



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

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

Version: Version 1

Overview

1. Purpose: To establish the policies and procedures for the administration of the OOR program.

2. Applies to: All HCD employees, individuals and organizations representing HCD while administering the OOR program.

3. Cancels: None.

4. Originator: OOR Housing Program
 Housing and Economic Revitalization Section
 CDBG-Disaster Recovery Branch
 Division of Financial Assistance

Approved By	Effective Date
Joseph M. Helo OOR Program Manager	12/22/2020

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. For example, the inclusion of homeowners with flood insurance is a substantial change to the criteria for phase qualification that was provided in Version 1.0. Future policy changes will result in additional revision and the issuance of a new primary version number.

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

Owner-Occupied Rehabilitation/ Reconstruction Program Policies and Procedures

Version History

Version Number	Date Revised	Description of 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.

Table of Contents

Version Policy	2
Version History.....	3
1 Definitions	8
2 Program Objectives	16
3 Program Description	17
3.1 Roles and Responsibilities	17
3.1.1 HUD.....	17
3.1.2 HCD.....	17
3.1.3 Homeowner Assistance Program Management Vendor.....	17
3.1.4 Construction Manager (CM).....	17
3.2 Program Solutions	18
3.2.1 Solution 1: Program-Managed “Turnkey” Rehabilitation and Reconstruction	18
3.2.2 SOLUTION 2: Homeowner-Managed Construction – Rehabilitation and Reconstruction	19
3.3 Program Assistance	20
3.4 Program Timeline	20
4 Program Requirements.....	22
4.1 National Objectives.....	22
4.1.1 Low to Moderate Income (LMI) National Objective.....	22
4.1.2 Urgent Need National Objective	22
4.2 Eligible Activities.....	22
4.3 Ineligible Activities	23
5 Prioritization Criteria.....	24
5.1 Prioritization Tiers.....	24
6 Applicant Eligibility Criteria.....	27
6.1 Ownership	28
6.1.1 Special Circumstances Related to Type of Ownership.....	28
a. Stick-built homes on leased land	28
b. Mobilehomes or MHU’s on leased land	29
c. Trust	29
d. Foreclosure	29
e. Non-compliant with FEMA regulations.....	29
f. Death of an eligible applicant.....	30
6.2 Occupancy.....	31

6.2.1 Special Circumstances Related to Type of Occupancy	32
7 Property Eligibility Criteria	33
7.1 Tie Back to the Disaster	33
7.2 Location	33
7.3 Structure Types	33
7.3.1 Eligible Structure Types	33
7.3.2 Ineligible Structure Types.....	33
8 Terms of Assistance	34
8.1 Eligible Award Cap	34
8.2 Award Determination and Calculation	34
8.3 Escrow	35
8.4 Pre-award Verifications	35
8.5 Award Acknowledgment	35
8.5.1 Zero-Award Letter	36
8.6 Grant Execution Process	36
8.7 Provisions of Funding	36
8.8 Homeowner Responsibilities	36
8.9 Demonstrable Hardship Determination	37
9 Operating Procedures	39
9.1 Applicant Outreach	39
9.2 Survey – Californians impacted by both 2017 and 2018 Disasters	40
9.3 Application Intake	40
9.3.1 Limited English Proficiency (LEP).....	42
9.3.2 Special Needs	42
9.3.3 Environmental Stop-Work Order.....	42
9.4 Eligibility Verification	43
9.4.1 Ownership	43
9.4.2 Occupancy	43
9.4.3 Damage.....	44
9.4.4 Income Requirements	45
9.5 Duplication of Benefits	46
9.5.1 Sources	47
a. FEMA	47
b. SBA	47
c. Private Insurance	47

d. Lawsuit Settlements	48
e. Disaster Recovery Act Funding	48
f. Other Funding	48
9.5.2 Adjustments and Offset to the Amount of Assistance.....	49
a. Repair Costs	49
b. Theft or Vandalism	49
c. Contractor Malefaction	49
9.6 Pre-Construction Activities	50
9.6.1 Initial Site Inspection	50
9.6.2 Damage Assessment.....	51
a. Estimated Cost of Damage	51
b. Verification of Work in Place	51
c. Estimated Cost of Repairs (ECR)	52
d. Scope of Work.....	52
9.6.3 Environmental Review	54
a. California Environmental Quality Act Compliance	55
b. Tier I	56
c. Tier II	57
9.6.4 Building Codes	58
a. Local Building Codes	59
b. Wildland-Urban Interface (WUI).....	59
c. CALGreen – California Green Building Standards Code.....	59
9.7 Preliminary Grant Determination	60
9.7.1 Stick Built Homes.....	60
9.7.2 Mobilehomes and Manufactured Housing Units (MHUs).....	61
9.8 Award Calculation.....	61
9.9 Maximum Grant Amount.....	62
9.10 Subrogation – Repayment of Duplicative Assistance	62
10 Grant Execution Process	64
10.1 Pre-Award Verifications	64
10.2 Award Acknowledgement Letter	64
10.4 Grant Agreement Execution	64
10.5 Review of Scope.....	65
10.6 Design Services.....	66
10.7 House Selection Process	66
10.8 Temporary Relocation of Impacted Tenants	66

10.9 Notice to Proceed (NTP)	67
11 Construction	68
11.1 Construction Monitoring, Periodic, and Final Inspections	68
11.2 Draw Request Process	68
11.3 Change Orders	69
11.4 Construction Warranty	70
12 Appeals, Complaints and Grievances	71
12.1 Program Appeals	71
12.1.1 Appeals Review Process	71
12.2 Section 504 Coordination Complaints and Grievances	72
12.3 Construction Grievances	73
13 Construction Closeout, Applicant Compliance, and Monitoring	74
13.1 Compliance	74
13.2 Insurance	75
13.3 Duplication of Benefits	75
13.4 Monitoring	75
a. Staff Organization	76
b. Responsibilities	76
c. Compliance Questionnaire	76
14 Grant Recapture	77
14.1 Recapture Policy	77
15 Program Closeout	78
16 Records Management	78
16.1 Administrative Records	78
16.2 Personally Identifiable Information (PII)	79
16.3 File Security	79
16.4 Record Retention	79
16.5 Applicant Files	80
16.6 Fair Housing / Civil Rights	80
16.7 Section 3	80

1 Definitions

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

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

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

Applicant - An owner-occupant(s) of a damaged property and has applied for housing assistance.

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

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

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

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

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

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

structure. The Damage Assessment informs the Scope of Work needed to rehabilitate or reconstruct a home.

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.

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

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

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

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

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

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

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

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

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

Estimated Cost of Repair (ECR) - a line item estimate of the damages observed during a Damage Assessment of an applicant's property, used to quantify the materials and labor necessary to repair observed damages. The ECR is created during the process of confirming work in place at the time of the damage inspection.

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

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

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

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

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

Grant Agreement - Agreement between the California Department of Housing and Community Development and the applicant, whereas the applicant certifies compliance with any and all provisions of the award funding.

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

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

HCD - California Department of Housing and Community Development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Most Impacted and Distressed - HUD-defined areas of greatest impact from a disaster. The most impacted and distressed areas from the DR-4344 and DR-4353 disasters are Sonoma and Ventura counties, and the following zip codes: 95470, 95901, 94558, 95422 and 93108 as defined in the Federal Register Notice governing the appropriation funding this Program.

National Environmental Policy Act (NEPA) - Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of government give proper consideration to the environment prior to undertaking any major federal action that could significantly affect the environment.

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

- 1) Benefit to low- and moderate-income persons;
- 2) Aid in the prevention or elimination of slum or blight; and

3) Meet a need having a particular urgency (referred to as urgent need).

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

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

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

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

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

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

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

Reconstruction - Possible demolition and re-building of a stick-built or modular housing unit on the same lot in substantially the same footprint and manner. The number of units on the lot may not increase and the total square footage of the original structure may not be substantially exceeded; however, the number of rooms in a unit may be increased or decreased. Reconstructed housing, built using standard grade materials, is comparable to the original damaged housing in characteristics (number of bedrooms, square footage, structure type, and special features).

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, structure type, and special features) to the original, damaged housing unit.

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

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) in the rehabilitation or reconstruction process of applicant homes.

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

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

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

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

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

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

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

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

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

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

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

Urgent Need National Objective - Represents an urgent need that exists because existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months),

and the subrecipient cannot finance the activities on its own because other funding sources are not available.

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

Wildland-Urban Interface Building Codes (WUI) - California building codes specifically designed to mitigate the risks from wildfire to life and property. The standards within a WUI code varies according to the scope that a community is willing to adopt and enforce. For Stick-Built homes the regulations are in the Cal. Code Regs., title 24, part 2, chapter 7A. For MHUs the regulations are in the Cal. Code Regs., title 25, division 1, chapter 3, subchapter 2, article 2.3. Typically, however, a WUI code includes the following topics:

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

2 Program Objectives

In response to the 2017 and 2018 qualified presidentially declared disasters, the California Department of Housing and Community Development (HCD) developed the ReCoverCA Owner-Occupied Rehabilitation and Reconstruction Program (“OOR” or “Program”) to assist homeowners in the rehabilitation or reconstruction of their disaster-damaged homes.

The Program provides grants up to \$150,000 in gap funding to eligible applicants for 2017 disasters and up to \$200,000 in gap funding to eligible applicants for 2018 disasters.

To determine the award amount, the program conducts a Damage Assessment and an environmental review, then prepares an estimate of the cost to complete the rehabilitation or reconstruction of the home using standard grade materials plus required green building standards. Grant award amount is then determined after subtracting the amount of duplicative assistance received by the homeowner.

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

The Program serves homeowners whose homes sustained damages in the areas impacted by the 2017 and 2018 federally declared disasters.

The Program offers two solutions to homeowners: Program-managed construction or homeowner-managed construction. A possible third solution, Reimbursement, may be made available at a further date if funds allow.

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

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

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

3 Program Description

3.1 Roles and Responsibilities

3.1.1 HUD

HUD maintains all federal rules, regulations, and documents related to the CDBG-DR appropriation to the State of California. Categories of activities are determined by HUD and are set forth in the rules and regulations specific to the CDBG-DR funds allocated to the State of California for DR 4344, DR 4353, DR 4407, and DR 4382. HUD is also responsible for monitoring and oversight of all CDBG-DR Programs executed by HCD.

3.1.2 HCD

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

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

3.1.3 Homeowner Assistance Program Management Vendor

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

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

3.1.4 Construction Manager (CM)

The Construction Manager (CM) performs or causes to be performed the rehabilitation and reconstruction work under the Program. The Contractor is responsible for completing initial Damage Assessments, environmental Tier II reviews, determining cost to repair or rebuild, developing the construction scope of work for all projects directly or through general contractors, developing plans for rebuild projects, monitoring progress and closeout on all construction progress, as well as overseeing the draw request process.

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

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

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

3.2 Program Solutions

Due to the time elapsed since the 2017 DR 4344, 2017 DR 4353, 2018 DR 4382 and 2018 DR 4407 disasters, homeowners are in varied states of their recovery process. In response, the Program consists of two possible solutions, with the possibility of a third solution at a later date. The two solutions are: 1) Program-Managed rehabilitation or reconstruction and 2) Homeowner-Managed rehabilitation or reconstruction.

Applicants choose the solution best suited to their progress based on the extent of damage to their property.

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

The level of construction required, either rehabilitation or reconstruction, is determined by the Program and the applicant's local jurisdiction. In the event that the level of damage to a home requires full reconstruction rather than repairs as determined by the local jurisdiction, the Program adheres to the local jurisdiction's determination.

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

Homeowners may choose to have the Program manage and complete the rehabilitation or reconstruction of their impacted homes using the state-procured Construction Manager (CM).

The CM contractor assesses the damage and prepares a scope of work (SOW), based on standard grade materials as calculated using a national building-industry estimating software, for each rehabilitation and reconstruction project. The CM's construction contractors then complete projects in accordance with the SOW.

Payments are made when payment requests are submitted according to project milestones after work on a project has been successfully inspected by the Program. The CM contractor monitors construction progress and quality throughout each project.

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

This solution may include a full reconstruction or rehabilitation, depending on the condition of the home. Moving out of or continuing to live away from the property during

construction shall be the homeowner's responsibility and done at their own expense. Rehabilitation and reconstruction estimates are based on standard grade building materials. All Rehabilitation and reconstruction estimates, as well as any replacement housing, is based on comparable characteristics to the original, damaged housing unit (number of bedrooms, square footage, structure type, and special features).

For reconstruction projects under Solution 1: Program-Managed Construction, the Program offers specific new house designs in varying square footage configurations for 2, 3, or 4-bedroom homes. The Program rebuilds homes on the original footprint of the home and does not provide customized home designs.

The Program builds newly constructed homes to meet applicable Wildland-Urban Interface (WUI) standards. Homeowners are required to carry homeowner's multiple peril insurance which includes fire insurance (as well as flood where required) on the rehabilitated or reconstructed structure to be compliant with the Program requirements.

If the damaged structure, whether rehabilitated or reconstructed, is in a Special Flood Hazard area (SFHA), the structure must be insured against risk of loss from flood under a flood insurance policy at all times. Applicants who fail to maintain flood insurance when required in perpetuity risk being ineligible for future disaster relief.

The Program has determined that in order to achieve long-term recovery it is more cost-effective to replace severely damaged or older mobilehomes or MHUs, including purchase price and haul and hookup costs, rather than repairing a damaged mobilehome or MHU.

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

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

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

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

Under Solution 2, the owner has already engaged a construction contractor or chooses to engage a construction contract independently for the rehabilitation or reconstruction of their home.

Under solution 2, applicants select their own California licensed and bonded contractor, contract with them directly, and enter into a Grant Agreement with the Program for eligible funding. The applicant manages the entire project under the oversight of the Construction Manager. Rehabilitation and reconstruction estimates are based on standard grade building materials. All Rehabilitation and reconstruction estimates are based on comparable characteristics to the original, damaged housing unit (number of bedrooms, square footage, structure type, and special features).

For Solution 2 applicants, the Construction Manager services include the following:

- Review applicant-provided plans and contractor bids, to approve and ensure cost reasonableness and all requirements are being met
- Monitor, oversee, and inspect the construction process
- Complete Environmental Services site inspections in accordance with CEQA standards and exemptions as applicable.
- Complete Tier II Environmental Services site inspections in accordance with NEPA standards
- Conduct milestone inspections of the construction process.

Solution 2 projects are homeowner managed and therefore funding is provided to the homeowner's contractors via two-party check made payable to the applicant homeowner and their contractor. Construction inspectors complete and approve the milestone inspections of work completed by the homeowners' contractor. Homeowners sign off on the inspections and further endorse the two-party check to their contractor as final acceptance and payment for the construction activities detailed in the Program inspection.

3.3 Program Assistance

Assistance is in the form of a grant. Grants are approved for qualified applicants after a contractor has been selected to perform the SOW. The SOW is determined by a site inspection performed by qualified damage inspector and construction estimator. Once the SOW has been determined, the amount of Duplication of Benefit (DOB) is deducted, and the award amount is determined.

The maximum amount of assistance is \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants.

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

All additional funds must be placed in an escrow account that is managed by the HAPM vendor; all other funding sources must be spent before grant funds can be spent. Exceptions to the maximum award are considered on a case-by-case basis in accordance with the guidelines set forth in [Section 8.9 .Demonstrable Hardship Determination](#).

3.4 Program Timeline

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

CM conducts routine and periodic milestone inspections to ensure timely completion of construction scopes in accordance with construction plans and industry standards for safety and craftsmanship.

4 Program Requirements

- The homeowner must meet certain eligibility standards to qualify for assistance.
- 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.
- For assistance activities, applicants must demonstrate that the damage to structures was the direct result of the 2017 or 2018 qualified disasters.
- All projects must comply with all applicable federal, state, and local requirements.

4.1 National Objectives

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

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

4.1.1 Low to Moderate Income (LMI) National Objective

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

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

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

4.1.2 Urgent Need National Objective

An urgent need that exists because existing conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months), and the recipients cannot finance the activities on their own because other funding sources are not available.

4.2 Eligible Activities

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

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

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

4.3 Ineligible Activities

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

- Mortgage payoffs
- SBA home/business loan payoffs
- Funding for detached accessory dwelling units
- Funding for portions of, or an entire property designated as a rental unit
- Funding for second homes
- Compensation payments
- Partial or incomplete repairs or reconstructions of properties
- Repair or replacement of personal property or building contents
- Repair or replacement of luxury or non-critical items, such as swimming pools and security systems

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

HCD ensures that construction costs are reasonable and consistent with current market costs for the area where the property is rehabilitated or reconstructed. In accordance with Program guidelines, construction estimates are based on standard grade materials.

5 Prioritization Criteria

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

5.1 Prioritization Tiers

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

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

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

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

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

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

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

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

Within each Tier, owner-occupied households with a household member who is disabled or has access or functional needs are given priority.

The eight (8) prioritization tiers are described below:

Tier 1

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

Tier 2

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

Tier 3

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

Tier 4

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

Tier 5

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

Tier 6

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

Tier 7

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

Tier 8

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

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

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

6 Applicant Eligibility Criteria

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

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

- Location of the damaged property is within HUD-identified MID area;
- Damage to the property was the result of the qualifying event;
- Applicant must have owned and occupied the damaged home as their primary residence at the time of the qualifying disaster (second homes, vacation homes, and rental properties are not eligible for assistance under the Program);
- Must be current on property taxes or have an approved payment plan or tax exemption;
- The property must be a titled, single-family dwelling on a permanent foundation or affixed to a permanent pad (leased or owned pad), such as a stick built, modular, mobilehome or MHU (i.e. not a condominium, duplex, fourplex, or other multi-owner property);
- Applicant must be a U.S. Citizen or a qualified alien to receive federal public benefits as detailed in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996;
- Applicant must allow access to the damaged property for all necessary Program staff; and
- Applicant must have legal authority to enter into a Grant Agreement.
- Given the uncertainty in surges of COVID infections and the need to protect Program participants and staff while adhering to State and local guidelines, all properties must be vacant at the time of application.

All households qualifying for the Program are required to submit the following documentation:

- Photo ID - Driver's license, Government issued ID, or Passport.
- Proof of Income - Latest IRS 1040 tax return or last 3 months paystubs and/or benefit statements (social security, disability, retirement, pension, etc.).
- Proof of Ownership - Property tax bill, deed, title, court order affidavit/succession, or a recent mortgage statement.
- Proof of Primary Residence - Primary residence homeowner property tax exemption, or voter registration card, dated prior to the fire.
- Proof of Damage - FEMA award letter, SBA loan approval, or Insurance settlement statement constitute proof that the home was damaged.

- In the event that documentation is not available, a damage inspection report (complete with photos of the damage and a written assessment of the damage) is acceptable.
- Disaster Assistance Received - FEMA award letter, SBA award letter, Insurance claim summary, and/or proof of any other funding that may have been given/used for home rehabilitation or reconstruction.
- Proof of Current Property Tax - Paid property tax bill. Applicant must furnish evidence that property taxes are current, have an approved payment plan or qualify for an exemption under current laws. Applicant must prove that property taxes have been paid or that one of the following alternatives have been met:
 - The property owner qualified for and received a tax deferral as allowed under local tax code;
 - The property owner qualified for and received a tax exemption pursuant to the local tax code; or
 - The applicant entered into a payment plan with the applicable taxing authority.

The Program reserves the right to request additional documentation to determine an applicant's eligibility or to confirm compliance with Program requirements.

6.1 Ownership

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

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

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

- Property tax records that show the applicant owned the property at the time of the disaster event and matched with the most recently available tax record showing the applicant currently owns the property; or
- Deeds or other legal documents to be reviewed on a case-by-case basis.

6.1.1 Special Circumstances Related to Type of Ownership

a. Stick-built homes on leased land

Applicants with stick-built homes on leased land must document that they: were the owner of the structure at the time of the disaster, had the repair responsibility for the home, and currently have a valid lease with enough time left to cover the duration of the project and the 24-month monitoring period.

Applicants can provide the following documents:

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

b. Mobilehomes or MHU's on leased land

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

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

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

c. Trust

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

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

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

The following documents are required to confirm ownership:

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

d. Foreclosure

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

e. Non-compliant with FEMA regulations

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

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

f. Death of an eligible applicant

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

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

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

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

- Death after Application and prior to the execution of a grant agreement: If an eligible owner-occupant passes away prior to the execution of a grant agreement, their heirs who were occupants at the time of the disaster and can prove current ownership are encouraged to apply to the Program.
- Death after signing the grant agreement: If an eligible owner-occupant passes away after the execution of a grant agreement, construction will stop until the Program determines successor ownership and updates the Application and Grant Agreement by adding the successor(s).

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

All disbursement and construction activities will be placed on hold until the Program verifies and/or completes the following:

- Receipt of the death certificate confirming that the death of the applicant occurred after the execution of the Grant Agreement;
- Receipt of a court order providing the name of the approved Executor or Administrator of the Estate of the deceased applicant;
- Amend the existing application to add the name of the Executor or Administrator of the Estate as the representative of the estate who will then sign the Grant Agreement to assume all obligations and authorize rights for the terms of the Grant Agreement.

- Death after construction is complete: If an eligible owner-occupant passes away after construction is complete, and before the 24-month monitoring period is completed, please see [Section 13.1](#) for monitoring compliance.

6.2 Occupancy

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

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

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

In the absence of the primary residence homeowner property tax exemptions, a written affidavit provided by the applicant may be used to explain and verify primary residency.

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

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

The list of acceptable supporting documentation is below. In all cases, the name and address on the documentation must match the name and address on the Application.

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

6.2.1 Special Circumstances Related to Type of Occupancy

The following exceptions apply under special circumstances related to occupancy:

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

Other special circumstances related to occupancy at the time of the disaster are reviewed on a case-by-case basis.

7 Property Eligibility Criteria

7.1 Tie Back to the Disaster

Eligible properties must have sustained damage as a direct result of the qualifying disasters in 2017 or 2018. Sources to verify impact from the disaster include, but are not limited to, FEMA, SBA, private insurance data, and county records and/or inspections.

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

7.2 Location

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

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

7.3 Structure Types

7.3.1 Eligible Structure Types

Eligible structure types include single-family dwellings, mobilehomes, and MHUs. Structure type is verified during the property Damage Assessment/inspection process.

7.3.2 Ineligible Structure Types

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

8 Terms of Assistance

8.1 Eligible Award Cap

The maximum Program award cap is \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants.

8.2 Award Determination and Calculation

Applicants may be eligible for rehabilitation or reconstruction under Solution 1 or Solution 2. Each award is calculated using the scope of remaining work, for the eligible repair cost or the eligible reconstruction cost as determined by the Program and based on standard grade materials as calculated by using national building-industry estimating software, less the amount of DOB, not to exceed the Programs maximum grant cap of \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants.

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

Step 1: The Program determines an applicant's total need by conducting an initial site inspection and reviewing all damage documentation from the applicant, FEMA, SBA, insurance reports, and other sources. The Program then develops a Damage Assessment Report and SOW (see Section 9.6.2: Damage Assessment for details) to estimate the cost to either to rehabilitate or reconstruct the damaged property into a habitable structure (using standard materials and building practices).

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

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

Step 4: The Program compares the DOB amount with total need. If the total need is greater than the DOB amount, program funds are applied to the gap up to a limit of \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants. If the DOB amount is greater than total need, no program funds are awarded.

Eligible Repair Costs/Need – The Program determines an eligible repair or reconstruction estimate using information from the inspection. The SOW is valued based on the cost of remaining eligible repairs using standard grade materials and industry-standard labor costs.

Calculating Potential DOB – All DOB funding must be accounted for prior to the homeowner receiving an award. Homeowners with a duplication must place all DOB funding in an escrow account.

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

8.3 Escrow

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

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

In addition to escrowing funds to cover gap funding, homeowners may escrow funds for construction activities such as upgrades or additions. These funds must be available and provided on the date the Grant Agreement is executed and placed into an escrow account controlled by the HAPM vendor.

8.4 Pre-award Verifications

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

8.5 Award Acknowledgment

After receiving a completed application (including all documents), determining the applicant is eligible, completing a Damage Assessment, and completing the award calculation, the Program makes the award acknowledgement available for review in eGrants.

This acknowledgment provides the applicant with information about their potential eligible award, award calculation, Damage Assessment, and the appeals process.

Applicants may accept, request consultation, or appeal the determination.

8.5.1 Zero-Award Letter

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

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

8.6 Grant Execution Process

The Program uses the grant execution process to consult with applicants, review all Program requirements and execute the Grant Agreement. See [Section 10: Grant Execution Process](#) for complete details.

Prior to receipt of federal grant funds, Applicant(s) sign the Grant Agreement and the 24-month deed restriction. This deed restriction is recorded in the applicable County Recorder's Office to satisfy the Program compliance requirement. See Section 10 for the grant execution process.

8.7 Provisions of Funding

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

For Solution 2: Homeowner Managed Rehabilitation and Reconstruction, the Program pays homebuilding contractors with a 2-party check made payable to the applicant and the construction contractor. The applicant does not receive direct funding in either Solution.

8.8 Homeowner Responsibilities

By applying to the Program, the homeowner agrees to meet all requirements of the Program, including the Environmental Stop-Work Order (see Section 9.3.3: Environmental Stop-Work Order), Grant Agreement, Deed Restrictions, Subrogation Agreement, and all other executed legal documents. Additionally, all applicants undergoing either Solution 1 or Solution 2 rehabilitation or reconstruction must agree to the following during the construction process and after the completion of construction activities:

During Construction Process

- **Ownership:** The homeowner agrees not to transfer or cause to transfer title to the property or any interest in the property during construction.
- **Access to Property:** The homeowner must arrange access to the property for building contractors providing construction services. If reasonable and timely

access is restricted or denied to a building contractor who is making a good faith effort to perform required repairs, the award may be terminated.

- **Personal Property:** Upon execution of the Grant Agreement, if the homeowner is currently living in the property, the homeowner has 30 calendar days to move, at their own expense, all personal property out of the damaged property. The Program is not responsible for lost or damaged belongings of the homeowner that have occurred during construction. The homeowner must secure or relocate all personal property until construction is complete
- **Reasonable space:** During the construction phase the homeowner must not interfere in repair areas and make a reasonable effort to stay away from the construction zone.

After Completion of Construction Activities

- **Ownership:** The homeowner agrees not to transfer or cause to transfer title to the property or any interest in the property until the 24-month compliance period has ended, and the homeowner has been notified that the file has been closed out. Early transfer of property will, under most circumstances, constitute a breach of the Grant Agreement and cause an obligation on the homeowner to repay all or part of the grant amount. In rare and limited circumstances based on the Program's demonstrable hardship process, early transfer may be allowed by Program.
- **Occupancy:** The homeowner must continue to occupy the home as their primary residence for a period of 24-months after Program rehabilitation or reconstruction is complete.
- **Insurance:** Homeowners must acquire and maintain fire insurance either in a multiple perils policy or as a standalone policy for the 24-month grant compliance period. Additionally, for homes in designated flood areas, the homeowner must acquire and maintain flood insurance coverage on the property in perpetuity after Program rehabilitation or reconstruction is complete.,
- **Taxes:** The homeowner must remain current on all property taxes on the property for a period of 24-months after Program rehabilitation or reconstruction is complete.

8.9 Demonstrable Hardship Determination

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

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

Examples of a demonstrable hardship may include job loss, failure of a business, divorce, severe medical illness, injury, death of a family member or spouse, unexpected and extraordinary medical bills, disability, substantial income reduction, unusual and

excessive amount of debt due to a natural disaster, etc. However, no single event automatically defines a demonstrable hardship.

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

A demonstrable hardship must have occurred after the disasters 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.

9 Operating Procedures

9.1 Applicant Outreach

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

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

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

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

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

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

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

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

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

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

9.2 Survey – Californians impacted by both 2017 and 2018 Disasters

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

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

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

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

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

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

9.3 Application Intake

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

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

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

ReCoverCA Program
Department of Housing and Community Development
2020 W. El Camino Ave., Room# 405
Sacramento, CA 94252-2054

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

The OOR Program also accepts collect calls.

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

Applications are accepted until the goals of the Program have been met and/or all funds are obligated. Applications are processed on a first come, first-served basis by prioritization tier.

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

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

The applicant(s) must sign the following Program required application documents:

- Consent and Release of Personal Information – electronically signed within eGrants or paper copies signed in *blue ink only*.
- Fraud Acknowledgement – electronically signed within eGrants or paper copies signed in *blue ink only*.
- Income Tax release(s) (4506T) – electronically signed within eGrants or paper copies signed in *blue ink only*.
- Right of Entry (ROE) – electronically signed within eGrants or paper copies signed in *blue ink only*.
- Other Program-related documents as needed.

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

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

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

- Consent and Release of Personal Information
- Fraud Acknowledgement
- Grant Agreement

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

9.3.1 Limited English Proficiency (LEP)

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

9.3.2 Special Needs

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

9.3.3 Environmental Stop-Work Order

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

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

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

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

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

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

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

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

9.4 Eligibility Verification

9.4.1 Ownership

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

- 2017 or 2018 property tax records, showing the applicant owned the property at the time of the disaster and matched with the most recently available tax record showing that the applicant currently owns the property;
- Deeds or other legal documents to be reviewed on a case-by-case basis.
- Title searches may be conducted by the Program, where other ownership documentation is unavailable

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

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

Additional documents related to ownership of both stick-built, mobilehome, and MHU structure types are reviewed on a case-by-case basis.

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

9.4.2 Occupancy

The Program confirms occupancy by verifying a primary residence homeowner property tax exemption in the property tax records provided by the County from the time of the disaster. If the tax records have established ownership and the County has granted a primary residence homeowner property tax exemption, the property is considered occupied by the applicant.

In the absence of the Program confirming a primary residence homeowner property tax exemption from records provided by the County, *the Program* uses the following

hierarchy to establish occupancy (all occupancy documentation must be from the time of the disaster):

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

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

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

9.4.3 Damage

The Program primarily uses FEMA damage levels to verify disaster-related damage, confirm eligibility, and determine prioritization.

FEMA damage levels include:

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

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

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

- Interior and/or exterior photos of the disaster related damaged unit, with points of reference that can be compared to the Damage Assessment photos;
- SBA damage assessment
- CAL FIRE records or data

- Receipts of repairs completed prior to the damage assessment; and/or
- Insurance claim documentation.

9.4.4 Income Requirements

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

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

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

The applicant must execute their Grant Agreement within twelve months of the income certification date or income must be recalculated by the Program.

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

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

NOTE: Program personnel may contact employers to validate statements

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

If a family member is providing assistance to the applicant, a signed Verification of Recurring Cash Contributions, and supporting documentation of the recurring contributions are required.

The Program compares applicant's annual household income to HUD's current published income limits in effect for their county or metropolitan area. To be recognized

as Low-to-Moderate Income (LMI), a household's annual gross income cannot exceed 80% of Area Median Income (AMI), adjusted for family size for the county in which their primary residence is located.

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

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

9.5 Duplication of Benefits

A Duplication of Benefit (DOB) occurs when a person or household receives disaster assistance from multiple sources for the same recovery purpose. The Robert T. Stafford Disaster Relief and Emergency Assistance Act states that all applicants must disclose all financial assistance received in response to the disaster.

HUD requires a fact-specific inquiry into assistance received by each applicant to the CDBG-DR program. To comply with this standard, the Program conducts DOB reviews prior to determining grant amount.

Application documentation, as well as third- party documentation, is reviewed prior to determining the assistance a household is eligible to receive. DOB is re-verified before grant documents are executed.

To calculate DOB and how much funding to award, the Program uses the following method:

Step 1: The Program determines an applicant's total need by conducting an initial site inspection and reviewing all damage documentation from the applicant, FEMA, SBA, insurance reports, and other sources. The Program then develops a Damage Assessment Report and SOW (see Section 9.6.2: Damage Assessment for details) to estimate the cost to rehabilitate or reconstruct the damaged property into using standard grade materials.

Step 2: The Program calculates the applicant's total assistance to date by adding up funding from all sources such as cash awards, insurance proceeds, grants and loans received by or available to each CDBG-DR applicant, including awards under local, state, or federal programs, and from private or nonprofit organizations. The Program must include a review to determine whether the applicant received FEMA, SBA, insurance, and any other major forms of assistance (i.e., state disaster assistance programs) available to applicants.

Step 3: The Program determines, in accordance with policy, how much of the total assistance is considered a non-duplicative exclusion and deducts that from the total assistance to calculate the amount of the applicant's duplication of benefits.

Step 4: The Program compares the DOB amount with total need. If the total need is greater than the DOB amount, program funds are applied to the gap up to a limit of \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants. If the DOB amount is greater than total need, no program funds are awarded.

If there is still insufficient funding to meet the total need after the maximum award amount has been applied, the applicant is responsible for filling that gap before Grant Agreement execution.

To bridge any gaps in funding and to ensure available funding is equal to the total need the Applicant may request to adjust the SOW (see Section 9.5.2 Adjustments and Offset to the Amount of Assistance for allowable scope adjustments), provide additional documentation to offset the amount of DOB, or provide funds in the amount of the gap funding.

The applicant cannot close on a grant award until the gap funding amount is placed into the escrow account.

The Program completes a final DOB review at the closeout of each project to ensure the applicant did not receive any additional duplicative funding.

9.5.1 Sources

a. FEMA

FEMA Individual Assistance (FEMA IA) may have been received by program applicants for home repairs. If the assistance received was FEMA IA for home repairs, the amount is considered a DOB. FEMA IA is verified by the Program through the FEMA IA NEMIS database. If the applicant can document the FEMA IA amount received was not paid to cover structural loss, the program uses 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 name, damaged property address, and FEMA Registration Number.

b. SBA

The Small Business Administration (SBA) provides loans for home repairs that are considered a DOB for federally funded repair/reconstruction programs.

Generally speaking, if the applicant has executed loan documentation with the SBA and has legal control over the loan funds for home repairs, this amount is considered a DOB. The amount of a subsidized loan that has been declined or cancelled is excluded from the DOB calculation.

Applicants are not required to apply for SBA assistance in order to be eligible for Program assistance.

c. Private 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), and Increased Cost of Compliance (ICC) coverages. Payments for contents and personal property, insurance proceeds for loss of buildings (detached garage), or other expenses (allowable living expenses), are not considered a DOB.

A full inspection report is required to be submitted to the Program to determine duplicative assistance. It is also determined that the recoverable depreciation

allowable amount is deducted as a DOB, unless otherwise documented by the homeowner and the insurance company.

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

d. Lawsuit Settlements

Funds received from a lawsuit settlement, including PG&E or Edison settlements, are considered DOB, only if the settlement funding is paid for or applied to structural repair of the damaged residence.

Legal fees that were paid in successfully obtaining insurance proceeds are credited to the homeowner and are not deducted as part of their DOB. Homeowners need to provide evidence of payment and a judgment or settlement document demonstrating homeowner's success in the legal action.

All other legal fees that a homeowner may have paid out of any disaster assistance proceeds are deducted as part of their DOB.

e. Disaster Recovery Act Funding

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

f. Other Funding

Any funding received for the same purpose of the grant funding must be accounted for and verified by the Program, as consideration of a DOB.

For example, funding provided by a non-profit organization to assist applicants in rebuilding or repairing their home must be reported in the application process and verified by the Program.

Funds received from other State programs which provide recovery funds for reconstruction may also considered DOB, such as Cal HOME.

Total assistance does not include the following:

- Personal assets; checking or savings, excluding the insurance proceeds and/or disaster assistance deposited into the applicant's account;
- Retirement accounts;
- Credit cards or lines of credit,
- Private loans;
- Declined subsidized loans, including declined SBA loans.

9.5.2 Adjustments and Offset to the Amount of Assistance

Adjustments to the amount of assistance received is a procedure intended to assist homeowners who have experienced any of the scenarios described below or any similar scenario not listed by providing relief related to lost money that would otherwise be considered a DOB.

a. Repair Costs

Applicants may have begun rehabilitating or reconstructing their damaged residence with funding received from insurance, SBA and/or FEMA. Actual or estimated costs of repair may be used to offset an applicant's DOB. The process of determining an applicant's actual or estimated repair cost is detailed at length in [Section 9.6: Pre-Construction Activities](#).

b. Theft or Vandalism

If an applicant has begun repairs on the damaged residence and was a victim of theft or vandalism to any of the building materials, the amount paid for the materials may be excluded from DOB if properly documented.

The applicant must have filed a formal complaint with a government authority (e.g., a consumer protection agency or police department) setting forth in detail the cause and amount of theft in sufficient form to be verifiable and affirmed through enforcement follow-up.

c. Contractor Malefaction

There are many scenarios where a homeowner may have been affected by dishonest contractors and/or workers and/or unethical acts of strangers that have an impact on the homeowner's ability to complete repairs to his/her damaged property. Scenarios may 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 and must be corrected.
- The homeowner paid the contractor or workers for materials that were never delivered to the home, used in the home, or disappeared from the work site.
- The homeowner procured materials that were onsite, and they were stolen from the property by a contractor, workers, or others engaging in theft.
- Materials on the worksite were vandalized.
- Installed materials (i.e., completed work) were vandalized.
- Installed materials may have been stolen from homes.

The applicant must prove any contractor malefaction, fraud or bad workmanship and must have filed a formal complaint with a government authority (e.g., a consumer

protection agency or police department) setting forth in detail the name of the contractor, the cause, and the total amount of losses in sufficient form to be verifiable and affirmed through enforcement follow-up.

An applicant's engagement or indication that he or she expects to be engaging in litigation related to the malefaction, fraud or bad workmanship does not preclude the applicant from obtaining a DOB reduction.

The applicant signs a subrogation agreement at grant execution that requires the applicant to return any portion of funds that he or she may later receive related to repairs of the home for which the Program may provide.

9.6 Pre-Construction Activities

After the initial DOB verification is complete and an applicant is eligible for assistance, the file is assigned to a damage assessor to conduct the initial site inspection of the damaged property.

The inspection process includes environmental reviews that are conducted in conjunction with disaster related Damage Assessments.

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

9.6.1 Initial Site Inspection

The initial site inspection is conducted by CM inspectors. The CM staff completes the Damage Assessment and Scope of Work. More specifically, during the initial inspection, an inspector:

- a) Assesses property damages directly attributable to the Disasters,
- b) Determines the scope, quality, and cost of any repairs already completed
- c) Determines the scope of remaining work needed to repair or reconstruct the damages noted during the assessment.
- d) Conducts all required assessments and collect data to complete the site-specific information for environmental reviews.
- e) Reports back to the Program any and all issues relating to feasibility and eligibility they observe during their inspection.

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

Staff conducting the initial inspection collect sufficient data to determine the feasibility for rehabilitation, reconstruction, or replacement. The inspector collects information from the homeowner regarding damage as well as work that has been initiated or completed.

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

Damage inspectors observe and document damages with notes and at a minimum of the following photos:

- Front elevation
- All other exterior elevations
- Interior photos of disaster damage
- Adjacent exposures (backyard, side yards, proximity of dwellings, and any outbuilding)
- Obvious environmental issues

9.6.2 Damage Assessment

The Damage Assessment documents disaster related property damages using photographs and narratives.

If the Damage Assessment does not support verifiable disaster-related damages, an applicant may submit further proof for consideration on a case-by-case basis (see [Section 7.1: Tie back to the Disaster](#))

The Damage Assessment Report provides the following parts:

- a) Estimated Cost of Damage (ECD)
- b) Verification of Work in Place (WIP)
- c) Estimated Cost of Repairs (ECR)
- d) Scope of Work (SOW)

a. Estimated Cost of Damage

Inspectors using information collected from the site visit and from other sources such as insurance settlement statements, property pictures, appraisal reports, FEMA documents, county records of bed/bath count, and square footage to establish the total cost to repair the disaster damage or replace/reconstruct the damage property.

All cost estimates for work completed or for work still needed to complete a construction project are created using standard grade material costs.

b. Verification of Work in Place

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

During the Damage Assessment, an inspector verifies that the completed repairs match the list of Program eligible activities and are consistent with damages caused by the disasters. Photographs and narratives are also included in the assessment report to substantiate existing repairs at the time of inspection.

If there is a question whether a repair was made or not made, the inspector's professional opinion is the deciding factor on whether the item should be indicated as

validated. If the applicant lists a repair but it is obvious to the damage assessor that the repair has not been completed, the damage assessor indicates that the repair of the item cannot be validated.

c. Estimated Cost of Repairs (ECR)

An Estimated Cost of Repairs (ECR) is prepared to document the line items and estimate the costs of repairs already incurred by an applicant. In addition to quantifying materials and labor costs already incurred by the applicant, the ECR standardizes unit-based costs through the use of standard grade building material costs.

Quantities and measurements taken during the initial site inspection are input into a construction estimating tool for all projects to ensure consistency throughout the Program. The ECR provides line item details of eligible completed repairs in units of measure and quantities.

Applicants are encouraged to provide receipts for rehabilitation or reconstruction activities already performed. These receipts are reviewed for Program eligible construction activities, but all pricing for completed construction is based on Program inspector's ECR.

The Program estimates the cost of completed reconstruction or rehabilitation using standard materials, noted as "Standard Grade" in the cost estimates. The cost of materials in excess of standard grade are not include in the ECR.

Existing repairs or reconstruction of detached structures such as garages, sheds, swimming pools, decks, or fencing are not included in the ECR as eligible construction activities.

d. Scope of Work

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

Quantities and measurements taken during the initial site inspection are input into a construction estimating tool for all projects to ensure consistency throughout the Program. The estimating tool utilizes current year construction costs with inclusion of regional or county adjustments as well as applicable taxes to account for pricing differences between regions.

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

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

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

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

- Purchase of tools and equipment
- Repair or replacement of detached structures such as sheds, garages, swimming pools, decks, docks, or boat ramps (garages may be included when required by local codes)
- Replacement of special features, trims, and designer features that exceed basic livability requirements and features of standard grade homes such as sky lights, wainscoting, and wood paneling, jacuzzies, copper gutters and roofs (these items may be repaired if they present a health or safety hazard or replaced with Program standard grade material)
- Repair or replacement of fencing, landscaping, or security systems
- Replacement of damaged Personal Property, including but not limited to:
 - Washing Machines, Dryers, Dishwashers
 - Window air conditioner units

The Program prices the SOW to rehabilitate or reconstruct, based on standard grade materials and a schedule of unit costs for site specific conditions.

Applicants can request material and finish upgrades. Applicant-requested upgrades are only allowed for items that have no or a minimal impact on the footprint of the building and do not violate the floor plan or the building envelope of the alternatives provided by the Program.

Materials and finish upgrades are only allowed for items including flooring, trim, windows, doors, cabinets, hardware, countertops, paint, plumbing and lighting fixtures, site-built showers, roofing materials, HVAC SEER rating, and appliances.

Applicants who request material and finish upgrades are responsible for the net cost of the upgrade they choose to use. The contractor provides a separate cost for applicant-requested upgrades with a deduction for standard items to determine the net upgrade amount. This amount is provided to the case manager for inclusion into the applicant's escrow account at the time of the grant execution.

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

Applicants who cannot meet their escrow requirements at the time of Grant Agreement execution may be eligible for scope deferment to the extent that their eligible repair scope includes items that are non-essential for occupancy or habitability.

Scope deferment is not intended to remove the cost of the scope item from the responsibility of the homeowner, but rather to defer the work to the end of the construction project. Scope deferment is inclusive of line items related to finishing and/or nonessential items such as interior painting for baseboards/trim.

Scope deferment is conducted before grant execution and is only available for stick-built repair and reconstruction projects. Mobilehomes and MHUs are not eligible for scope deferment.

9.6.3 Environmental Review

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

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

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

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

The HUD environmental review process must be completed before any funds are committed through a Grant Agreement 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.

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

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

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

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

- Noise
- Historic Properties
- Coastal Zones
- Environmental Justice
- Floodplains
- Wetlands

- Manmade Hazards
- Water Quality
- Air Quality
- Endangered Species
- Farmland Protection

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

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

a. California Environmental Quality Act Compliance

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

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

CEQA Article 19 Categorical Exemptions

14 CCR Section 15302. Replacement or Reconstruction

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

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

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

CEQA Article 18 Statutory Exemptions

14 CCR Section 15269. Emergency Projects

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

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

b. Tier I

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

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

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

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

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

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

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

c. Tier II

Each awarded property must be reviewed in accordance with specific location-based regulations under NEPA, including EPA hazards, airport and fly-by noise levels, historical properties (OHP), and flood zones. These Tier II, or site-specific, reviews should provide the following for each project site:

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

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

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

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

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

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

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

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

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

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

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

Homeowners can use the California State License Board's Consumer's Guide to Asbestos¹ for guidance on asbestos, hiring contractors, and disposing of materials.

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

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

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

9.6.4 Building Codes

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

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

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

¹ <https://www.cslb.ca.gov/Resources/GuidesAndPublications/AsbestosGuideForConsumers.pdf>

a. Local Building Codes

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

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

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

b. Wildland-Urban Interface (WUI)

Designed to mitigate the risks from wildfire to life and property. The standards within a WUI code vary according to the scope that a community is willing to adopt and enforce. Typically, however, a WUI code includes the following topics:

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

c. CALGreen – California Green Building Standards Code

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

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

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

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

9.7 Preliminary Grant Determination

The Program determines the grant amount by calculating the Estimated Cost of Damage or total cost of reconstruction, based on the property Damage Assessment. All DOB received by the applicant for the same purpose of rehabilitation or reconstruction is deducted.

The cost of any construction activities which are already underway or complete by the applicant are evaluated and included in the Estimated Cost of Repairs which is input into the applicant's award calculation as a reduction to the DOB.

Finally, the outstanding construction activities needed to complete the project and return the home to pre-disaster livability standards are input into the grant determination, to calculate the preliminary grant award, not to exceed the Program award cap of \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants.

If any household member is disabled and special accommodations are needed, applicants can request special accommodations and Scope modifications. The cost of such modifications are reviewed for reasonableness and count towards the applicant's award cap of \$150,000 per damaged structure for 2017 eligible applicants and \$200,000 per damaged structure for 2018 eligible applicants, however exceptions can be made for necessary special accommodations that increase an applicant's scope of work above the grant award cap limit.

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

9.7.1 Stick Built Homes

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

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

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

For Solution 2, homeowners without a contractor follow requirements as provided by the case manager to solicit quotes and select an eligible licensed contractor to reconstruct the home. For homeowners who have already hired a contractor, the Program requires proof that those contractors meet all requirements including bonding and insurance.

9.7.2 Mobilehomes and Manufactured Housing Units (MHUs)

Cost effectiveness is considered in repairing significantly damaged mobilehomes and MHUs. To be considered for rehabilitation, the cost to repair the mobilehome or MHU must be \$10,000 or less based on the Program developed Scope of Work. Additionally, to be considered for rehabilitation, MHUs must be a 2009 model or newer.

Mobilehomes and MHUs with more than \$10,000 in damage or older than model year 2009 are not considered for rehabilitation but may be eligible for replacement.

Demolition, removal, and other site prep including any required elevation component or foundation rebuild is included in the cost of replacing a mobilehome or MHU and counts against the applicant's max grant amount.

The Program allows for MHU relocation to sites that differ from the original location at the time of the disaster. Site specific relocation within the impacted counties of Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma, Yuba, Los Angeles, San Diego, Santa Barbara, Shasta, and Ventura must already have necessary sewage and utility hookups as well as any necessary zoning and permitting.

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

9.8 Award Calculation

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

1. Identify Applicant's total need
2. Calculate potential Duplication of Benefits (DOB)
 - a. Calculate total assistance (from all sources, duplicative and non-duplicative)
 - b. Subtract non-duplicative exclusions from total assistance to get DOB
3. Subtract DOB from total need
4. Obtain one of three results:
 - a. Zero award – DOB is greater than total need
 - b. Grant award – remainder total need is greater than DOB but less than or equal to grant cap (\$150,000 for 2017 and \$200,000 for 2018)

- c. Account shortage – remainder total need is greater than DOB and greater than grant cap. Applicants must provide funds to cover difference. In some cases, the Scope of Work may be adjusted to reduce the total need below the grant cap as long as minimum living standards are maintained.

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

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

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

9.9 Maximum Grant Amount

The maximum CDBG-DR grant amount for rehabilitation, reconstruction, or replacement of mobilehomes/MHUs shall be \$150,000 for 2017 eligible applicants and \$200,000 for 2018 eligible applicants per housing unit.

The maximum grant amount may include the following:

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

As detailed in [Section 8.9](#), demonstratable hardship determinations are considered for Program exceptions to the maximum grant amount.

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

9.10 Subrogation – Repayment of Duplicative Assistance

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

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

Upon additional benefits being received, the Program recalculates the award and provides instructions as to whether the applicant must remit duplicative amounts to the Program. Applicants are required to execute a Subrogation Agreement during grant execution.

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

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

10 Grant Execution Process

The Program uses the grant execution process to consult with applicants, review all Program requirements and sign the Grant Agreement. Prior to receipt of federal grant funds, Applicant(s) sign the Grant Agreement and the 24-month deed restriction.

This deed restriction is recorded in the applicable County Recorder's Office to satisfy the Program compliance requirement.

10.1 Pre-Award Verifications

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

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

10.2 Award Acknowledgement Letter

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

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

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

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

When an applicant is deemed ineligible, they receive a letter stating the reason and outlining the appeal process.

10.4 Grant Agreement Execution

Applicants must sign the Grant Agreement before any grant funds are paid on behalf of an applicant. At the grant agreement execution, legal documents are signed that obligate the funds to the homeowner and reserve the amount of the Grant Agreement designated for the homeowner.

If escrow funds are required, the homeowner is made aware that funds need to be placed in escrow before construction can begin.

The Grant Agreement requires the owner to certify that they understand and agree to all the terms of the Grant Agreement including the following provisions:

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

10.5 Review of Scope

Upon receipt of the environmental clearance and execution of the Grant Agreement, a meeting is scheduled with the applicant, case manager and Construction Manager (CM) inspector to coordinate a SOW meeting with the homeowner and their building contractor.

This meeting with the homeowner involves a detailed review of the scope and budget for the estimated cost of repair or reconstruction costs and discussion of the next steps.

Prior to beginning a construction project, the CM-assigned building contractor (for Solution 1) or homeowner's approved building contractor (for Solution 2) must attend a scope walk that is scheduled by the case manager.

The scope walk is performed to ensure that the manager and the building contractor agree to any required modification to the scope for the project that is used to price the project. The scope walk is scheduled based on the homeowner's availability for complete access to the home.

The case manager must provide the SOW with at least 48 hours of notice to the building contractor for the scheduled scope walk. The building contractor makes arrangements to attend with subcontractors if needed. The CM contractor assigns established pricing to each line items within the scope to derive the overall construction costs for the project.

10.6 Design Services

The Program funds the design of prototypical homes to be used in the Reconstruction Solution. There is a minimum of two designs for each of the two-, three- and four-bedroom models.

Solution 2 homeowners that choose to utilize program provided design plans. However, design services procured by the homeowner for Solution 2 are not funded by the award.

10.7 House Selection Process

The Program offers homes of one, two, three- and four-bedroom configurations in sizes that serve as a standard home. Reconstruction estimates are based on comparable characteristics to the original, damaged housing unit (number of bedrooms, square footage, structure type, and special features).

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

The homeowner may work with the case manager to adjust to a plan that works in their particular circumstances. Applicants who meet the criteria for accessibility features, may work with the case manager to select standard features to support individual accessibility needs.

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

Solution 1 contractors are assigned from a pool of approved contractors based on a combination of contractor availability, workload, and performance review scores.

Solution 2 contractors are validated to ensure compliance with all Program requirements prior to approval of applicant selected contractor.

10.8 Temporary Relocation of Impacted Tenants

Temporary relocation assistance and applicability to the OOR Program is currently under consideration.

10.9 Notice to Proceed (NTP)

The construction manager CM follows the procedures below for issuing an NTP for both Solution 1 and Solution 2 projects:

1. The Construction Manager verifies with the Case Manager that all Program required agreements and documents have been fully executed and no additional documents are required from the beneficiary.
2. The Construction Manager develops an NTP package to include:
 - NTP checklist and all supporting documents required for the subject property to ensure a complete package is on file prior to construction
3. After all necessary documentation is included in the NTP Package and the contract is executed, the Construction Manager (CM) initiates the administrative requirements including:
 - Proof that valid performance and payment bonds have been submitted to the Program
 - All insurance policies are active as required by the contract
 - Zoning and land use approvals have been obtained
 - Utilities have been properly disconnected and retired.
 - Contractor obtains construction permits.
 - Homeowner and any occupants have moved out and a contents removal plan has been agreed upon between the building contractor and the homeowner.
 - Contractor holds all valid Registrations and Warranty Program Registrations
4. For projects in excess of \$100,000 construction value, the building contractor provides an overall bonding letter to the Construction Manager, which verifies the bonding capacity and issue a copy of the bond to the homeowner. The copy of the bond is provided to the homeowner before the NTP is issued.

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

11 Construction

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

11.1 Construction Monitoring, Periodic, and Final Inspections

Solution 1 and Solution 2 building contractors are responsible for contacting the Construction Manager to request an onsite progress inspection during construction. Inspections are conducted to verify the work being invoiced has been performed in a workmanlike fashion.

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

11.2 Draw Request Process

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

Stick-built reconstruction project draw intervals:

- 25% (milestone includes demolition where necessary, slab pour where necessary, all rough sewerage, and electrical conduit)
- 75% (milestone includes framing, roof, windows, and sheeting installed)
- 100% (milestone includes all finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items)

Stick-built and MHU rehabilitation project draw intervals:

- 25% (determined by Program policy and vendor scope)
- 75% (determined by Program policy and vendor scope)
- 100% (milestone includes all finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items)

MHU acquisition and installation project draw intervals:

- 25% (milestones include completion of site prep)
- 75% (milestone includes verified fully executed contract with MHU manufacturer for delivery of an MHU to replace a damaged unit for an eligible applicant)
- 100% (milestone includes all finished work, Certificate of Occupancy, and final signoff by homeowner on satisfactory completion of construction activities including all punch list items)

Draw requests must be accompanied by progress reports, 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.

11.3 Change Orders

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

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

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

The Construction Manager transfers the approved Change Order and all supporting documents to the Case Manager for recalculation of award amount. If the change results in a modification to the Grant Agreement between the Program and the

homeowner, the Grant Agreement is amended in addition to the construction agreement. Changes that result in a change to the grant amount requires HCD approval to modify the Grant Agreement.

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

11.4 Construction Warranty

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

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

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

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

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

12 Appeals, Complaints and Grievances

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

Award amount appeals are not accepted after the Grant Agreement is executed, by any of the owners on title of the property.

12.1 Program Appeals

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

- a. Program eligibility,
- b. Grant award calculation, prior to the execution of the Grant Agreement,
- c. Cost estimates, for repairs or reconstruction, limited to measurements of the home and/or quantities of damaged materials only,
- d. DOB, and/or
- e. File closure.

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

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

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

Appeals must be submitted in writing, to the Program via U.S. Mail, email, or fax.

An appeal determination letter is mailed to the applicant after complete review of the file and supporting documentation.

12.1.1 Appeals Review Process

If the applicant disagrees with an appeal determination made by the Program, they may file an appeal review request within 30 days from the date of the appeal determination letter.

To file an Appeal Review Request, the applicant must provide the appeal determination letter and new information and supporting documentation that were not available at the

time of the initial appeal. Applicants must also provide a narrative describing, in detail, the reason(s) they are requesting a review of the appeal determination.

All Appeal Review Requests must be submitted in writing

Within 14 days of receiving the appeal review request, the OOR Representative drafts an initial recommendation and provides it along with all appeal review request documents to the OOR Program Manager.

After review, if the OOR Program Manager approves the appeal review request, an appeal review decision letter is mailed to the applicant. If the OOR Program Manager is unable to approve the request, the Manager forwards the appeal review request for final review by an appeal review panel.

Timeframes: Appeal requests are decisioned and an appeal review decision letter is mailed to the applicant within 30 days of receipt unless the appeal review request is under review of the appeals review panel, in which case the appeal review decision letter are mailed within 60 days of receipt.

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

12.2 Section 504 Coordination Complaints and Grievances

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

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

All individuals, a class of individuals, or their representative alleging discrimination have the right to submit a verbal or written complaint or grievance on the basis of the following protected category: race, color, religion, ancestry, physical or mental disability, medical condition, genetic information, sex, sexual orientation, marital status, age, gender, gender identify, gender expression, military status or veteran status regarding services, activities, facilities, or benefits provided by the Program.

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

California Department of Housing and Community Development
EEO Office – Attention ADA Coordinator
2020 West El Camino, Ave. Suite 630
Sacramento CA 95833
Email: EEO-Office@hcd.ca.gov
Phone: (916) 263-3635

12.3 Construction Grievances

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

In order to be valid, the grievance must include the following:

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

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

Department of Housing and Community Development CDBG-DR Program-
Construction Grievances
P.O. Box 952054
Sacramento, CA 94252-2054

Attn: ReCoverCA Program Manager, Suite 200

Solution 2 Construction Grievances, Homeowner-Managed Construction, the applicant resolves conflicts with the homebuilding contractor, as the state is not a party to the contract between the applicant and the homebuilding contractor.

13 Construction Closeout, Applicant Compliance, and Monitoring

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

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

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

- Proof of ownership and occupancy at the time of closeout
- Update DOB verification
- Proof of all required insurance documents at time of closeout

13.1 Compliance

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

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

- Be sold,
- Be used as a second home,
- Be converted into rental property, or
- Change the property "use", by the property owners.

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

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

Accordingly, all applicants must be able to comply with the terms of the Grant Agreement. 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 the Grant Agreement are considered on a case-by-case basis.

13.2 Insurance

For the purposes of the Program, Homeowner's Multiple-Peril Insurance and Fire Insurance either included as a part of the multiple-peril policy or as a standalone policy must be maintained for the full 24-month period, to be in compliance with the grant funding requirement.

If the property is repaired or rebuilt in a Special Flood Hazard Area, the applicant is required to maintain flood insurance in perpetuity. This obligation is also be passed on to subsequent owners of the property.

13.3 Duplication of Benefits

A subrogation agreement is signed by the applicant(s), to ensure that if any additional duplication of funds is disbursed to the applicant, after the grant calculation, the applicant is required to pay these funds back to HCD. Verification of no additional funds received are required during the 12-month and 24-month compliance period.

13.4 Monitoring

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

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

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

a. Staff Organization

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

b. Responsibilities

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

c. Compliance Questionnaire

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

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

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

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

14 Grant Recapture

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

- Providing false or misleading information to the Program;
- Withdrawal from the Program prior to completion of the project;
- Construction is not completed;
- Non-compliance with the approved SOW in a manner that would make the home ineligible (i.e., did not comply with lead paint abatement requirements);
- Failure to report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other DOB received after award;
- Failure to complete the Homeowner-Managed Rehabilitation or Reconstruction requirements, according to the Grant Agreement.

14.1 Recapture Policy

To address any potential future DOB, applicant beneficiaries must, at Grant Agreement execution, enter into a signed subrogation agreement to repay any assistance later received for the same purpose as the CDBG-DR funds. If, subsequent to an award, a re-assessment of need occurs and the applicant receives an increased award, then the applicant shall be required to sign a revised subrogation agreement to repay any assistance later received for the same purpose as the CDBG-DR funds.

15 Program Closeout

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

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

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

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

16 Records Management

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

16.1 Administrative Records

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

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

16.2 Personally Identifiable Information (PII)

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

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

16.3 File Security

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

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

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

16.4 Record Retention

HCD maintains Program and project-related documents, including financial records, supporting documents, statistical records, and other pertinent records. These records are maintained for a minimum period of five years from the closeout of HUD's grant with HCD. All subgrantees and contractors for the Program are also subject to this policy and all financial and Program files are maintained accordingly. Records are maintained to

document compliance with Program requirements and federal, state, and local regulations and to facilitate an audit review by HUD. Records are maintained in accordance with 24 C.F.R. part 570.3, which states they must be maintained for a period of 5 years following the closeout of HUD's grant with the state. Proper records management ensures that:

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

16.5 Applicant Files

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

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

16.6 Fair Housing / Civil Rights

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

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

16.7 Section 3

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, contractors using CDBG funding for housing rehabilitation or to provide training and employment opportunities to lower income residents and contract opportunities to businesses in the project area. Section 3 compliance actions include:

- Prepare and utilize a Section 3 Plan
- Designate a Section 3 Coordinator
- Take affirmative steps to follow the Section 3 Plan and document those efforts
- Include the *Section 3 Clause and the Contractor Certification of Efforts to Fully Comply with Employment and Training Provision of Section 3* in any bid packets for contracts on OOR projects. Notify all bidders that adherence to the State's Section 3 Plan is required for contracts and sub-contracts in excess of \$100,000