to the Program award determination and calculation.

### **14.3 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.

### **14.4 Award Acknowledgment**

After receiving a completed application, determining Applicant eligibility, completing a final SOW, and completing the Grant Award calculation and RRS� Award calculation (if applicable), the Program makes the Grant Award Acknowledgement and Final Award Details available for review in eGrants.

Applicants may accept their Grant Award and Loan Award (if applicable), request

consultation or appeal the determination.

#### **14.5 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.

#### **14.6 Provisions of Funding**

The provisions of funding are based on the Solution Type assigned to the Applicant. The Applicant does not receive direct funding in either Solution.

**Solution 1 – Program Managed (Turnkey) Rehabilitation and Reconstruction:** The CM pays the GC directly. The Program reimburses the CM on approved invoices detailing those payments from escrow funds first (if applicable), then from Program funds.

**Solution 2 – Homeowner Managed Rehabilitation and Reconstruction:** Program CM pays the Applicant's GC 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.

#### **14.7 Grant Award Acknowledgement Letter and Program Award Details Letter**

A Grant Award Acknowledgement letter and Final Award Details Letter is generated and posted to the Applicant's eGrants 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
- Environmental review completed
- Property inspected with ECR, and SOW determined
- Program Award amount determined

The Grant Award Acknowledgement letter provides the Applicant with information about

their potential eligible Grant Award amount, any Applicant escrow required to eliminate Funding Gaps, Grant Award calculation, SOW, and information about the appeals process.

The Program Award Details letter provides the Applicant with information about their potential eligible Grant Award amount, RRSL Award amount, and any Applicant escrow amount required to eliminate Funding Gaps, to total the full Rehabilitation or Reconstruction SOW amount.

In eGrants, the Applicant can opt to accept the Grant Award determination, appeal the Grant Award determination, or consult with their Case Manager on the calculation of the award amount. The Applicant will also need to either accept the Loan Award or deny the Loan Award. Once the Loan Award is accepted by the Applicant and HCD, all executed loan documents will be available to the Applicant via their Case Manager.

#### **14.8 Post-Award Closing Process**

During the Closing Process, the Applicant will accept: the Grant Award Acknowledgement letter and the Loan Award, they will sign: the Promissory Note (if applicable), deed restriction, construction contract and escrow agreement, and transfer any escrow funds (if applicable).

#### **14.9 Grant Award Acknowledgment and Escrow Agreement**

Applicants must accept their Grant Award Acknowledgment before any grant funds are obligated to the Applicant and must accept the Loan Award before any loan funds are obligated to the Applicant, if applicable.

Applicants who accept the Grant Award Acknowledgement and Loan Award (if applicable) must also sign a 24-month deed restriction (grant only) or 60-month deed restriction (grant and loan). HAPM will record all deed restrictions in their applicable County Recorder's Office for the relevant restriction period to satisfy Program compliance requirements.

If DOB funds and/or additional funds over the grant cap are required from the applicant, the Applicant must sign an Escrow Agreement with HAPM and supply those funds to the Program-managed escrow account before the Applicant can execute a construction contract with CM and before construction can begin. The Case Manager will contact the Applicant and arrange transfer of Applicant's escrow funds. The Program only accepts cashier's checks, certified checks, money orders or wire transfers. Checks must be mailed to:

California Department of Housing and Community Development  
ReCoverCA Housing Programs

651 Bannon Street, Suite 400  
Sacramento, CA 95811

#### **14.10 Transfer of Escrow Funds**

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 once all other applicable documents are executed and received by the Program. The Applicant is responsible for providing the escrow amount within a reasonable timeframe. Failure to do so could result in a hold status by the Program.

#### **14.11 Construction Contract (Agreement)**

The ReCoverCA Construction Contract ("Agreement") authorizes the repair, reconstruction, mitigation, or replacement of eligible primary residential structure(s) owned by the Applicant pursuant to the Program policies and procedures herein. The Applicant must sign the construction agreement within 7 days of receipt to avoid being administratively withdrawn from the Program. By signing the construction agreement, the Applicant acknowledges their acceptance of the scope of work, vacate date expectations, Program Award amounts, and the terms and conditions which identify the Applicant responsibilities and the Construction Manager responsibilities.

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

The CM issues a Notice to Proceed (NTP) for Reconstruction or Rehabilitation based on project requirements. The NTP is issued in writing using the appropriate form and is provided in a hard copy or a scanned version. It is e-mailed to the GC and then uploaded into the Applicant's file. The CM follows the procedures below for issuing an NTP for both Solution 1 and 2 projects:

<b>Executed Documents and Agreements</b> CM verifies with the Case Manager that all Program required agreements and documents have been fully executed and no additional documents are required from the Applicant.
<b>CM Prepares NTP Package</b> <ul style="list-style-type: none"><li>• NTP Checklist and all supporting documents required for the subject property to ensure a complete package is on file prior to construction.</li><li>• The CM works with Applicant to execute the construction contract.</li></ul>
<b>Execution of Construction Contract</b> Construction Contract is executed.
<b>CM Verifies the following Administrative Requirements are Complete:</b> <ul style="list-style-type: none"><li>• Valid performance and payment bonds, as required, have been submitted to the Program</li><li>• All insurance policies are active, as required by contract</li></ul>

- Environmental review has been approved
- Utilities have been properly disconnected and retired
- GC has issued construction permits and permitted plans have been submitted to the Program
- Applicant and any occupants have moved out and a contents removal plan has been agreed upon between the GC and the Applicant
- GC holds all valid Contractor Registrations
- GC provided an overall bonding letter to the CM which verifies their bonding capacity (For Solution 1 projects with a SOW of more than \$100,000)

### **14.13 Relocation during Construction**

Moving out of or continuing to live away from the property during construction is required and is the Applicant's responsibility at their own expense. Exceptions can be made on a case-by-case basis for Applicants only. Tenants are required to temporarily relocate from the property during construction, without exception. The Program can cover certain costs associated with tenant relocation (See subsection titled "Temporary Relocation of Impacted Tenants" below for more details).

## **15 Construction Process**

The CM's responsibilities include maintaining and creating paperwork for assignments, overseeing contractor pre-construction meetings, and monitoring projects by conducting on site progress inspections.

### **15.1 Construction Monitoring, Progress, and Final Inspections**

General Contractors for both Solution 1 and 2 are responsible for contacting the CM to request all onsite progress inspections as construction milestones are achieved. The CM conducts inspections to verify the work being invoiced has been performed in a workmanlike fashion. CM uploads all progress inspection reports to eGrants to be used by Program staff for processing draw requests.

When work is nearing completion, the GC 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 CM will deliver copies of all building inspections and permits issued by the local building authority(ies). The Program verifies that the Applicant receives all warranties and instruction booklets for installed equipment.

### **15.2 Draw Request Process**

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



<b>Solution 1: Stick-built Draw Intervals</b>	<b>Solution 1: MHU Draw Intervals</b>
<b>25% Substantially Complete</b> – Prior to vertical construction and dry-ins. Milestone includes demolition where necessary, slab pour where necessary/foundation installed, all rough sewerage, and electrical conduit	<b>25%</b> - milestones include MHU ordered, and construction contract signed
<b>75% Substantially Complete</b> – Prior to insulation and drywall. Milestone includes framing, roof, windows, and exterior siding installed.	<b>75%</b> - milestones include written confirmation from the factory that the unit is ready
<b>95% Substantially Complete</b> - Milestone includes all finished work, Certificate of Occupancy, and final signoff by Applicant on satisfactory completion of construction activities including all punch list items. House is complete at this point	<b>95% Substantially Complete</b> - milestone includes all finished work, Certificate of Occupancy, and final signoff by Applicant on satisfactory completion of construction activities including all punch list items
<b>100% Retainage</b> - 5% retainage will be invoiced 45-days after construction completion and key turnover to Applicant	<b>100% Retainage</b> - All finished work, Certificate of Occupancy, and final signoff by Applicant on satisfactory completion of construction activities including all punch list items. Also, a 5% retainage will be invoiced 45-days after construction completion and key turnover to Applicant

### 15.2.1 Solution 2 Draw Intervals:

Solution 2 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 (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.

<b>Solution 2: Draw Intervals</b>
<b>25% of scope of work completed</b>
<b>75% of scope of work completed</b>
<b>95% Substantially Complete</b> - Milestone includes all finished work, Certificate of Occupancy, and final signoff by Applicant on satisfactory completion of construction activities including all punch list items. Home is complete at this point



**100% Retainage** - 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 final payment, all expenses will be reviewed by HCD as allowable per CDBG-DR regulations.

### **15.3 Change Orders**

Change Orders may be necessary during Rehabilitation or Reconstruction for Solution 1 or 2 projects. Change Orders are requested when the initial agreed upon scope and/or pricing requires modification due to unforeseeable conditions. The purpose of the Change Order is to communicate and record changes to the SOW, contract amount milestones and/or contract time. Change Orders requested by the Applicant 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.

All Change Orders must be supported by a cost reasonableness analysis and consist of:

- The reason the change is necessary
- The type and SOW needed
- The estimated cost

The Change Order request and all supporting documentation must be delivered to the CM for review in accordance with all requirements and approval. Then, the Applicant must sign the Change Order and if applicable, bring any additional funds over the grant award cap prior to the Change Order being approved by HCD.

No Change Order, regardless of whether there is a cost involved, shall be deemed approved until HCD has signed the Change Order request. Work completed without an approved Change Order is considered unauthorized and at the GC's expense.

The CM notifies the GC in writing of either approval or denial of the Change Order. The CM transfers the approved Change Order and all supporting documents to the Case Manager to recalculate the award amount, if needed. If the change results in a modification to the Grant Award amount, the Grant Award Acknowledgment is amended in addition to the construction agreement. Change Orders that result in a modification to the grant amount require HCD approval to modify the Grant Award Acknowledgment.

Costs included in approved Change Orders are invoiced on the final draw only.

## **15.4 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, and trim.

The contractor must provide a four-year warranty to cover any patent defects, which are apparent flaws in the construction and a ten-year warranty to cover any latent defects, such as structural deficiencies that could compromise the building's integrity or safety.

General Contractors for both Solution 1 and 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.

Applicants 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 GC, such as appliances. The Applicant must sign an acknowledgement form indicating that they have reviewed warranties with their GC.

## **16 General Program Policies**

### **16.1 Program Appeals**

Documentation on the appeals process for the Program Award amount is included with each Applicant's Grant Award Acknowledgement, zero award, or ineligibility letter. If an Applicant disagrees with a Program award determination, they may file an appeal within thirty (30) calendar days of the date of the award determination letter or ineligibility letter. Any new information or supporting documentation that was not available at the time of the initial appeal must be provided. Applicants must also provide a narrative describing, in detail, the reason(s) they are requesting a review of the appeal. RRSL determinations are final and cannot be appealed.

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

- Program eligibility,
- Program Award calculation, prior to the acceptance of the Grant Award Acknowledgment and Loan Award (if applicable),
- Cost estimates, for repairs or reconstruction, limited to measurements of the

- home and/or quantities of damaged materials only, and/or
- Duplication of Benefits (DOB).

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. Statutory and regulatory requirements and standards may not be appealed.

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

Appeals must be submitted in writing to the Program and submitted 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 Housing Programs  
651 Bannan Street, Suite 400  
Sacramento CA 95811

An Appeal Determination Letter will be mailed to the Applicant after a complete review of the file and supporting documentation within thirty (30) business days of receipt of the Appeal. For requests that require additional levels of review and additional time, the Applicant will be notified of extension and estimated timeframe. All notices will be sent via email and the eGrants system.

## **16.2 Exceptions Panel**

The HCD Exceptions Panel (Exceptions Panel) is responsible for reviewing applicant eligibility and exceptions in accordance with the approved HCD Exceptions and Eligibility Policy and Form. Program and eligibility determinations can be requested by Program staff (e.g., Case Management, Construction Management, etc.) and members of HCD staff, when necessary. The Exceptions Panel shall convene biweekly or monthly to review issues and recommendations submitted by Program staff. Determinations made by the Exceptions Panel shall be presented to the HCD Housing Programs, Disaster Recovery Branch Section Manager for final approval or denial.

The Exceptions Panel is responsible for addressing the following:

Eligibility issues	On a case-by-case basis, the Exceptions Panel will make eligibility determinations when Policies & Procedures do not clearly describe how to proceed with an Applicant's file.
Implementation issues	The Exceptions Panel will develop Program clarifications and/or guidance when implementation issues arise.

The Exceptions Panel does not replace the Appeals Process. In cases where a determination made by the Exceptions Panel required a change to the Program's Policies & Procedures, an interim policy guidance memorandum or policy manual revision will be created.

### **16.3 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  
651 Bannan Street, Suite 400  
Sacramento CA 95811  
Email: [EEO-Office@hcd.ca.gov](mailto:EEO-Office@hcd.ca.gov)  
Phone: (916) 263-3635

### **16.4 Construction Grievances**

See below for information on how to address construction grievances for Solution 1 and Solution 2 Applications:

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

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.

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: Program Manager, Suite 200

**Solution 2:** Grievances must be resolved by the Applicant since the HCD is not a party to the contract between the Applicant and their GC.

### **16.5 Grant Recapture Policy (Subrogation)**

To address any potential future DOB, Applicants are required to enter into a signed Subrogation agreement to repay any assistance later received for the same purpose as the Program funds as stated in the subsection labeled “Subrogation - Repayment of Duplicative Assistance.”

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;
- Construction is not completed due to non-cooperation by homeowners(s);
- Non-compliance with the approved SOW;
- Failure to report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other DOB received after award; and/or
- Receipt of or failure to complete the Solution 2 Homeowner-Managed Rehabilitation or Reconstruction requirements, according to program requirements.

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

Applicant(s) are required to sign a fraud acknowledgement statement, asserting and affirming under penalty of perjury that all information and documents provided and executed in their survey and application to the Program are true to the best of their knowledge.

The Program 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.

The Program 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 providing services on the program's behalf. 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.

The Program has procedures in place to address an Applicant's unmet assistance needs due to fraud, waste, or abuse by a contractor. If proven, the Applicant's Duplication of Benefit can be reduced, and the Program can provide scope to cover the Applicant's unmet needs to complete home repairs.

## **16.7 Referral to HUD Inspector General**

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

### **16.8 Temporary Relocation of Impacted Tenants**

The Program is voluntary and not subject to the Uniform Relocation Act (URA) requirements for Applicants. 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 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.

Anyone who meets the URA definition of a "displaced person" must be fully informed of their rights and entitlements to relocation assistance and payments provided under the URA. The Program will ensure that URA relocation requirements are met for any projects which cause displacement. These requirements include, but are not limited to:

- Provision of written notifications to displaced persons that inform them about potential future displacement, eligibility, and actions to be taken during the implementation of a displacing project
- Identification of comparable dwellings or sites to those from which persons are displaced sufficiently prior to their displacement
- Engagement in relocation planning that identifies the extent of potential displacement and needs to minimize impacts of displacement to the extent possible; and
- Provision of relocation services and assistance payments based on individual needs and entitlements as afforded by URA and HCDA regulations

It is anticipated that all relocation of displaced persons caused by construction activities undertaken by the Program will qualify as temporary relocation.

## **17 Construction Closeout, Applicant Compliance, and Monitoring**

After completion of construction, the CM 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 CM confirms that all work has been accepted by the local building inspector and that no required certificate of occupancy has been issued. The CM completes a final inspection form, signed by the Applicant and the General Contractor, indicating that all construction activities are complete and satisfactory. The final inspection and signoff are included with the Applicant's file. The CM also verifies 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
- Ensure all construction Change Orders processed

The Case Manager will perform 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
- Escrow refund documentation (if applicable)
- Update DOB verification
- If in flood zone, proof of flood insurance at time of closeout

## **17.1 Compliance and Monitoring**

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 Award Acknowledgment, remains in effect for 24-months or 60-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.

The deed restriction is monitored annually by the Program and/or HCD staff. For the entire length of the deed restriction period, the property **cannot**:

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

### **17.1.1 For the Grant Award**

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

If the Applicant complies, 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. 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.

#### 17.1.2 For the RRSL Award

**Refinancing of first lien:** Applicant may refinance the existing first lien on the following terms:

1. Rate and term refinance only with reasonable and customary closing cost
2. First lien cannot be a negative amortization loan or adjustable-rate mortgage

**Acceleration of Payment:** The principal amount of the loan shall become immediately due and payable, at the option of the Program and without demand or notice, upon the occurrence of any of the following events (“default”):

1. If the property is no longer the borrower’s primary residence without HCD’s prior written consent, except for the transfers permitted as detailed in the subsection below labeled “Permitted Transfers”.
2. Upon Borrower’s failure to occupy the Property as Borrower’s primary residence for the period of 60-months from the date of the issuance of the certificate of occupancy.
3. In the event of notice of default by the senior lien holder under the terms of their Note and Deed of Trust; or, Foreclosure

#### 17.1.3 Remedy of RRSL Default

At the time of default, the amount due under the Promissory Note shall become immediately due and payable in accordance with the following schedule:

Number of months from date of Certificate of Occupancy	Repayment Amount
1-12	100% of loan amount
13-24	80% of loan amount

25-36	60% of loan amount
37-48	40% of loan amount
49-60	20% of loan amount

If the Borrower is unable to pay the total amount due at the time of default, the Program may allow a payment plan for an affordable term with a monthly payment not to exceed 38% of the current household income and zero interest. In rare cases and at the Program's sole discretion, the Program may forgive the amount due in whole after review of the outstanding loan amount, term, affordability, and cost of servicing the loan based on the Borrower's specific situation.

#### **17.1.4 Permitted Transfers**

The RRSL Loan Agreement cannot be assumed by another party, except under the following limited circumstances:

- a. The transfer of the Property to the surviving joint tenant by devise, descent, or operation of the law, on the death of a joint tenant. If a joint owner dies, their interest will be automatically transferred to the surviving owners.
- b. A transfer of the Property where the spouse becomes a joint owner of the property by marriage or domestic partner agreement.
- c. A transfer of the Property resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner and remains occupant of the property.
- d. A transfer to an inter vivo trust in which the Borrower is and remains the beneficiary and occupant of the property.
- e. Death or incapacity of homeowner/s during the loan term, and the heir to the property meets the low-to moderate-income requirements and intends to occupy the home as their primary residence.
- f. Other financial hardship approved by HCD on a case-by-case basis.

### **17.2 Expiration of Restrictive Covenant**

After the completion of the 2-year compliance period for Grant Awards and the 5-year compliance period for Loan Awards, which is the 25<sup>th</sup> or 61<sup>st</sup> month respectfully, following the date of receipt of the certificate of occupancy of the rehabilitated or reconstructed structure, the entire grant and loan amount is forgiven.

#### **17.2.1 Insurance**

If the property is Rehabilitated or Reconstructed in a Special Flood Hazard Area, the

Applicant is required to maintain flood insurance in perpetuity. This obligation is also 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.

### **17.2.2 Staff Organization**

The HAPM monitors Applicant compliance with program requirements and deed restrictions for the 24-month-or 60-month compliance period on behalf of HCD. Any compliance activities that remain at the end of the HAPM vendor's contract with the state will be transitioned to HCD staff.

#### **Compliance Questionnaire**

Before the 12-month compliance period ends, a Compliance Questionnaire is mailed to the Applicant at the damaged address or new MHU location. This letter lists all required documentation needed to confirm compliance with the Program Award. Applicants must complete and return the questionnaire and any required supporting documentation within 30 calendar days of receipt. 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 review at the next annual review date. If the documentation is not sufficient, the file is determined non-compliant, and is processed to recapture a portion of the grant award and unforgiven portion of the RRSL amount based on the repayment chart provided in the Promissory Note.

The compliance review will continue to be monitored annually for 24 months (Grant Award only) or 60 months (Grant and Loan Awards).

### **17.3 Program Closeout**

Program closeout occurs when all applicable administrative and programmatic requirements 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

Currently, CDBG-DR guidance from HUD on Program closeout has not 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).

## **17.4 Records Management**

As outlined in the CDBG-DR Grants Administration Manual, records are maintained in accordance with 24 C.F.R. part 570.490 and 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).

## **17.5 Administrative Records**

Administrative records, kept in electronic format, are files that apply to the overall administration of the CDBG-DR funded Program. They include personnel files, property management files, general program files, legal files, financial records, and project/applicant files.

### **17.5.1 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 the 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).

### **17.5.2 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. 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 confidential 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 Applicant 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.

### **17.5.3 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 at least five (5) years from the closeout of HUD's grant with HCD. All subrecipients 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 five (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.

#### **17.5.4 Applicant Files**

All Applicant files are maintained for the duration of five (5) 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.

#### **17.6 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.

#### **17.7 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.
- Notify all bidders that adherence to the State's Section 3 Plan is required for contracts and sub-contracts more than \$100,000

The Case Manager vendor is responsible for compliance with Section 3, not individual homeowners.

## 18 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 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 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.

**Borrower** – An Applicant who receives a Reconstruction Subsidized Loan (RRSL) Award.

**California Department of Forestry and Fire Protection (CAL Fire)** – is responsible for fire protection throughout California and 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.

**Co-Applicant** - An adult co-owner of the damaged property. For Owner-Applicants, a Co-Applicant must also be a household member of the damaged property. Co-Applicants have decision-making authority over the application.

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

**Damage Assessment** - The process used to verify that damage to a property can 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 the 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)** – an initial line-item estimate of the cost to repair damages to an Applicant's property, or to reconstruct the property if necessary.

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

**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.

**Fire protection** – automatic sprinkler system, spark arresters, and propane tank storage.

**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 another 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.

**Funding Gap** – An unfunded amount between the Grant Award amount and the Rehabilitation or Reconstruction Scope of Work (SOW). This amount can include a DOB, an amount over the Grant cap or an amount otherwise unfunded.

**Grant Award** – The amount of assistance awarded to the Applicant in grant form.

**Grant Award Acknowledgment** - last step in the application process where the homeowner reviews their Grant Award amount and calculation and then can either accept the Grant Award, reject the Grant Award or request to appeal.

**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 or Grantee** - 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 household income as defined by the Internal Revenue Service Adjusted Gross Income.

**Lead-Based Paint** – Paint or other surface coatings that contain lead equal to or over 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.

**Loan Agreement** – The agreement between borrower and HCD, as the Lender, that states and defines the mutual promises made by each party, details the terms of the loan, and provides the conditions to be met to advance funds under a Promissory Note.

**Loan Award or RRSL Award** – The amount of assistance awarded to an Applicant in a loan with zero interest and forgivable on a pro-rated basis for 5 years (60 months).

**Low to Moderate Income (LMI) Household** – A household is considered low or moderate income if the 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 section in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently affixed to one site.

**Mobile home** - As detailed in Chapter 2.5 of the California Civil Code, civil code 798.3 defines a Mobile home (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. Mobile home includes a manufactured home, as defined in Section 18007 of the Health and Safety Code, and a Mobile home, 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 Mobile home is a factory-built home that was built before June 15, 1976, and not built to a uniform construction code.

**Modified Adjusted Gross Income (Modified AGI)** – The annual income resulting from the recalculation of AGI (Line 11 of the Form 1040) by not counting negative income or losses reported Schedule 1, Part 1 Additional Income on the Applicant's Internal Revenue Service (IRS) Form 1040 Tax Return, alternatively, the Program will use zero ("0") for any negative income or losses.

**Most Impacted and Distressed (MID)** - 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 consider 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.

**Owner-Occupant** – The 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.

**Promissory Note** – signed by the Borrower and notarized, an agreement that sets forth the terms and conditions of the RRSL, including a promise to pay any unforgiven loan amount upon default.

**Program Award** – the total amount of assistance provided as a Grant Award only or Grant and Loan Award.

**Property Ownership** – Holding an instrument, including a deed, mortgage, or other agreement 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 or paired with CDBG-DR and carried out with the CDBG-DR funding.

**Reconstruction** - Possible demolition and re-building of a Stick-built or modular housing unit on the same lot in 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 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 that the Applicant is eligible for based on household size. The Program does not construct 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 Mobile home or Manufactured Housing Unit with a new Manufactured Housing Unit in 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).

**Request for Notice** – RRSL document provided to the first mortgage lender that requests HCD be notified if foreclosure proceedings or sale is initiated.

**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 at least 62 years old 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 and that is connected to the required utilities, including plumbing, heating, and electrical systems contained therein. The structure must be designed for occupancy as a principal residence by a single family.

**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** - Value of damage 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.

**Substantially Improved Properties** – Cost to rehabilitate an existing home exceeds 50% of its current, post-disaster 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 recipient cannot finance the activities on their 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 vary according to the scope that a community is willing to adopt and enforce. WUI area building code may include the following topics:

**Water supply** – approved water sources and adequate water supply.



**Work in Place (WIP)** – refers to repair activities completed at the initial inspection.

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