

State of California
Action Plan for Disaster Recovery
from 2017 Disasters
Action Plan Amendment No. 3

California Department of Housing and Community Development

Proposed Public Comment Period: May 1st – June 1st, 2023

Draft for Submission to HUD

Submitted to the U.S. Department of Housing and Urban
Development (HUD) to fulfill requirements related to Community
Development Block Grant Disaster Recovery (CDBG-DR) Funds
in Response to
2017 Disasters (FEMA DR-4344 and DR-4353).

April 2023



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I. Background and Summary of Changes

On August 14, 2018, the U. S. Department of Housing and Urban Development (HUD) allocated \$124 million in Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to the State of California to support California's unmet recovery needs related to the Federal Emergency Management Agency (FEMA) Major Disaster Declarations DR-4344 in October 2017 and DR-4353 in December 2017.

On January 27, 2020, HUD allocated an additional \$38 million of CDBG-DR funding to the State to address California's unmet infrastructure recovery needs, related to the FEMA Major Disaster Declarations: DR-4344 in October 2017 and DR-4353 in December 2017.

The California Department of Housing and Community Development (HCD) is managing the associated CDBG-DR grant from HUD and implementing the goals and objectives of the state's initial, HUD-approved Action Plan. Through the Unmet Needs Action Plan Amendment, Number 1 (APA 1), HCD incorporated the \$38 million supplemental allocation into the Action Plan to address unmet infrastructure recovery needs. A subsequent non-substantial amendment added additional clarity in seven different sections of the action plan. It did not propose to create any new program, nor propose to remove an existing program from the initial HUD approved Action Plan. This is the third amendment to this Action Plan.

This amendment modifies the state's Owner-Occupied Program to better assist LMI households who have a gap in their total assistance and as such cannot currently receive an award from the program. To ensure that assisted households can complete their repair or reconstruction projects, OOR makes awards only to projects that will be fully funded through the addition of the CDBG-DR assistance. HCD estimates there are over 100 applicant households experiencing such a shortfall. The amendment provides a path to award and project completion for this population by introducing a forgivable loan that may be awarded in addition to grant funds. The forgivable loan will be based on the amount of the applicant's gap, is available only to qualifying Solution 1 (state managed reconstruction) LMI households and is capped at \$250,000. Loans will only be available in conjunction with a grant. The loan cap was determined based on an analysis of applicant need and is projected to assist 68 percent of that population. To allow for awarding the proposed forgivable loans, the amendment also proposes increasing the total CDBG-DR funding cap from \$500,000 to \$750,000, inclusive of both grant and loan funding. Lastly, the amendment clarifies deed restrictions for the subsidized loan and the agreements to be signed and the form in which the assistance is provided. Page numbers are provided with the proposed changes. Removed and replaced text updates have been made in the context of the named section within the action plan. APA 3 has been determined to be a substantial amendment.

Summary:

Action Plan Amendment 3 (APA 3) will address the following items:

1. **Executive Summary, Proposed Uses of CDBG-DR Funds:** Provides an update to include the subsidized loan for the OOR program.
2. **Housing Recovery Programs:** Edits in this section provide updates for clarity.
 - a. Owner Occupied Housing Rehabilitation and Reconstruction Program. Update the award caps for grants, loans and combined. Update the deed restrictions.
 - b. Owner Occupied Housing Rehabilitation and Reconstruction Program, Form of Assistance: This section updated to provide an update to include the subsidized loan for the OOR program.

II. Action Plan Amendments

Text updates inserted or deleted made in the context of the section within the action plan are listed below.

1. Executive Summary, Proposed uses of funds. (Page 13)

Remove: The Owner-Occupied program will allow affected residents to apply directly to the state for gap financing grants up to \$500,000 to repair or rebuild their homes.

Replace: The Owner-Occupied program will allow affected residents to apply directly to the state for grants up to \$500,000 and subsidized loans up to \$250,000 to repair or rebuild their homes.

2. Housing Recovery Program

The following provides a summary of the section with language added for clarity.

A. Owner Occupied Housing Rehabilitation and Reconstruction Program.

Remove: The program will provide rehabilitation or reconstruction assistance to eligible applicants based on the extent of damage to their primary residences. Reconstruction is permissible where the total cost of rehabilitation is greater than the cost to reconstruct or where rehabilitation is otherwise technically infeasible. Reconstruction is defined as the rebuilding of a structure on the same site in substantially the same manner. A reconstructed property must not increase the number of dwellings on site, although the number of rooms may increase or decrease. The maximum amount of assistance is \$500,000 per damaged structure, after applying any duplication of benefits to the cost of the total rehabilitation or reconstruction. As a standard practice, program applicants requiring more than the \$500,000 cap on assistance must fund the remainder of their project with private funds or other resources; however, exceptions to the maximum award will be considered on a case-by-case basis.

Replace: The program will provide rehabilitation or reconstruction assistance to eligible applicants based on the extent of damage to their primary residences. Reconstruction is

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permissible where the total cost of rehabilitation is greater than \$100,000 or where rehabilitation is otherwise technically infeasible. Reconstruction is defined as the rebuilding of a structure on the same site in substantially the same manner. A reconstructed property must not increase the number of dwellings on site, although the number of rooms may increase or decrease. The maximum amount of assistance is \$750,000 per damaged structure, after applying any duplication of benefits to the cost of the total rehabilitation or reconstruction. Grant awards are capped at \$500,000, subsidized loans are capped at \$250,000, and together they may not exceed \$750,000. As a standard practice, program applicants requiring more than the assistance maximum must fund the remainder of their project with private funds or other resources; however, exceptions to the grant, loan, and combined award caps will be considered on a case-by-case basis.

Remove: To safeguard the CDBG-DR investment in the property, HCD will require a deed restriction on properties funded through the program. The deed restriction will remain in effect for a period of two years, following the date of receipt of the certificate of occupancy of the rehabilitated or reconstructed structure. For the length of the deed restriction, the property cannot be sold, cannot be used as a second home, cannot be converted into rental property, and otherwise cannot have its use changed by the property owner. Compliance with the deed restriction will be monitored annually by HCD, and failure to comply with the deed restriction will result in grant fund recovery. The deed restriction may be relieved on a case-by-case basis by HCD in certain circumstances. The specific language and requirements in the deed restriction will be set forth in the program manual and will be available for applicants to review prior to participating in the program.

Replace: To safeguard the CDBG-DR investment in the property, HCD will require a deed restriction or restrictive covenant on properties funded through the program. The deed restriction or restrictive covenant will remain in effect for a period of two years for grants and five years for subsidized loans, following the date of receipt of the certificate of occupancy of the rehabilitated or reconstructed structure. For the length of the deed restriction or restrictive covenant, the property cannot be sold, cannot be used as a second home, cannot be converted into rental property, and otherwise cannot have its use changed by the property owner. Compliance with the deed restriction or restrictive covenant will be monitored annually by HCD, and failure to comply with the deed restriction will result in grant fund recovery. The deed restriction or restrictive covenant may be relieved on a case-by-case basis by HCD in certain circumstances. The specific language and requirements in the deed restriction and restrictive covenant will be set forth in the program manual and will be available for applicants to review prior to participating in the program.

B. Owner Occupied Housing Rehabilitation and Reconstruction Program, Form of Assistance (page 153)

This section updated to include the subsidized loan for the OOR program.

Form of Assistance

Remove: Assistance is provided in the form of a grant award to qualifying applicant's construction project, after a contractor has been selected to perform the approved scope. The award is provided as payment reimbursement for costs incurred and expended. The scope of work is determined by a site inspection performed by qualified construction

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estimators. Once the scope of work has been determined, the applicant signs a construction agreement with the contractor.

Replace: Assistance is provided in the form of grants and subsidized loans made to qualifying applicants after a contractor has been selected to perform the approved scope. Applicants receiving a subsidized loan will be provided loan disclosures as described in the program policy and procedures. The assistance is provided as reimbursement payments for costs incurred and expended. Once the scope of work has been determined, the applicant is issued an award offer which states the amount and form of assistance (grant or grant and loan). Applicants who accept their offer will then execute program grant and loan documents (as applicable).

III. Public Comments

In keeping with the State's Citizen Participation Plan, as articulated in Section V of the initial, HUD-approved Action Plan, HCD published this proposed Action Plan Amendment, Number 3, on the CDBG-DR Action Plan webpage (<https://www.hcd.ca.gov/grants-and-funding/disaster-recovery-and-mitigation/action-plans-and-federal-register-notices-frns>) in English and Spanish.

APA 3 will be available for public review and comment for thirty (30) days from May 1st through 5:00 p.m. Pacific Standard Time through June 1st, 2023.

Comments can be submitted by the following methods:

- Electronic mail to (DisasterRecovery@hcd.ca.gov); or
- Post mail to Disaster Recovery Section, Attn: Mona Akbar, HCD, 2020 West El Camino Avenue, Suite 200, Sacramento, CA 95833

If submitting comments via regular post mail, please factor delivery time into your mailing date. As above, all comments must be in writing and received by HCD by 5:00 p.m. Pacific Daylight Time on June 1st, 2023.

Residents who require a reasonable accommodation or other assistance to fully participate in the public comment process can request assistance by contacting the HCD Disaster Recovery Section via the same methods, listed above, for submission of public comments.

HCD will consider all public comments received, timely and in writing, via e-mail, or delivered in person at official public hearings regarding this Action Plan Amendment, Number 3. HCD will make public comments available to citizens, public agencies, and other interested parties upon request.

A summary of all comments received, timely, will be included in the final Substantial Action Plan Amendment, Number 3, submitted to HUD for approval. Following HUD approval, all comments received, timely, during the public comment period will be noted and summarized in the final, comprehensive Action Plan, as amended.