

**STATE OF NEW JERSEY • DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF DISASTER RECOVERY AND MITIGATION**

SUBJECT: Homeowner Assistance and Recovery Program Policy (HARP)

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APPROVAL:



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PURPOSE:

HARP provides grants to eligible homeowners for activities necessary to restore their storm-damaged homes, including rehabilitation, reconstruction, elevation, and/or other eligible mitigation activities such as structural and utility retrofits to make damaged homes more resistant to floods, grading and slope stabilization, and drainage improvements.

The awards are made possible with federal Community Development Block Grant Disaster Recovery (CDBG-DR) funding that DCA's Division of Disaster Recovery and Mitigation is administering on behalf of the State of New Jersey.

Homeowner Assistance and Recovery Program Policy

February 2026
Version 5.0

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Version History and Version Policy

The version history of the policy manual is tracked in the table below, with notes for each change. The dates of each publication are also tracked in the table.

The State will publish a new version after making substantive changes that reflect a policy change. The updated policy manual will be assigned a new primary version number such as 2.0, 3.0, etc.

After making 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, the State will publish a version of the document with a sequential number increase behind the primary version number such as 2.1, 2.2, etc.

Amendments made to policy may go into effect on the date of the revision or may be applied retroactively, depending on the applicant pipeline and status of applicants in the program intake and recovery process. Whether a policy will be applied proactively or retroactively will be detailed in the version history below and/or within the relevant program sections.

Version Number	Date Revised	Key Revisions
1.0	2.16.2023	Homeowner Assistance and Recovery Policy Manual
2.0	3.8.2023	<ul style="list-style-type: none"> • Updates to Section 1.8 HARP Rental Assistance to include clarifications for eligibility, duplication of benefits, short-term and long-term assistance, payment terms, and documentation needed. • Section 3.2.1 was added to address properties located in Manville. • Updates to Section 3.4 Ineligible Activities to provide clarification for properties located in a Special Flood Hazard Area. • Language added to Section 3.7.1.1 to provide more information on Affordability Requirements for Duplexes and Triplexes. • Section 3.7.6 was added to address properties that are held in Trusts • Updates to Section 3.10 Income Verification • Updates to Section 3.11.1 Property Damage Verification • Added Section 4.1.4 Pathway 4 to include DCA will be selecting a pool of non-profit organizations to act as contractors. • Substantial edits to Section 6.5 Estimated Cost of Repairs and Section 6.6 Work in Place. Section 6.7 Contesting ECR or Work in Place was removed and information included in the Section 6.6.
3.0	4.19.2024	Update the interchangeability scope to include the state identified most impacted and distressed (MID) areas.



4.0	9.17.2024	<ul style="list-style-type: none"> • Section 3.7.6 was updated to delete the language pertaining to the recording of the trust with the County. This is not a requirement. • Sections 7.4 and 7.5 edited to remove reference to required non-amortizing forgivable mortgage loan agreements for duplexes and triplexes, only grant agreement is required.
5.0	2.12.2026	<ul style="list-style-type: none"> • Consolidated policy to reflect updated program operations, forms, and HUD-approved Action Plan Amendments. • Clarified Housing Rental Assistance eligibility, documentation, inspection, and duplication of benefits requirements (Section 1.8). • Updated Reimbursement language and referenced upcoming supporting policy as stated in APA 10(Section 4.1.5). • Clarified eligibility and affordability requirements for duplex and triplex rental units (Sections 3.7.1.1, 7.4–7.5). • Updated maximum assistance limits for rehabilitation, multi-unit properties (Section 7.1.2). • Made technical, formatting, and clarity edits throughout the document to improve consistency and reduce duplication. • Updated Section 3 thresholds to align with HUD’s revised limit of \$299,200.



1 PROGRAM OVERVIEW

1.1 Introduction

The Homeowner Assistance and Recovery Program (HARP or Program) is funded through HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) Program. The purpose of this policy manual is to provide guidance for applicants who are participating in the Program. To understand all provisions within HARP, applicants are encouraged to read this document in its entirety and reach out to Program Representatives with any questions. In addition to this document, the DCA may publish FAQs, program checklists, and other documents to assist in navigating program participation.

1.2 Program Description

HARP provides grants to eligible homeowners for activities necessary to restore their storm-damaged homes, including rehabilitation, reconstruction, elevation, and/or other eligible mitigation activities such as structural and utility retrofits to make damaged homes more resistant to floods, grading and slope stabilization, and drainage improvements.

In cases where homes have been substantially damaged, the cost to rehabilitate is not reasonable, or the home cannot be rehabilitated in a manner to reasonably accommodate the impacted household, homeowners may be eligible for reconstruction or property acquisition assistance.

1.3 Funding Sources

1.3.1 Tropical Storm Ida CDBG-DR

The funding for HARP is provided through HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) Program, as appropriated by Congress. Funding for 2021 disasters was appropriated by the Extending Government Funding and Delivering Emergency Assistance Act of 2021, Division B, the Disaster Relief Supplemental Appropriations Act of 2022, Public Law 117-43. CDBG-DR grants are authorized under Title I of the Housing and Community Development Act of 1974 (HCDA) for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster.

On September 30, 2021, President Biden signed Public Law 117-43 directing \$5 billion to the U.S. Department of Housing and Urban Development for recovery from disasters in 2020 and 2021. HUD allocated \$228.346 million in CDBG-DR to the State of New Jersey as a result of Tropical Storm Ida that impacted the state from September 1-3, 2021. Alternative requirements and waivers for the use of CDBG-DR funds are published in the applicable Federal Registers, including [87 FR 31636](#).

1.3.2 Superstorm Sandy CDBG-DR

HUD allows states to use remaining funds from other disasters to address current disaster needs in the areas that were impacted by both disasters. This means the State can leverage unused Superstorm Sandy funding to help address Tropical Storm Ida needs in these overlapping Sandy impacted counties:

- ▶ Bergen
- ▶ Essex
- ▶ Hudson
- ▶ Middlesex
- ▶ Union
- ▶ Gloucester
- ▶ Hunterdon
- ▶ Mercer
- ▶ Morris
- ▶ Warren

Superstorm Sandy Substantial Action Plan Amendment 48 (APA 48) reallocates Superstorm Sandy Recovery CDBG-DR funds to certain Ida recovery programs. This document includes the rules and requirements for both the Ida and the Sandy funds. Superstorm Sandy Substantial Action Plan Amendment 56 (APA 56) clarified the counties that were eligible to utilize superstorm sandy funds by including state designated most impacted areas. The use of Sandy funding is limited to assist with recovery from Hurricane Ida in counties that were determined by HUD and the state to be most impacted both in the aftermath of Superstorm Sandy and Hurricane Ida. This document will indicate if there are specific limitations around the use of Sandy funding for Ida recovery.

1.4 Program Administration

The Department of Community Affairs (DCA), Division of Disaster Recovery and Mitigation is responsible for implementing the Program. Some of the key roles include, but are not limited to:

- ▶ Program Representatives: Perform application processing, such as accepting applications, determining eligibility, calculating award amounts, managing payments, rental assistance and providing application advisory services to applicants throughout the Program process.
- ▶ Construction Managers: Conduct inspections to determine whether the damaged dwelling can be repaired or must be reconstructed, develop the scope of work and costs for the project, and authorizing payments for construction activities. Provide construction-related guidance, including establishing timelines and progress benchmarks, ensuring contractors are insured and registered, reviewing existing scopes of work to help meet program guidelines.

- ▶ Relocation Specialists: Provide support and guidance to homeowners and tenants when URA compliance is required.
- ▶ Grant Support Staff: Performs operational reviews to ensure Program processes are compliant with policy.

1.5 Property Owners of Duplexes, Triplexes, and Displaced Renters

In addition to single family owner-occupied structures, eligible owner-occupants may apply under HARP if they own properties with up to 3 attached units (duplexes and triplexes), provided at least one of the units is the owner occupant's primary residence and that same applicant owns the attached units. They may be eligible for assistance to rehabilitate their primary residence and the attached units, if they agree to comply with affordable rental terms and requirements, which are described in 3.7.1.

1.6 Uniform Relocation Act (URA)

The URA provides relocation assistance to any person as defined at 49 CFR 24.2(a)(9)(i) that is displaced as a result of a federally assisted project involving acquisition, demolition, or rehabilitation. Displaced persons include individuals, households, businesses, non-profits, and persons storing property on site. URA may apply to those applicants who reside in a Special or Attached Dwelling Unit and rent out a portion of that residence. Please reference policy 2.10.78 entitled "Uniform Relocation Act Procedures for the Homeowner's Assistance and Recovery Program" for further guidance on the Program's policy on who is considered displaced and who meets occupancy requirements, as well as the State's process for implementing URA provisions.

In the event a renter is occupying a property participating in HARP, the program will comply with all URA requirements for notices and applicable services. These may include, but are not limited to, a minimum fifteen (15) day notice to vacate in an instance of temporary relocation, replacement housing payments, housing of last resort, and moving expense payments. Tenants of properties receiving assistance that results from the funding of a property under the Program may be either temporarily or permanently displaced. Relocation in the Program is anticipated to concern primarily temporary relocation activities, meaning renters may return to the property after the rehabilitation activities are complete. Designated DCA Housing Recovery staff (Relocation Specialists) will work with each applicant with a tenant-occupied property to assist property owners in complying with URA requirements. The Program will comply with the DCA policy on acquisition and relocation and will minimize displacement, per the State's Residential Anti-Displacement and Relocation Assistance Plan (RARAP).

1.7 HARP Rental Assistance

1.7.1 Eligibility:

Homeowners who have executed a HARP Grant Agreement and are active in the program may be eligible for Housing Rental Assistance (HRA) during the period they are temporarily required to vacate their damaged property due to rehabilitation, reconstruction, or elevation construction activities.

1.7.2 Duplication of Benefit (DOB):

Homeowners must disclose any rental assistance provided by FEMA or other organizations prior to and while receiving HRA funding . Duplicative rental assistance received may reduce the monthly rental assistance amount provided. If undisclosed rental assistance is identified, the Program may be required to recoup those funds. Rental Assistance:

Rental assistance greater than 30 days is determined by the number of bedrooms available in the damaged property and the average rent by County as determined by the HUD Fair Market Rent Summary: [Fair Market Rents \(40th PERCENTILE RENTS\) | HUD USER](#). Rental assistance less than 30 days is determined using the U.S. General Services Administration (“GSA”) to establish per diem rates by city.

Assistance is not available for past due or previously paid rent, nor previously paid security deposits .. The bedroom allowance is determined based upon those existing in the damaged property and number of household members. The total amount of rental assistance is in addition to the HARP award for rehabilitation.

Homeowners may find their own housing for their temporary relocation, or they may request assistance from the program in finding housing that fits their needs. The program may approve the housing option selected by the tenants if it fits within the parameters of the program and resources remain available. There will be temporary relocation housing choices available to occupants which will be based on the anticipated length of temporary relocation, scope of work for the property undergoing construction, housing availability in the area, and the occupants’ individual circumstances, such as having children who need to go to a nearby school, being close to medical facilities or employment, or other considerations.

All temporary units must be suitable in nature to the displaced person’s current dwelling, and meet Decent, Safe, and Sanity (DSS) guidelines. When a township CO or equivalent is not available, homeowners will attest to DSS and proper living conditions.

1.7.3 Payment Terms:

Payments will be made directly to program participants.

HRA is available to active, funded HARP Grant Award applicants with a rental assistance need. HRA is not included in the HARP grant cap allowance.



1.7.4 Program Assistance Term:

The eligible activity is interim assistance for up to 24 months upon approval from HUD which is not required to be continuous.

1.7.5 Required Documentation:

In order to receive HRA funds, the following documentation is required from the applicant:

- If relocating to a long-term rental, a copy of an executed lease or rental agreement for a rental unit located in the State of New Jersey. The applicant, their spouse or others closely related to the applicant or their spouse cannot have a financial interest in the chosen rental property.
 - Long-term rental is any lease agreement for a period of twelve (12) months or longer.
 - Short-term rental is any lease agreement for a period of less than twelve (12) months.
- The rental property must meet HUD Housing Quality Standards
- The applicant must certify they have not received any DOB assistance.

2 APPLICATION AND PRIORITIES

2.1 Application Process Overview

This section provides an overview of the application process. In this document, the term “homeowner” and “applicant” will be used interchangeably when referring to homeowner participants within the Program.

This policy describes the available pathways for unrepaired storm damage. Repairs completed prior to participation in this program may be eligible for reimbursement under a separate Reimbursement Policy and are not part of the pathways described here. Future application rounds and reimbursement guidance will be provided separately.

2.1.1 Application Method

Homeowners may submit applications through various methodologies, including:

- ▶ Online through <https://www.nj.gov/dca/ddrm/>
- ▶ Call 609-292-3750 to receive a paper application and/or schedule an appointment to complete the application over the phone, virtually or in person.

The method of application does not affect the applicant’s status or likelihood of award. Electronic signatures for submitting applications are acceptable. If the registrant has a power of attorney, the original POA documents must be provided to the program in person or via certified mail.

Any applications that are started but not completed and not submitted by the end of the application period may be withdrawn. The program will make attempts to contact the applicant to assist with application completion within this period and prior to the applicant being withdrawn.

2.1.2 Application Period

Applications will be open to all impacted HUD and State MID homeowners and prioritized in phases. Applications will be placed in phases based on the prioritization criteria and randomized by an electronic random selection process in order for processing. This ensures that all applicants are treated fairly, regardless of application method. For more detail on application phasing please refer to Section 2.1.3 below.

Selection for processing is not a determination of eligibility or a guarantee of funds. Eligible applicants not in the initial phase will be placed on a waiting list to be considered for funding during subsequent funding phases. All awards are subject to funding availability.

The Program reserves the right to reopen or extend the application period.

2.1.3 Phased Approach

Due to limited funding, DCA will implement the Program through a phased approach, which is designed to prioritize LMI households. This approach is aligned with the conditions tied to the federal funding allocation and targets those survivors with limited resources to help them complete the necessary repairs, reconstruction, or replacement of their damaged housing. The information collected during the application process will be verified during eligibility review and is the basis for determining the phase for the applicant. However, should application verification result in a phase change, the program reserves the right to serve the homeowner in the phase in which the homeowner initially entered the application stage of the program.

To be placed in a phase, homeowners must meet all eligibility criteria and must have damages as determined through the methods described in 3.11 Property Damage Verification section and there is evidence of damage as the direct result of Tropical Storm Ida.

All assistance is subject to funding availability. Through Phases II and III, the State reserves the right to add additional priorities based on household income, age, whether any member of the household has a disability, location, and whether the property is considered substantially damaged (per FEMA definition and local jurisdictional determination). "Substantial damage" is defined as damage of more than fifty percent (50%) of the home's pre-storm value.

All applicants must meet income eligibility requirements of an annual household adjusted gross income of \$250,000 or less. The Program will notify applicants who do not meet program eligibility criteria.

The table below illustrates the program’s phased approach, and the subsequent sections provide additional information on the requirements of each phase.

Application Phases		Phase I	Phase II	Phase III
Household Income	Less than 80% of AMI	X	X	X
	80% to 120% of AMI		X	X
	120% of AMI up to \$250,000			X
Geography	Most Impacted	N/A	Prioritized	Prioritized
	Other Impacted			
Homeowner Age 62+ AND/OR Household Member with a Disability	Yes	Prioritized	Prioritized	Prioritized
	No			
Level of Damage	Substantial Damage	N/A	Prioritized	Prioritized
	Moderate Damage			

2.1.3.1 Phase I

Homeowners must meet the following additional criteria to be considered for Phase I:

Income Requirements

At the time of application, the applicant household’s total annual gross income is less than 80% of Area Median Income (AMI) adjusted for family size for the county where their primary residence is located.

Geographic Requirements

The impacted home must be located within one of the disaster-declared counties that were eligible for FEMA Individual Assistance (IA). Those counties are Bergen, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Union, and Warren.

Demographic Criteria

Priority will be given to homeowners sixty-two (62) years or older and/or applicants with a household member who is living with a disability. The



applicant residing in the home must be 62 years or older, or attests to being a person with disabilities, or has a person with disabilities permanently residing in the household. If an applicant indicates that they are disabled or a disabled person is a household member, then the applicant may be required to submit one of the following documents to the program:

- ▶ Letter documenting disability or disability assistance from a government agency
- ▶ Mobility impaired ID card
- ▶ Signed verification of disability form by a medical professional

Status of Repairs

Only applicants with remaining repair or reconstruction, eligible elevation or mitigation work may be eligible to receive assistance.

2.1.3.2 Phase II

Prior to processing Phase II applications, the State will assess funding availability and remaining unmet recovery needs during the Phase I application period. Funding for Phase II is subject to funding availability and the State may further prioritize applicants based on the criteria below. This document may be updated prior to launching Phase II.

Homeowners must meet the following criteria to be considered for Phase II:

Income Requirements

At the time of application, the applicant household's total adjusted gross annual cannot exceed 120% of Area Median Income (AMI), adjusted for family size for the county where their primary residence is located.

Geographic Requirements

The impacted home must be located within one of the disaster-declared counties that were eligible for FEMA Individual Assistance (IA).

The State may prioritize properties located in one of the HUD Most Impacted and Distressed (MID) areas of Bergen, Essex, Hudson, Middlesex, Passaic, Somerset, and Union counties.

Demographic Criteria

The State may prioritize homeowners sixty-two (62) years or older and/or applicants with a household member who is living with a disability. The applicant residing in the home must be 62 years or older, or attests to being a person with disabilities, or has a person with disabilities permanently residing in the household.. If an applicant indicates that they are disabled or a disabled person is a household member, then the

applicant may be required to submit one of the following documents to the program:

- ▶ Letter documenting disability or disability assistance from a government agency
- ▶ Mobility impaired ID card
- ▶ Signed verification of disability form by a medical professional

Status of Repairs

Only applicants with remaining rehabilitation or reconstruction work may be eligible to receive assistance.

Level of Damage

The State may prioritize applicants considered to be substantially damaged by their local jurisdiction and/or the State. Homes considered to be substantially damaged are those with damages amounting to more than 50% of the pre-storm value of the structure.

2.1.3.3 Phase III

Prior to processing Phase III applications, the State will assess funding availability and remaining unmet recovery needs during the Phase I and II application periods. Funding for Phase III is subject to funding availability and the State may further prioritize applicants based on the criteria below. This document may be updated prior to launching Phase III.

Homeowners must meet the following criteria to be considered for Phase III:

Income Requirements

At the time of application, the applicant household's total adjusted gross annual income cannot exceed \$250,000.

Geographic Requirements

The impacted home must be located within one of the disaster-declared counties that were eligible for FEMA Individual Assistance (IA).

The State may prioritize properties located in one of the HUD Most Impacted and Distressed (MID) areas of Bergen, Essex, Hudson, Middlesex, Passaic, Somerset, and Union counties.

Demographic Criteria

The State may prioritize homeowners sixty-two (62) years or older and/or applicants with a household member who is living with a disability. The applicant residing in the home must be 62 years or older, or attests to being a person with disabilities, or has a person with disabilities permanently residing in the household.. If an applicant indicates that they are disabled or a disabled person is a household member, then the

applicant may be required to submit one of the following documents to the program:

- ▶ Letter documenting disability or disability assistance from a government agency
- ▶ Mobility impaired ID card
- ▶ Signed verification of disability form by a medical professional

Status of Repairs

Only applicants with remaining repair or reconstruction work may be eligible to receive assistance.

Level of Damage

The State may prioritize applicants considered to be substantially damaged by their local jurisdiction and/or the State.

2.1.4 Application Waitlist

The applicants who do not qualify for Phase I will be waitlisted. If the Program opens for Phases II and III, the State may also follow a randomization process. Applicants who have successfully applied will be notified of their program status.

2.2 Housing Counseling and Legal Services

Housing counseling and legal services are available at no cost to impacted residents, vulnerable populations, and members of underserved communities to expedite their recovery. These services will provide application, documentation, and long-term housing planning wraparound and referral services that may be needed for vulnerable populations as they continue their recovery, including survivors who are not experiencing homelessness but require supportive housing (e.g., elderly, frail elderly, persons with disabilities [mental, physical, developmental], formerly incarcerated persons), victims of domestic violence, persons with alcohol or other substance-use disorder, persons with HIV/AIDS and their families, and public housing residents.

Housing counseling organizations may provide supportive services, including, but not limited to, foreclosure prevention, homebuyer financial counseling, relocation advisory services, debt management, and assistance with application intake for CDBG-DR-funded programs. The services also may provide support to navigate insurance requirements, State programs, application submittal, and any technology gaps.

Legal services will be carried out through qualified legal services providers to deliver recovery-related legal counseling such as working through insurance claims; clearing property titles; working through heirship and probate; fighting unlawful evictions and foreclosures; combating contractor scams, disputes, and fraud; assistance with school transfers; and other legal services needed for applicants to complete their recovery.

Housing and legal counseling services are required for applicants who meet the following criteria:

- ▶ **Owners of duplexes and triplexes who rent housing at affordable rates to income-qualified tenants.** These applicants will receive training on fair housing requirements for meeting the Program's affordable rental requirements. Applicants may also receive financial counseling to ensure they can maintain their properties for the duration of the affordability period.
- ▶ **Applicants who are going through a property foreclosure process.** Applicants will complete housing counseling to assess their options for retaining their home. The program will then determine whether the property will remain eligible based on the homeowner's ability to maintain the property through completion of construction and meeting occupancy requirements (program closeout). Applicants who are unable to demonstrate they can maintain their property through program closeout may not be eligible to proceed through the Program.
- ▶ **Applicants to multiple recovery, elevation, or buyout programs.** Some CDBG-DR, state and federal recovery or mitigation programs do not allow applicants to receive assistance from other recovery or mitigation programs. This provision typically relates to a cost reasonableness determination, rather than a duplication of benefits analysis (e.g., an applicant may not receive HARP assistance to rehabilitate their home and participate in a buyout program that will demolish the rehabilitated home). In such cases, applicants may have to choose one program over another. Applicants will receive housing counseling services to ensure they understand their options and potential benefits under each of the programs. This will allow them to make an informed decision that is best for their household prior to withdrawing from one of the programs.

2.3 Withdrawn Applications

If an applicant chooses to voluntarily withdraw or is administratively withdrawn from the Program, the applicant is required to return ALL previously disbursed grant award funds back to the Program.

2.3.1 Voluntary Withdrawals

Applications may be withdrawn by an applicant at any time. Applicants who wish to withdraw must clearly provide a written notice of their intent to voluntarily withdraw and return any CDBG-DR funds. DCA will send the applicant a written notice of acknowledgment of voluntary withdrawal.

2.3.2 Administrative Withdrawals

Applications may be administratively withdrawn for some of the following reasons:



- ▶ Any applicants that fail to provide required documentation or information within the deadline described in the written request. Applicants will receive a notice giving them fifteen (15) days to provide the required information.
- ▶ The program confirms that an application is a duplication of another valid application or conflicting Program such as the Blue Acres Buyout Program or the Hazard Mitigation Grant Program (HMGP).
- ▶ Applicants that are being considered for buyouts from the state will be treated in accordance with the Blue Acres policy.
- ▶ An applicant is determined to have provided false or misleading information.
- ▶ An applicant becomes unresponsive.
- ▶ An applicant is aggressive and/or abusive as described in the definitions section to a DCA employee or any other representative or affiliate of the Program, including, but not limited to, Program Representatives.

2.3.3 Withdrawal Reinstatement Requests

Applicants who have been withdrawn from the Program may submit a written request for reinstatement, based on extenuating circumstances. The request will be reviewed and approved by DCA on a case-by-case basis. DCA will consider an applicant's responsiveness to Program correspondence or requests for documentation when making the reinstatement determination as well as the applicant's ability to complete the project.

3 ELIGIBILITY

3.1 National Objectives

Per 87 FR 31636, HUD requires States to comply with the overall benefit requirements in the Housing and Community Development Act of 1974 (HCDA) and 24 CFR 570.484, 24 CFR 570.200(a)(3), and 24 CFR 1003.208, which require that 70 percent (70%) of funds be used for activities that benefit low- and moderate-income persons. To meet that requirement, this program will primarily use the Low-Moderate Income Persons and Households national objective. The program may use the Urgent Need National Objective to provide assistance to eligible disaster-impacted applicants with incomes greater than 80% of AMI.

3.2 Eligible Structures

Owner-occupied units of single-family homes, duplexes, triplexes, townhomes, modular homes, manufactured homes, and condominiums are eligible for the Program. Recreational Vehicles (RV), house boats, and campers are not eligible, even if the applicant occupied one of these as a primary residence. In circumstances where the property contains multiple detached residential structures, Program funds may only be obligated for eligible work associated with the primary residence.

Any owner-occupied single-use or mixed-used structure that contains four (4) or more units or that is primarily used as a business, such as motels, inns or bed and breakfasts, or commercial enterprises are not eligible for the Program.

3.2.1 Ineligible Structures

Properties that are located within a defined Disaster Risk Reduction Area (DRRA) are ineligible for Program funding. Final determination on the criteria used to determine the individual properties affected by these criteria will be made by the New Jersey Department of Environmental Protection and New Jersey Office of Emergency Management.

3.3 Eligible Activities

To meet the unmet housing recovery and resilience needs of each eligible applicant, DCA may include a variety of eligible homeowner assistance and recovery program activities. DCA will provide the awards necessary to repair, reconstruct, acquire, or replace the damaged property per program guidelines. Incentives also may be required to help applicants relocate if their property is acquired through HARP. Properties located in a Special Flood Hazard Area (SFHA), which is defined by FEMA as the land area covered by the floodwaters of the base or 100-year flood (an area of land that has an approximate 1 percent probability of a flood occurring on it in any given year), or high-risk flood area designated as Disaster Risk Reduction Areas (DRRA) defined by DEP, will be required to elevate their properties to Design Flood Elevation (DFE).

Eligible costs also include demolition and removal of the original structure, if needed.

In addition, funds may be provided to address site-specific accessibility needs, infrastructure repairs, site remediation, elevation, rental assistance, and resilience and mitigation measures.

Eligible activities will be further detailed in the program guidelines, which will be available on the DCA website.

3.4 Ineligible Activities

Ineligible activities include the following:

- ▶ Forced mortgage payoffs- Lending institutions may not require borrowers to use any of their insurance proceeds to reduce or pay off the mortgage before releasing funds to rebuild.
- ▶ Funding for second homes
- ▶ Assistance for applicants who previously received federal disaster assistance and did not maintain flood insurance where required
- ▶ Compensation payments

- ▶ Assistance for the rehabilitation or reconstruction of a house, if (1) the combined household income is greater than either 120% of AMI or the national median, (2) the property was located in a floodplain at the time of the disaster, and (3) the property owner did not obtain flood insurance on the damaged property, even when the property owner was not required to obtain and maintain such insurance
- ▶ Properties that trigger extraordinary historic preservation requirements or environmental mitigation costs that exceed reasonable program limits are ineligible unless otherwise noted by the program.
- ▶ Assistance to applicants who live in communities that do not participate in the National Flood Insurance Program (NFIP) because they are prohibited from receiving federal assistance.
- ▶ Assistance for structures located in a floodway.
 - A Regulatory Floodway comprises the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height. This is the segment of the floodplain that will generally carry flow of flood waters during a flood and is typically the area of greatest risk to structures in the floodplain. HUD financial assistance for rehabilitation and reconstruction is prohibited in floodways.

3.5 Applicant Eligibility

Eligible structures and owners must meet the following criteria:

- ▶ One of the units must have been the applicant's primary residence at the time of the disaster.
- ▶ The property owner must have occupied one of the units at the time of the disaster and own the property at the time of application.
- ▶ Owner occupied home must have damages as described in Section 3.11.
- ▶ Owner occupied home must be in HUD or State MIDs.

Non-owner-occupied units are eligible for assistance under the Program if the homeowner agrees to rent all units on the property affordably for LMI households per the provisions below.

3.5.1 Lawful Presence

DCA will determine lawful presence by the supporting documents discussed throughout this policy that are also needed to verify ownership and income eligibility. Those documents include but are not limited to the following:

- ▶ New Jersey driver's license or New Jersey non-driver identification card
- ▶ Federal tax return documents
- ▶ Social Security or Tax I.D number card

DCA reserves the right to request additional information if necessary.

3.6 Ownership

The property owner must have occupied the home at the time of the disaster and own the property at the time of application. An individual with Power of Attorney (POA) for the owner occupant may complete the application on the applicant's behalf. The home must have been the applicant's primary residence at the time of the disaster. Allowable ownership arrangements include traditional fee simple ownership, cooperative and condominium, and ownership of a residence on leased land. non-owner-occupied units (duplexes and triplexes) attached to owner-occupied units are eligible for assistance under the Program if the homeowner agrees to rent all funded units affordably for LMI households per program terms and conditions.

Individuals with an ownership interest in the property who are not owner/occupants are not eligible.

3.6.1 Verification of Ownership

Whenever possible, ownership will be verified by title searches in public records. If ownership cannot be verified through a public title search, applicants will be asked to provide appropriate documents.

Acceptable documentation:

- ▶ Property tax records for the years 2020 and 2021 or 2022 that show the applicant occupied the property at the time of the storm and owns the property at the time of application or,
- ▶ Deeds or other legal documents will be reviewed on a case-by-case basis, or
- ▶ For applicants living in Manufactured Housing Units, ("MHUs"), both land lease and title documentation, or equivalent.

3.7 Other Special Ownership Circumstances

DCA will consider special circumstances related to ownership on a case-by-case basis. To determine scope and structure eligibility the following special policies have been established:

3.7.1 Owner Occupants with Attached Rental Properties (Duplex and Triplexes)

In the case of structures that contain an owner-occupied unit and up to two rental units (duplexes and triplexes), the property owner may submit a HARP application for the owner-occupied unit and for the rental unit(s). Eligibility and scope of work will be determined on a unit-by-unit basis. In such cases, the applicant must apply for the repairs for the rental units through the Program and agree to meet affordability terms for low- and moderate-income tenants for all funded rental units and complete all mandatory housing counseling. URA requirements apply to the rental units including notice requirements to existing and prospective tenants and appropriate relocation assistance to

displaced households. For the construction process please refer to Section 4. When an applicant lives in a duplex or triplex and owns all of the units, the homeowner is required to rehabilitate the owner-occupied unit and the attached rental unit(s). The attached rental unit(s) is(are) also eligible under HARP if the applicant commits to renting all units as affordable units to an LMI household for a defined period of time, consistent with the affordability periods.

3.7.1.1 Affordability Periods for Rental Units

When an impacted homeowner resides in a duplex or triplex and receives HARP assistance for attached rental units, affordability requirements will be applied based on the national objective under which the assistance is provided.

For assistance provided under the Low- and Moderate-Income (LMI) national objective, the homeowner must agree to rent all assisted rental units at affordable rates to income-qualified households for the applicable affordability period, consistent with HUD requirements and the amount of assistance received per unit.

For assistance provided under the Urgent Need (UN) national objective, affordability restrictions are not required. Rental units assisted under UN may be rented at market rates, provided all other Program requirements are met.

DCA will define affordability as total housing costs, including utilities at or below HUD [Fair Market Rents \(40th PERCENTILE RENTS\) | HUD USER](#).

NOTE: If the Adjusted Gross Income of the tenants equals 65% of the AMI, the rent cannot not exceed 30% of their monthly income.

Homeownership Assistance Amount per Rental Unit	Minimum Period of Affordability in Years
Under \$15,000	1
\$15,000 to \$50,000	3

DCA will ensure that affordability restrictions are enforceable and imposed by recorded deed restrictions, covenants, property liens, personal guarantees, bylaws, and/or other similar mechanisms.

3.7.1.2 Ownership and Occupancy of Duplexes and Triplexes

Single owner: Applicants who own and occupy one unit of a duplex and rent the other unit(s) are eligible for the program. The owner of the structure must be an owner-occupant of at least one unit. Structures



where all units are used for rental purposes, and the owner is not an occupant of at least one unit, are not eligible. Eligible applicants will be allowed to use funds to repair or reconstruct all units.

Multiple Owners: In situations where there are different owners for each unit, DCA will evaluate the structures on a case-by-case basis. All owners must be willing and eligible applicants.

Tenants: If at the time of application, the damaged rental units of the duplex or triplex are vacant, then they must remain vacant until the completion of construction, otherwise the property is not eligible for assistance. Applicants are prohibited from evicting existing tenants in order to apply for assistance. Any applicant found to have evicted a tenant to participate in the program will be ineligible for assistance and is responsible for any damages sustained by the evicted tenant, including any temporary relocation costs.

3.7.2 Foreclosures

Applicants whose homes have been foreclosed are not eligible for Program assistance, however if they are in the process of a foreclosure DCA will evaluate those properties for eligibility. The following applies to those homeowners that are in the foreclosure process:

- Mortgage should be brought current or applicant entered into a loan modification agreement and trial payment period completed ;
- Applicants are required to participate in Housing Counseling; and
- Applicants must demonstrate their ability to retain ownership of the home throughout the completion of the project.
- Applicants may apply to the Forbearance Program for financial assistance
- Applicants that have received a Forbearance certificate are eligible to remain in HARP if the scope of work can be completed within the forbearance eligibility period.

3.7.3 Death of Owner Occupant

If the owner of record at the time of the storm has died prior to application and or grant agreement, another person who occupied the residence at the time of the storm and in legal possession of the property is eligible for the Program if they otherwise meet the eligibility requirements.

Should all property owners at time of grant signing pass away following execution of the grant award, the heirs are eligible to receive the balance of the grant award to complete the project but have no requirement to re-occupy the home.

3.7.4 Owner Occupants who have Sold their Homes

Applicants who have sold their storm damaged homes are not eligible for assistance under the Program, and eligibility does not transfer to the new owner.

3.7.5 Limited Liability Company (LLC) and Limited Liability Partnership (LLP)

In those instances, in which title to the damaged property may be held by a Limited Liability Company (LLC) or a Limited Liability Partnership (LLP), DCA will review these applications and approve on a case-by-case basis. Ownership must be established by providing all necessary information, including but not limited to, certificate of formation, tax returns for the company or partnership, operating agreement, and a certificate of good standing. An agreement will be signed with the homeowner with the LLC as the co-applicant and the homeowner must maintain primary residence. For prioritization purposes, the residents income will determine the applicable phase discussed in Section 2. .

3.7.6 Trust

If the title to the property is held in a Trust, the Trust must be a co-applicant on the Application. Property held in trust for the benefit of natural persons can be eligible for assistance if:

- At least one of the occupants at the time of the storm was a current beneficiary or trustee of the trust, or
- In case of a living trust, the trustor/grantor of the trust is the applicant and occupied the damaged property as their primary residence at the time of the disaster.

To confirm ownership, the applicant must provide a copy of the trust document. The applicable grant agreement must be executed by trustee(s) unless the trust distributes the property to a beneficiary, in which event the beneficiary receiving the property must execute the applicable grant agreement. The trustee's powers must include the ability to affect the damaged property. If the trustee's powers do not include the ability to affect the damaged property, the beneficiaries with an interest in the damaged property must sign the grant agreement documents along with the Trustee.

3.8 Occupancy and Primary Residency

Applicants must have occupied the property as their primary residence on the date of the storm (September 1, 2021). Second homes, vacation homes, and rental properties are not eligible for a program grant award. Verification of primary residence is determined through evaluation of multiple data sources and documents. The preferred verification is a New Jersey driver's license or New Jersey non-driver identification card dated prior to the date of the storm which shows the damaged residence as the applicant's address.

Alternative documentation will be considered if the primary residence cannot be confirmed as above. If an applicant is unable to provide New Jersey driver's license or non-driver identification card the applicant must present at least two of the following documents as verification of proof of primary residence:

- ▶ FEMA records showing that the applicant reported to FEMA that the property was the applicant's primary residence at the time of the storm;
- ▶ Federal tax return documents for 2020 and 2021 indicating damaged residence is primary residence.
- ▶ Voter registration card showing the damaged residence.

3.9 Definition of a Second Home

Per the requirements in the Consolidated Notice 87 FR 31636, properties that served as second homes at the time of the disaster, or following the disaster, are not eligible for assistance for rehabilitation, reconstruction, new construction, replacement, or incentives. A second home is defined as a home that is not the primary residence of the owner, a tenant, or any occupant at the time of the disaster or at the time of application for CDBG-DR assistance.

3.10 Income Verification

Income is used to classify households as either LMI households or non-LMI households based upon the income limits published by HUD. Income is also used to determine under which program phase an applicant qualifies.

Income of all household members are evaluated when determining phasing and eligibility. The following persons are considered household members:

- ▶ All adult household members living in the unit except live-in aides and foster adults.
- ▶ All children living in the unit except foster children. Children who are in the process of being adopted are included. Children who occupy the unit at least fifty percent (50%) of the time under a shared custody agreement are counted. Children who are away at school but live in the household during school recesses are included.
- ▶ Guests or others staying in the unit on a temporary basis are not counted as household members.

The income definition used for the Program is the definition of annual income as defined by IRS Adjusted Gross Income. Applicants certify to total household income on the application. For proof of household income, applicants must provide both of the following:

- ▶ Signed Income Certification Form for your entire household and;
- ▶ Most recent Federal Tax Return for each household member who files taxes.
- ▶ If a 1040 tax form has not been filed, or if any household member does not earn a wage, the Program will work to document this information.

Upon verification, applications from applicants whose income category have changed from LMI to non-LMI will be reevaluated to determine when the application can be processed based upon non-LMI status. Applicants whose household income exceeds \$250,000 at the time of the application are ineligible for the Program. Applicants will be notified in writing of their ineligibility and offered an opportunity to appeal the decision in accordance with the appeals policy.

In the event an applicant does not have any income, is not required to file tax returns and does not have other supporting documents to support yearly income, a zero income certification form may be completed.

Income must have been verified no more than one year prior to grant award signing. The Program may collect income documentation and certify income again at any time throughout the grant application or performance period.

Note: LMI income limits are published annually by HUD. Please refer to <https://www.hudexchange.info/resource/5334/cdbg-income-limits/> for current HUD income limits.

3.11 Property Damage

Applicants must be able to document the property sustained the minimum level of damages as described below.

3.11.1 Property Damage Verification

FEMA, SBA, National Flood Insurance Program (NFIP), Homeowners Insurance (HOI) or a private damage assessment company will do the necessary evaluations to verify storm damage impact to the home.

If FEMA, SBA, NFIP, HOI or a private damage assessment company do not do the necessary assessments the applicant will have the opportunity to submit documentation such as those noted below. If not submitted, the applicant may be determined ineligible. Applicants will be notified in writing and offered an opportunity to appeal in accordance with the appeals policy:

- Proposals or Invoices evidencing repairs or storm related mitigation measures immediately following the storm which is further defined as:
 - Proposals and Invoices are subject to Program's discretion which may include verifying the contractor and/or work performed/proposed
 - Work must be related to home repairs or storm mitigation measures (such as purchase of mold sprays, roof tarps, etc)
- The Program may conduct a Program assessment which may include, but not limited to:
 - Contacting local governments for information specific to the property

- Homeowners photos of damage (preferably time stamped)
 - Reports of flooding in the same area
- The Program will document the means by which damage impact was determined and approved in SIROMS, the system of record.

3.12 Other Flood Insurance Requirements

Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance

In accordance with the Stafford Act, applicants that previously received disaster recovery assistance after September 14, 1994, are required to obtain and maintain adequate and necessary flood insurance coverage. DCA will verify prior to executing a grant award that any applicant that has received prior disaster recovery assistance has maintained flood insurance, if required. Applicants will be asked as part of their eligibility verification:

- ▶ If the property has received any flood event related assistance for damage to this property from any Federal source for any previous Presidentially declared disaster (occurring after September 14, 1994) that required the mandatory purchase of flood insurance pursuant to National Flood Insurance Program (NFIP) regulations.
- ▶ Which flood disaster event applicant received federal funds for.
- ▶ The amount of federal assistance related to flood that was received.
- ▶ If applicant carried flood insurance at the time of Tropical Storm Ida
- ▶ If the insurance coverage is currently in effect.

If the applicant is determined to have received prior federal disaster recovery assistance and has failed to maintain the adequate and necessary flood insurance, applicant will be deemed ineligible for the Program.

Communities in the Special Flood Hazard Area

Assistance for the rehabilitation or reconstruction of a home in the SFHA in communities that do not participate in the National Flood Insurance Program (NFIP) are not eligible for this Program because they are prohibited to receive federal assistance. Those communities not eligible to participate in the program are:

- ▶ Alpine Borough
- ▶ Audubon Park Borough
- ▶ Englewood Cliffs Borough
- ▶ Fieldsboro Borough
- ▶ Hi-Nella Borough
- ▶ Newfield Borough

Applicants over 120% AMI located in the SFHA without Flood Insurance

Per HUD requirements in the Consolidated Notice 87 FR 31636, applicants are ineligible for the rehabilitation or reconstruction of a home, and are therefore ineligible for HARP if all the following are true:

- ▶ The combined household income is greater than either 120 percent of AMI or the national median
- ▶ The property was located in a floodplain at the time of the disaster
- ▶ The property owner did not obtain and maintain flood insurance on the damaged property, even when the property owner was not required to obtain and maintain such insurance

4 CONSTRUCTION CONTRACT AND PATHWAYS

4.1 Initial Pathway Assessment

Once eligibility is preliminarily determined, this section serves to provide the applicant with additional information about the Program and their program pathway. DCA Construction Managers will ensure compliance with all state, local, and federal regulations and guidelines through project completion.

Homeowners are precluded from acting as their own general contractors. Applicants are financially responsible for any and all upgrades and change orders that are not within the approved scope of work. Ineligible upgrades and change orders are not permitted in the contract with Program scope without the express approval of the program.

4.1.1 Pathway 1: Homeowner with Existing Construction Contract

In the situation that a homeowner is already under contract for rehabilitation, the Program will provide the homeowner with the contract requirements necessary to participate. A contract addendum will be provided to the applicant and must be executed with their builder to receive HARP funding.

Homeowners are responsible for hiring licensed contractors to perform lead remediation and abatement. DCA will verify the contractors are properly licensed and help ensure that contractors perform the work in compliance with all applicable rules, regulations, and statutes incorporated in the contract addendum.

4.1.2 Pathway 2: Homeowner Selects Own Contractor

Homeowners who are rehabilitating or reconstructing their homes may solicit quotes from builders who are NJ licensed and insured to complete their projects. Applicants who are eligible for reconstruction may engage with manufactured home dealers or sellers directly to purchase their replacement home. The program will validate all contractors' licenses prior to grant award signing.

Once a contractor is selected and has provided a quote for the scope of work, the Program will verify that costs are necessary and reasonable compared to the Program estimated cost of repairs. If the contractor's quote contains only reasonable and necessary items as identified by the Program but the cost is above the estimated cost of repairs, the Program may take additional steps to justify cost reasonableness. If the program determines the quote not to be cost reasonable, the homeowner may select a different contractor, or homeowner will pay for costs above those deemed necessary and reasonable. The Program recommends that applicants provide multiple proposals for cost and scope comparison purposes.



4.1.3 For homeowners that have a need for further assistance with the construction process, the Program may offer a Housing Counseling referral to assist with contractor outreach.

Pathway 3: Acquisition

This is not a pathway that an applicant may choose; DCA may offer to acquire the property from the applicant at current fair market value only in the event that rehabilitation and/or elevation of the property cannot reasonably accommodate existing occupants that may be part of vulnerable populations such as the elderly, frail, persons with disabilities [mental, physical, developmental], and others as defined in the Action Plan or if the cost of rehabilitation of a property is not reasonable as determined by the Program, Applicants also may qualify for incentives to relocate to a lower risk area. The State will not exercise its power to acquire properties through the use of eminent domain, adjudication or other involuntary acquisition processes.

Acquisition awards are limited to the current fair market value of the property, which is determined at the time the Program performs the appraisal of a property. All awards are subject to the Robert T. Stafford Act, requiring that all funds used for the same purpose as the CDBG-DR award be deducted as a duplication of benefit.

4.1.4 Pathway 4: Non-Profit Contractor

DCA may select a pool of non-profit organizations to act as contractors to rehabilitate HARP applicant homes. If a pool is made available, some HARP applicants can then choose from the pool of contractors. Payment would go from DCA to the contractors on the applicant's behalf. DCA would maintain oversight over the project which may include: eligibility checks, DOB verification, progress inspections, final inspections, and property construction estimates.

Pathway 5: Reimbursement

Homeowners may be eligible for reimbursement of repairs that were reasonable and necessary to address an imminent threat to health and safety and were completed after the date of the qualifying disaster and before May 31, 2023, or prior to the date the homeowner submitted an application for HARP assistance, whichever is earlier. Reimbursement is subject to cost reasonableness review and duplication of benefits analysis. Additional requirements and procedures are detailed in the Program's Reimbursement Policy.

Homeowners may be in more than one pathway (example: Pathway 1 & 5). Please reference the Reimbursement policy for additional information



4.2 Substantial Damage or Improvement Determination

“Substantial damage” is defined as damage of more than fifty percent (50%) of the home’s pre-storm value. Applicants who stated on their application that their home was “substantially damaged” will be prioritized during Phases II and III. Once substantially damaged properties have been addressed in the applicable Phase, subject to funding availability, non-substantially damaged properties will then be processed in the applicable phases.

All substantially damaged properties and substantially improved properties located in the Special Flood Hazard Area are required to elevate to the Design Flood Elevation as defined by DEP.

Applicants who are funded as “non-substantially damaged” may be required to elevate under the following circumstances:

- ▶ The applicant subsequently receives a substantial damage determination from their floodplain manager for the property, or

A Program assessment determines that the property was substantially damaged or will be substantially improved by program funded repairs Substantial Damage and/or Improvement Feasibility

The program may determine that the subject property was substantially damaged and/or will receive substantial improvements through the rehabilitation process. This evaluation includes the likelihood of substantial change orders throughout the construction process. Applicants that meet these criteria may be required to conduct a reconstruction of their subject property based on cost feasibility determined by the program.

The program will make the final determination on the requirement to elevate or reconstruction. The applicant may appeal this decision, but the final feasibility determination is at the Programs discretion based on supporting documentation.

4.2.1 Changing the Status of Substantial Damage Selection

Applicants who stated they were substantially damaged and/or provided a substantial damaged letter but upon being funded, claim their home is “non-substantially damaged,” must provide a letter from their local floodplain manager verifying the structure is not substantially damaged. These applicants may also be moved to Phase II or III and will be notified when the funding is available to proceed with the project.

5 INSPECTIONS AND ENVIRONMENTAL REVIEW

5.1 Initial Site Inspection

The purpose of the Initial Site Inspection (ISI) is to confirm existing site conditions, to make property eligibility determinations, determine project feasibility and scope, and to assess whether there was substantial damage as a result of Tropical Storm Ida.

Applicant and property information will be made available to the Inspectors performing the site visit. This section outlines the policy that the Division will use when performing an ISI and related work. The ISI and related work may be conducted over several site visits.

The Program may determine that as a result of the Initial Site Inspection the proposed scope of work contains an excessive amount of non-storm related damage, and the applicant may need to contribute non-Program funds to the project to return the subject property to Program standards. DCA will review these on a case-by-case basis.

The ISI and related work are composed of the following:

1. Construction Managers will perform an inspection to determine the scope of work remaining in accordance with inspection protocols and program specifications. This inspection will result in a feasibility determination of either rehabilitation or reconstruction including mitigation measures.
2. For Work in Place (WIP) completed by the applicant prior to ISI, Construction Managers may inspect and photograph completed scope documented by the applicant in the Eligibility phase.
3. Licensed lead inspectors and/or risk assessors will be procured to perform assessments for lead hazards.
4. Contractors will be procured to perform an environmental review.
5. The Department will not use destructive testing methods during the site inspection process to assess or determine storm damage. Count, measure, and observe methodology will be used by the assessor during the site visit to document existing conditions and scope of work.

5.2 Environmental Review

5.2.1 National Environmental Policy Act (NEPA)

This section is intended to describe the approach to compliance with the National Environmental Policy Act (NEPA) for the Program. The Program is funded by Community Development Block Grant (CDBG) Disaster Recovery funds awarded to the New Jersey Department of Community Affairs (DCA) by the U.S. Department of Housing and Urban Development (HUD), thereby triggering the applicability of NEPA.

The NEPA process consists of an evaluation of the environmental effects of a federally proposed action and its alternatives. There are three levels of analysis: categorical exclusion, Environmental Assessment (EA), and Environmental Impact Statement (EIS).

- ▶ **Categorical Exclusion:** An undertaking may be categorically excluded from a detailed environmental analysis if a federal agency has previously determined that the action typically has no significant environmental impact, and they have included the action in a list of exclusion categories in their NEPA implementing regulations. A list of activities identified by HUD as categorically excluded from detailed NEPA review can be found at 24 CFR Part 58.35.
- ▶ **EA: Environmental Assessment.** The second level of analysis under NEPA is an EA, which is prepared to determine if a federal action would have a significant effect on the environment. If the answer is no, the agency issues a Finding of No Significant Impact (FONSI). The FONSI may include mitigation measures that are required to mitigate environmental impacts, so they are less than significant.
- ▶ **EIS: Environmental Impact Statement.** An EIS is a more detailed evaluation of the potential environmental effects of the proposed action and alternatives. An EIS can be prepared following the completion of an EA or, if a federal agency anticipates that an undertaking may significantly impact the environment, they may choose to prepare an EIS without having to first prepare an EA. The decision document for the EIS is a Record of Decision (ROD), which states the agency's decision and how the findings of the EIS, including consideration of alternatives, mitigation measures, and agency and stakeholder input were incorporated into the agency's decision-making process.

5.2.2 Tiered Reviews

DCA has employed a tiered approach to NEPA compliance for the Program. With a tiered approach, the “action” is evaluated at various stages in the development process as more information is available for environmental assessment or review. This approach is consistent with and detailed in the “Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities,” 24 CFR 58, specifically 24 CFR 58.15 (Tiering) and 24 CFR 58.32 (Project Aggregation).

As the first step, or Tier I level of review, an EA will be completed for the Program for the HUD and State MID counties (Bergen, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Union, and Warren.). Tier 2 environmental reviews will be conducted for each property being evaluated under the Program. The Tier 2 reviews will be conducted by a contracted consultant that is selected through DCA's procurement process. The Tier 2 reviews will identify sites with specific environmental issues requiring a site visit or additional agency consultation and will be documented in an Environmental Review Record (ERR). The Tier

2 reviews will be conducted in a manner that satisfies the requirements of NEPA and HUD’s NEPA implementing regulations (24 CFR 58).

In addition, the reviews will address compliance with all other relevant Federal environmental laws, regulations, and Executive Orders (EO), such as the National Historic Preservation Act, EOs 11988 – Floodplain Management, EO 11990 – Protection of Wetlands, and EO 12898 – Environmental Justice. Relevant State regulations and permitting requirements will also be addressed, such as State Executive Order #215. NJDEP will also coordinate and facilitate any required environmental permitting. The environmental review may identify the need for environmental mitigation measures to be incorporated into the scope of work for the proposed action or for the action to be redesigned to avoid certain environmental impacts.

No reconstruction, rehabilitation, elevation, or mitigation work, or reimbursement can begin until the Tier 1 environmental reviews have been completed and Authorization to Use Grant Funds (AUGF) received, and the Tier 2 ERR has been completed and approved for the subject property. Construction activities must be performed in a manner that fully complies with any requirements identified in the Tier 2 review. DCA Construction and Monitoring Teams will ensure compliance.

5.3 Blackout Period/Stop-Work

“Blackout” or “stop-work” refers to the period of time from the application date through the completed environmental review where no work should be performed in relation to the home. Work performed during this period may not be eligible for inclusion within the WIP or ECR and/or may result in the project being ineligible to proceed within the Program. All applicants are required to stop any repair, reconstruction, or replacement activities in process if notified to do so by the Program. If issued, the stop work order must be followed until the environmental review process is completed.

Exceptions to the “stop-work requirement” may be allowed in the event an applicant entered a written contract with a contractor prior to applying to the Program. In such cases, the applicant may be allowed to continue the work outlined in the written contract, as it was described and executed prior to the homeowner’s application to the Program. However, in such cases an applicant may not enter into new contracts, engage additional laborers, execute any change orders to existing contracts, or purchase materials after application to the Program and prior to completion of an environmental review.

Failure to comply with the “stop-work requirement” or eligible exceptions to the “stop-work requirement” may result in an applicant’s ineligibility for all or partial Program funding. Applicants should consult with a Program Representative prior to making any additional contract decisions during the mandatory blackout/stop-work period.

Applicants that have submitted an application to the Program, but do not adhere to the guidance above, are at risk of not being eligible for funding.

6 SCOPING AND FEASIBILITY

The Program uses information gathered during Eligibility and at the Initial Site Inspection (ISI) to establish the Total Development Cost (TDC). Included in the TDC are the eligible costs associated with Work in Place (WIP), and the Estimated Cost of Repairs (ECR) which captures the eligible scope of work remaining to rehabilitate or reconstruct the home. This information is used in determining the project's feasibility, and in calculating the program award.

6.1 Rehabilitation

. Homes that are eligible to be considered for rehabilitation are those that have remaining damages from the storm. In cases where the home is located in the Special Flood Hazard Area (SFHA) and is substantially damaged as determined by municipality or Program assessment, the home must be elevated to Design Flood Elevation (DFE) in addition to any storm damage that needs to be repaired. In most cases, elevation may result in a feasibility of reconstruction.

DCA may provide a feasibility cost estimate to ensure that the structure/site is brought into compliance with state and local building codes, standards, ordinances, HUD Green Building standards, Minimum Housing Rehabilitation Standards, and Program standards. Feasibility cost estimate details can be found in Section 6.5 Estimated Cost of Repairs (ECR).

At DCA's discretion and in limited instances, rehabilitation may also take place on structures whose remaining repairs exceed the substantial improvement threshold, such as select homes are within the SFHA, they would be required to elevate which may result in a feasibility of reconstruction.

If homes cannot be rehabilitated in place under existing agency policies and award caps due to legal, engineering, or environmental constraints, such as permitting, extraordinary site conditions, or historic preservation, the Program may consider reconstruction, structure relocation, or acquisition.

6.2 Elevation

Substantially damaged and substantially improved properties in the Special Flood Hazard Area (SFHA) or other areas designated by the State, may be required by the Program to reconstruct or elevate. If an applicant refuses to elevate or reconstruct a home located in the SFHA, they may risk being ineligible for the Program..

If program funds allow, elevation assistance may be offered to other program participants who are interested in elevating their property. These instances will be reviewed on a case-by-case basis.



All properties requiring elevation will be designed such that the lowest habitable floor is elevated to the Design Flood Elevation (DFE) determined by a qualified design or engineering firm and approved by the township,

The cost of elevation will be included as part of the overall cost of rehabilitation or reconstruction.. Reconstruction

The Program may require applicants to rebuild damaged or destroyed structures if any of these conditions apply:

- ▶ The property is declared a total loss.
- ▶ Repairs and mitigation would exceed 50% of the cost of reconstruction.
- ▶ Repairs and mitigation would exceed 50% of the pre-disaster fair market value.

Reconstruction estimates are the only type of estimate performed when a home is unsafe to enter or has been demolished or partially demolished, unless environmental and historic conditions do not allow for a feasibility of reconstruction

6.2.1 Site Condition Determination

6.2.1.1 Unsafe Conditions

Unsafe conditions include but are not limited to:

- ▶ Structures whose load bearing walls, columns, or other support components have been compromised as evidenced by a licensed designed professional;
- ▶ Structures that have strong industrial or chemical odors or vapors emanating from the home; or
- ▶ Structures that have been marked by the local municipality or fire authority as being unsafe to enter.

6.2.1.2 Demolished structures

If a structure has been demolished or partially demolished, a reconstruction estimate is the only eligible approach.

6.2.2 Composite Pricing – Reconstruction

Cost estimates are derived from the Program standard model house plan. These standard cost estimates will establish the basis for the amount the applicant is eligible to receive to reconstruct the home. Note that the program allowable cost is not the same as the cost that the applicant would incur if they were to rebuild their existing home with the existing finishes. The allowable costs established by the Program to rebuild the home will be used to ensure that the new structure meets HUD standards and is within the Program's cost reasonableness limits. This may result in a home of lesser square footage and/or lower grade finishes than the applicant's pre-storm home.

Program designed floorplans which inform the composite pricing will be estimated with two, three, and four bedrooms of typical size. The associated

estimated cost to build each model will be the basis for the reconstruction estimate used within the award formula. The reconstruction of multiunit properties will follow a similar approach.

In the event the cost of reasonable and necessary housing reconstruction exceeds program allowances, the program may consider project specific exceptions to the maximum award.

6.2.3 Existing Footprint and Design

Reconstruction designs and estimates are based on the number of bedrooms and total eligible area as identified in the repair estimate or through the use of other data that yields the most accurate eligible square footage of the original structure.

The design of the new structure will consider the original structure's bedroom count in conjunction with lot layout so as to present the applicant with a home that is compliant with site and Tier II requirements. The Program's minimum design standard guidelines will establish a cost-reasonable approach towards reconstruction based on necessary square footage. The final home design will be selected by the applicant and presented to the Program for consideration. The Program will not compensate for an increase in the number of bedrooms nor for an increase to the number of units on the lot.

6.2.4 Reconstruction at a New Address Location

It is anticipated that not all lots or site locations will be suitable for rehabilitation or reconstruction projects. During the eligibility process, the design study, or the Tier II environmental clearance, many factors can render lots and site locations unsuitable for meeting the Program standards. Examples may be homes located in the floodway, severe lot constraints, and presence of toxic materials. In these scenarios, the Program may consider the applicant for eligibility under Section 4.1.3 Pathway 3: Acquisition.

6.3 Cost Estimation

6.3.1 Cost Estimating Software

The damage assessor will use construction cost estimating software to develop an estimate for the repair, replacement, and/or mitigation of the housing structure to meet Program requirements. The field report is reviewed, corrected, and revised as necessary to produce the final version of the Estimated Cost of Repairs (ECR). The estimate, photographs, and required documentation are uploaded to the Program's system of record.

In the event that cost data is not available in the cost estimating software for specific items, the damage assessor may use cost data from other construction costing data available for the item.

6.3.2 Ineligible Costs

Costs incurred for the items listed below are ineligible. Costs that are outside the CDBG-DR scope of work are not Program eligible. Any upgrades to the materials or scope of work must be paid out of pocket by the homeowner and directly to the contractor. CDBG-DR funds will not be issued until all ineligible expenses are paid. The Program may ask that a contractor's proposal is revised to remove any material upgrades or Program ineligible scope. Ineligible items and activities include, but are not limited to, the following:

- ▶ Enhancements;
- ▶ Outbuildings (sheds, etc.);
- ▶ Decorative landscaping and paving;
- ▶ Outdoor sprinkler systems;
- ▶ Pools and hot tubs;
- ▶ Solar panels;
- ▶ Fences;
- ▶ Security Systems;
- ▶ Post storm additions (rooms added to original pre-storm structure);
- ▶ Outdoor showers;
- ▶ Outdoor fireplaces;
- ▶ Purchase of tools and equipment;
- ▶ Repair or replacement of detached structures such as sheds, swimming pools, docks, or boat ramps (bulkheads will only 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 solar panels, sky lights, wainscoting and wood paneling, Jacuzzis, copper gutters and roofs (these items may be repaired if they present a health or safety hazard or replaced with the Program standard quality of material);
- ▶ Replacement of clothes washer and/or dryer;
- ▶ Replacement of window air conditioner units;
- ▶ Any product upgrades or repairs in excess of the Minimum Program Quality Standards;
- ▶ Any additional items deemed by the Program to not contribute to the habitability or life/safety aspects of the home.

6.4 Estimated Cost of Repairs (ECR)

The ECR will be developed using established construction estimating software with pricing adapted for typical New Jersey regional construction costs and will contain costs for items that are readily observed as in need of repairs. The ECR will include an estimate of the costs associated with:

1. Repair or reconstruction of the residence that meets program standards and applicable local, State, and/or Federal building codes, including windstorm requirements, and



2. Mitigation and elevation efforts to reduce the impact of future storms on the home where applicable.

The ECR will contain a detailed listing of eligible repairs and associated units of measure and quantities. Industry standard pricing is used to assign a value for each line item included in the Scope of Work.

If an applicant believes that program eligible, reasonable, or necessary costs were omitted from the ECR, the applicant may request that the Construction Manager review the Program ECR.. Applicants may be required to provide supporting documentation for the additional scope of work they believe should be included in the ECR., such as a contractor's proposal. Once the review is complete, the Construction Manager will determine if the documentation provided is acceptable. If warranted, the ECR will be adjusted to reflect the new scope of work. The Program may require multiple contractor proposals to determine cost reasonableness and necessary scope that may not have been included in the ECR.

6.5 Work in Place (WIP)

The WIP refers to repair activities already completed by the homeowner at the time of the initial site inspection. However, repairs completed prior to the initial site inspection will be considered for reduction of DOB impact. The WIP assessment will be completed using applicant provided documentation and narratives attested to by the applicant. Utilizing the completed Duplication of Benefits Impact form (DOBI) from the intake process, Program staff will intake, review, and analyze all documents submitted for WIP analysis. Upon completion of review, Program staff will contact the applicant to discuss the results of the WIP analysis. If the applicant does not have any DOB to report, there will be no need to document completed repairs.

Costs for completed repairs attributable to Tropical Storm Ida that are submitted for WIP review must be:

- ▶ Program Eligible
- ▶ Reasonable and necessary;
- ▶ The repairs must have a lasting presence; and/or
- ▶ Completed after and as a result of Tropical Storm Ida

DOB funds that were not put toward work eligible for DOB offset will be required to be put towards funding the construction project as Non Program Funds (NPF).

6.6 Design Services

Design services may be provided through the Grant Award. Applicant must provide the Program with invoices, payments, plans, blueprints, and other relevant documentation for the program to verify work complete and adherence to program requirements.

The Program will make a final determination as to the eligibility of these services and whether the applicant's design firm is eligible for program funding. Eligible design services will be accounted for in all applicable Scope of Work as a line item.

DCA procured a pool of individual design firms who may assist the applicant with preparation of any or all the geotechnical, engineering, architectural, and/or other design components. Applicants must request assistance from the program at which time the Program will consider the scope of work, reasonability, and necessity of the services. If DCA design services are used, designs will be provided to the homeowner for review.

6.6.1 Restrictions

Design services are *not* provided to enable the applicant to reconfigure the home or make substantial structural or layout changes and the design firms are generally prohibited from incorporating these types of elements.

Minimum Design DCA or its agent(s) will review the proposed scopes of work, which will help standardize costs and ensure that projects meet the desired resiliency and energy efficiency goals. DCA established comprehensive construction standards, limitations, and eligible recovery and mitigation activities, which will serve as the mechanism for establishing the maximum assistance that an applicant may receive through the program.

6.6.2 Resilience and Mitigation

The Program will incorporate mitigation measures to the greatest extent feasible when carrying out rehabilitation and reconstruction projects. Projects, where feasible, will incorporate necessary and reasonable measures to withstand existing and future climate impacts. Refer to Section 6.9.2 Green Building Requirements and Section 6.2 Elevation.

6.6.3 Green Building Requirements

All Program-funded properties must comply with HUD's green building standards as required by Federal Register Notices at 87 FR 31636 and as amended by later notice(s). To meet these requirements, the State will document the use of the applicable green building standard in each project file.

6.6.3.1 Reconstruction and Substantial Improvement

For reconstruction projects and rehabilitation of substantially damaged homes, the home must meet Green and Resilient Building Standard detailed in 87 FR 31636. The Program has adopted the ICC-700 National Green Building Standard and Energy Star as the basis to meet the Green and Resilient Building Standard. Should a different standard be chosen, it

may be reviewed by the Program to determine whether it is allowable as a substitute.

6.6.3.2 Rehabilitation

All non-substantially damaged homes rehabilitated through the Program will meet the requirements of the HUD Green Building Retrofit Checklist to the extent applicable for the rehabilitation work undertaken.

6.6.4 Accessibility

Assistance for accessibility improvements for disabled applicants or household members is available upon request by the applicant, disabled household member, or a family member or legal representative of a disabled family member. Any accessibility features that were present in the home of a disabled person and destroyed or damaged by flood waters will be assessed for replacement. Specialty accessibility items which may be included within the scope of work or design include, but are not limited to, the following:

- ▶ Ramps
- ▶ Lifts
- ▶ Roll-in shower stalls

These additional components and costs may be included with appropriate documentation or evidence to support the applicant's need. Costs will be determined using industry standard estimating software or another form of cost reasonableness review will be performed if the components are unable to be evaluated within the software platform. This cost reasonableness evaluation may be performed using an alternative estimating platform or through bid responses.

6.6.5 Finish Selection

Applicants must provide the contractor with any and all fixture and finish selections. Fixture and/or finish selection delays must not jeopardize the timely completion of the project and associated funding. The applicant is encouraged to select readily available items so as to avoid delay.

The applicant will be allotted reasonable time to review materials and make final selections. Applicants who fail to make a final plan and/or finish selection within a reasonable time period, based on DCA discretion, will be sent a fifteen (15) day administrative withdrawal letter.

6.6.6 Upgrades

Applicants are discouraged from upgrading materials, appliances, and finishes. The Program may request that the applicant revises a construction proposal to remove upgrades and ineligible scope. However, should the applicant elect to modify or deviate from the Program designs or scope of work, they must use their own personal funds to do so. Refer to Section 7.2 Responsibility of Applicant to Provide Non-Program Funds (NPF). The cost of

these upgrades must be borne by the homeowner. The Program will not allocate funding for payment of any upgrades.

6.7 Manufactured Housing

6.7.1 Structure Definition

A Manufactured Housing Unit (MHU) is a structure that is transportable in one or more sections. In the traveling mode, the home is eight (8) body-feet or more in width and forty (40) body-feet or more in length. It is at least three-hundred and twenty (320) square feet, built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities. The MHU also includes plumbing, heating, air-conditioning, and electrical systems. The structure must be designed for occupancy as a principal residence by a single household.

The default feasibility for all MHU projects will be reconstruction at the current site (as opposed to rehabilitation or relocation to an alternate site), unless the program determines a different process is more cost effective or necessary. Reconstruction of an MHU shall consist of removal and disposal of the existing MHU and replacement of the former MHU with a newly manufactured or pre-owned one meeting the Program standards for quality, energy efficiency, and serviceability.

6.7.2 Structure Specific Requirements

A Lead Hazard Assessment will be completed for units built prior to 1978 if the program approves rehabilitation. All federal Lead Based Paint regulations outlined in the program policy must be followed.

All new replacement MHUs will be required to meet Federal Construction Standards and appliances must meet Energy Star requirements.

If it is determined that the replacement of an MHU is prohibited, then the feasibility will be classified as rehabilitation, or the applicant may elect to relocate to a low-risk area. A new Tier II Environmental Assessment would be required for the alternate parcel.

For reconstructions, the new replacement unit will be installed according to the standard four (4) to six (6) feet set-up height, unless the unit is in a flood zone where additional elevation may be required. Any unit that requires elevation over six (6) feet will require a more traditional foundation (i.e., a pile or concrete masonry unit foundation system). Reconstruction feasibility will require proper disposal evidenced by an Asbestos Disposal Manifest.

Program-based determination of damage will also be performed on each MHU project. This determination is the basis for classifying an MHU as substantially damaged or non-substantially damaged.



6.7.3 Project Cost:

The Total Development Cost for replacements will be developed using Program developed MHU unit pricing based on the number of bedrooms in the damaged unit.

The Total Development Cost for rehabilitations, the scope of work will be developed using the Program Construction Standards and standardized pricing and may not exceed the replacement pricing limits established above.

The price of a parking pad is not an allowable cost, as it is considered an improvement of the land not attributable to the MHU itself.

Grant award funds disbursed will be limited to the lesser of the standardized pricing determined by the Program or the subtotal of invoices submitted by the applicant.

6.8 Cooperative and Condominium Units

Owner-occupied units in multi-unit properties, such as cooperative and condominium units, are eligible for the Program. Applicants will need the approval of the condominium association or cooperative for the construction plan and must have the association or cooperative provide insurance information before a grant can be awarded.

7 AWARD

7.1 Award Determination and Calculation

7.1.1 Award

Awards will be determined based on the necessary and reasonable scope of work and cost of materials as determined during the bidding process and submission of construction proposals. The award is further determined by analyzing an applicant's Duplication of Benefits in comparison of completed eligible repairs. Any available Duplication of Benefits, in addition to ineligible scope items, will reduce the award.

7.1.2 Maximum Assistance

For rehabilitation and reconstruction, the maximum assistance for a single-unit owner-occupied property is \$400,000.

For owner-occupied duplexes and triplexes, the Program may provide up to \$500,000 total, inclusive of assistance for all units.

For reimbursement, the maximum assistance per applicant is \$250,000.

All assistance caps are inclusive of any eligible reimbursement funding awarded.

All assistance is subject to cost reasonableness, duplication of benefits, and HUD requirements.

7.1.3 Duplication of Benefits (DOB)

Applicants must report all assistance they have been awarded or available to repair/reconstruct their homes from third-party sources such as flood and homeowner's insurance, Increased Cost of Compliance (ICC), Federal Emergency Management (FEMA) assistance, loans from the Small Business Administration (SBA), and any assistance from other government or private non-profit sources. For additional policy and procedures regarding the duplication of benefits under the Program, please refer to 2.10.1 Duplication of Benefits Policy. Any funds received from these sources to repair or reconstruct the damaged dwelling must be considered when the amount of the grant is determined. Funds received from these sources for other purposes such as temporary housing and replacement of household contents are not considered a DOB. Personal funds or private mortgages used to repair the damaged dwelling are not considered in the DOB calculation.

Applicants must agree to subrogate (commit to the State) any future payments they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement, included as an exhibit in the grant agreement, requires the homeowner to notify the State if additional funds are received and to assist the State in collecting any amounts owed to the homeowner from these sources.

Funds used for a different but eligible purpose may be excluded from the final award calculation. In some instances, funds provided for the same general purpose as the CDBG-DR funds will have been used by the applicant for a different specific eligible purpose. In these circumstances, if the applicant can document that the funds received were used for a different, eligible purpose, then the funds are not duplicative.

Funds that an applicant does not have legal control of when they are received, and which are used for a non-duplicative purpose, are not considered a DOB. For example, if a homeowner's mortgage agreement requires any insurance proceeds to be applied to reduce the lien balance, then the bank/mortgage holder (not the homeowner) has legal control over those funds. In the case of funds being held by a bank, mortgage, or insurance company until rehabilitation or reconstruction begins, the funds will be considered in the DOB calculation.

7.1.3.1 Small Business Administration Loans

Applicants may have a loan from the Small Business Administration (SBA) or other entity that is guaranteed and subsidized by the government. Subsidized home, personal property, relocation and business loans may be obtained by those persons or businesses recovering from a disaster.



The program will review the status of subsidized loans obtained by the applicant during the DOB analysis process.

The program may collect information relating to SBA loans from the applicant and analyze data directly from SBA to make DOB determinations.

Declined SBA Loans

Declined SBA loans are loan amounts that were offered by the lender in response to a loan application, but were turned down by the applicant. In these cases, the applicant never signed loan documents to receive the loan proceeds. The program will not treat declined loans as DOB.

The program may request documentation for the declined loan only if the information received from the SBA indicates that the applicant received an offer for the subsidized loan and the program is unable to determine from that available information that the applicant declined the loan.

Cancelled Loans

Cancelled loans are loans (or portions of loans) that were initially accepted, but for a variety of reasons, were cancelled (such reasons may include the loan commitment terms have expired, the loan has been withdrawn, all or a portion of the loan was not disbursed and is no longer available to the applicant or cancellation was requested by the borrower). DCA will verify that any undisbursed portion of an accepted subsidized loan is cancelled using the most current data available from SBA. Without verification from SBA, any approved but undisbursed portion of a subsidized loan will be included in the DOB calculation unless another exception applies.

In cases of cancelled loans where partial disbursements were made prior to the cancellation of the loan, the disbursed funds will be treated as funds disbursed for active loans below.

Active Loans with Disbursed and Undisbursed Funds

During the DOB analysis, the program may consider active subsidized loans as a duplication. However, accepted but undisbursed loan amounts will not be considered a DOB, as long as the undisbursed portion of the loan is verified as cancelled by SBA. Without verification from SBA, any approved but undisbursed portion of a subsidized loan may be included in the DOB calculation of the total assistance. In addition, disbursed loan amounts may be considered as non-duplicative provided the funds were:

- ▶ Provided for a different purpose; or
- ▶ Provided for the same purpose as the program's activities, but used for a different, allowable use.

7.2 Responsibility of Applicant to Provide Non-Program Funds (NPF)

NPF is a calculation of the homeowner funds required to complete the project determined in the grant award calculation. This calculation will include any and all ineligible upgrades, project costs over the program cap, and DOB funds received but not documented as per 6.6 Work in Place (WIP).

Applicants must provide proof of available funds as evidenced by an industry recognized bank, lender, or other financial institution with which the funding will be provided from. Examples of sufficient documentation include, but are not limited to:

- ▶ Current savings or checking account statement
- ▶ Current retirement account statement

Failure to demonstrate proof of available funds may result in the need to revise the construction proposal or administrative withdrawal.

7.2.1 Additional Financing

Applicants needing to obtain additional financing may seek assistance from other private sources. These funds will be considered NPF and will not require subrogation to the Program.

7.2.2 Applicants with No Unmet Need

Applicants whose calculated grant award is zero will be administratively withdrawn due to no unmet need. In limited circumstances, the Program may approve de minimis awards, not to exceed \$5,000, when necessary to address a critical health or safety condition.

7.3 Homeowner Obligations

Recipients of funds must sign a grant agreement that requires the homeowner to:

- ▶ Permit authorized representatives of the Program, Department of Environmental Protection (DEP), and authorized builders to access the site.
- ▶ Properties located in the SFHA or high-risk flood area defined by DEP, must maintain flood insurance throughout the repair/reconstruction process and in perpetuity for the life of the property, including notifying subsequent owners of this requirement through the recording of an encumbrance in the county land records.
- ▶ Elevate the dwelling, where required.
- ▶ Complete all construction, including elevation where required, unless granted an extension in writing by DCA.
- ▶ Sign a Declaration of Covenants and Restrictions
- ▶ Occupy the damaged dwelling upon completion of rehabilitation or reconstruction.



7.4 Required Agreements for Duplexes and Triplexes

Homeowners participating in the HARP program who have rental units in duplexes and triplexes will be required to sign a homeowner grant agreement. This document ensures that the rental units which are assisted with HARP funding maintain affordability requirements detailed in Section 7.5. If the homeowner determines that they would like to sell the property or rent the units at market rate, they will be required to pay back a pro-rated portion of the Program investment into the property. The recapture amount is determined by the amount of funds initially invested in the property and the corresponding affordability requirement. These requirements are listed in the table below.

7.5 Duplexes and Triplexes

1. All assisted homeowners who own rental units in a duplex or a triplex will be required to follow recapture provisions during the period of affordability. The homeowner must enter into a homeowner grant agreement which outlines recapture requirements.
2. DCA will record a lien on the property securing the affordability of the units assisted until expiration of the Period of Affordability.
3. The homeowner may sell the home at any time during the Period of Affordability, to any willing buyer, at the price the market will bear.
4. In the event of a voluntary or involuntary sale during the affordability requirement, or at any point that the property owner converts the units to market rate, the grant will be repaid to DCA at a prorated bases with a portion forgiven each year after the first year. If the affordability requirements can't be met during the first year 100% of the grant amount will be due back to DCA. The table below details the timeframes which will apply to all assisted duplexes and triplexes:

Rehabilitation of existing housing per unit of CDBG-DR funds	Minimum period of affordability in years (after initial occupancy)
Under \$15,000	1
\$15,000-\$50,000	3

Property owners will pay back an equal percentage of the investment into the property if they do not comply with the affordability requirements.



7.6 Grant Execution

7.6.1 Approvals

All grant award agreements will be reviewed to confirm signatures and that all appropriate documents have been returned by the applicant. The grant agreement will be countersigned by senior leadership and a copy will be uploaded to the HARP system of record.

7.6.2 Grant Agreement

A Program Representative will review the Grant Agreement and all legal documents with the applicant including the requirement to have certain documents notarized. Applicants must sign the Grant Agreement before any grant funds are released to an applicant.

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. Award Calculation to show program approved project cost, how funds determined to be a DOB were handled, and how the grant was calculated.
2. Subrogation and/or Assignment Agreement, in which the homeowner agrees that any additional funds the homeowner receives from DOB sources may belong to the Program and confirms their obligation to immediately notify the Program if they receive such funds.
3. Declaration of covenants and restrictions to ensure project reaches completion and ensure that it meets a national objective.
4. Deed restriction, where applicable, which requires all owners of the property to maintain FEMA flood insurance for the life of the property.
5. Confirmation that the homeowner still owns the damaged property and they have not received notices of default of seizure that may affect the title of the damaged property and their obligation to immediately notify the Program if they receive such notices.
6. Hold Harmless Indemnification.

7.7 Recapture of Funds

During the course of implementation and ongoing monitoring of HARP, applicant files will be made available for review by program staff and State and Federal auditors. In some instances, the review may identify a situation which requires a recapture of funds. In the circumstances listed below, applicants may be required to repay all or a portion of the assistance received from HARP. The reasons for grant recapture include, but are not limited to, the following scenarios:

- ▶ An applicant is determined to have provided false or misleading information to the program.

- ▶ If an applicant is withdrawn from the program prior to completion of the project.
- ▶ Construction is not completed due to non-cooperation by applicant/owner(s).
- ▶ Applicant did not comply with the approved scope of work in a manner that made the home ineligible (i.e., applicant did not comply with the lead paint abatement or other environmental remediation requirements).
- ▶ Applicant failed to report the receipt of any additional insurance proceeds, SBA, FEMA non-profit assistance and/or any other funds received after a DOB analysis was conducted.

All applicants who have been identified for recapture of program funding will not be able to close out of the program until all funds have been repaid to the Program.

8 PRE-CONSTRUCTION

Unless otherwise specified, guidance is applicable to Pathways 1 and 2.

8.1 Contractor Selection and Performance

Once an applicant has selected a contractor(s), documentation supporting all contractors' qualifications must be submitted to the Program for review and validation. If a contractor is exempt from licensure by the State of New Jersey, DCA will review such contractors on a case-by-case basis for validation requirements.

It is recommended that applicants wait to proceed with a particular contract until the Program has confirmed all applicable contractor credentials have been reviewed. If an applicant proceeds with repairs or reconstruction to the property without having their selected contractor(s) validated by the Program, they risk forfeiting subsequent draw request approvals and administrative withdrawal from the program due to working with Program ineligible contractors.

8.1.1 Contractor Requirements

The Program offers applicants the option to retain their existing contractor through Pathway 1, or obtain a contractor of their choosing through Pathway 2. Applicants who have an existing executed construction contract or who choose to seek and identify their own general contractor if one is not already engaged, must meet the following minimum standards:

- ▶ The general contractor must be properly licensed and/or registered in New Jersey,
- ▶ Must not be on HUD or State debarred lists
- ▶ Must comply with all required State and Federal regulations applicable to the HARP Program.
- ▶ Larger projects must provide a project completion plan detailing the work and timeframe for completion.

8.1.2 HARP Program Applicants Who Change Contractors

Applicants who wish to terminate their executed contract with their contractor may do so. However, the Program will not be involved in an applicant's decision to terminate existing contracts.

Applicants who wish to terminate their construction contract must provide the following:

- ▶ Notification to the program in writing via email or letter
- ▶ Documentation of completed work including Invoices paid to date with proof of payment

In addition, prior to continuing construction with a new contractor, applicants must seek from the Program:

- ▶ An updated scope of work (if work from the prior scope is complete or needed to be altered and
- ▶ New contractor validation.

The scope of work may be re-evaluated and any additional costs that are incurred due to the decision to change contractors may be the responsibility of the homeowner. The Program must review and approve the new contractor.

8.1.3 Program Approved Costs

The total construction cost in the scope of work provided to the applicant is based on the Program's unit pricing or reconstruction pricing policy. The Program will not modify or increase any item costs, regardless of any pre-existing agreement that the applicant and builder may have had. Exceptions may be considered for extenuating circumstances.

8.2 Construction Agreements

1. Construction agreements are executed between the applicant and the contractor(s) after the Program has reviewed and approved the scope and associated costs. All contractors and applicants will be asked to sign a Construction Contract Addendum prior to award signing which outlines and details specific Program requirements. .

8.3 Section 3

Section 3 will only apply to Rehabilitation, reconstruction, or replacements CDBG-DR awards greater than or equal to two-hundred ninety-nine thousand two hundred dollars (\$299,200.00). This update is effective as of March 16, 2026 when Section 3 limits were published.

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 are 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.

Contractors must track and provide to the Program, worker income and eligibility data for Section 3 applicable projects.

The contractor must make best efforts to direct twenty-five (25) percent of the total labor hours worked towards Section 3 certified workers. Five (5) percent of the total labor hours worked must be directed towards Targeted Section 3 workers. If the contractor is unable to direct the requisite number of labor hours towards these workers, documented qualitative efforts must be provided to the Program to demonstrate that the contractor made every attempt to satisfy the requirements. The HARP Program Representatives will designate a liaison who will coordinate contractor reporting and compliance.

9 CONSTRUCTION

9.1 Notice to Proceed (NTP)

The applicant must present all required documentation to the Program necessary for construction, including but not limited to:

- ▶ Signed construction contracts including a detailed payment schedule
- ▶ Permits (Building, MEP, etc.) as requested by the Program
- ▶ Insurances as requested by the Program
- ▶ Required Certifications, including Lead where applicable

The Program will issue to the applicant the Notice to Proceed after the builder and applicant have satisfied all program and documentation requirements. The purpose of the notice to proceed (NTP) is to control the timing of construction activities and avoid initiation of construction without proper permits or authorization by the Program.

If required for construction, the applicant must vacate the home, and for duplexes/triplexes the applicant must secure the removal of any tenants in a manner which meets URA requirements. Failure to vacate and allow for construction activities to occur may result in the grant being rescinded.

If date of issuance and/or expected completion date changes, it will be memorialized in a change order. The Program must be made aware of any changes to the construction timeline.

9.1.1 Hazardous Materials

The contractor is prohibited from disturbing any suspected hazardous materials which were previously unidentified and later discovered during the course of construction and/or demolition. Hazardous material treatment and removal must follow all applicable State and Federal regulatory requirements. The applicant/builder must make the Program aware of any additional suspected hazardous materials that may have been uncovered during the course of construction.

9.1.1.1 Lead Based Paint

The applicant received, as part of their application package, the EPA pamphlet titled Protect Your Family From Lead in Your Home.

For structures built prior to 1978, the program will complete a Lead Risk Assessment. If the Risk Assessment identifies the presence of lead-based paint or lead-based hazards, then the Construction Manager shall verify that the remediation of lead-based hazards are incorporated into the scope of work for the property. The applicant shall be provided with a Notice of Lead Hazard Evaluation or Presumption pertaining to presence and location of lead-based paint hazards within fifteen (15) days of the evaluation.

All firms performing, offering, or claiming to perform renovations, repairs, or rehabilitation for compensation on damaged properties constructed pre-January 1, 1978, must comply with the EPA's Renovation, Repair, and Painting (RRP) rule and the EPA's Lead Pre-Renovation Education rule. This means that all general contractors performing rehabilitation on program properties that are pre-1978 housing must be an EPA-certified RRP firm.

When lead hazards are present and must be abated in accordance with Program policies, the applicant is responsible for obtaining a lead abatement contractor, and must submit proposals to the Program for validation, prior to performing any required lead hazard abatement work. The Program will monitor the lead abatement process and provide funding for a clearance report prior to any construction activities.

9.2 Construction Monitoring, Periodic, and Final Inspections

The Program will perform site inspections at designated times and/or as the need arises and will monitor the project during construction for adherence to federal and state regulatory requirements in addition to Program approved processes.

Monitoring and document collection will take place to:

- ▶ Monitor timeliness of project progression
- ▶ Verify scope completion
- ▶ Verify the presence of required documentation such as permits and municipal inspections
- ▶ Monitor adherence to Green Building Requirements and resiliency requirements
- ▶ Monitor adherence with any applicable Federal cross-cutting requirements
- ▶ Monitor change orders and construction contracts
- ▶ Monitor work quality and compliance with agreed-upon scope, program specifications, and construction drawings as applicable
- ▶ Monitor payments to builders

The following inspection types may occur at both designated and undesignated times throughout the duration of the project and details of each are in the following sections.

9.2.1 Inspection Types

The Program may arrange inspections during construction. Applicants should be present for all on site inspections and are encouraged to be present for any site inspections.

9.2.1.1 Progress Inspection

Progress Inspections, or general site inspections, can occur at any point during the project for any number of reasons. Further, the Program may need to document any issues that arise that may jeopardize the completion of the project. The Program reserves the right to access the project location to collect any required information.

9.2.1.2 Draw Inspections

Draw inspections occur during a construction project, based on a payment schedule, generally after a complete draw request is submitted by the applicant. Depending on the nature of the request, the Program may waive an on-site inspection, allowing for other documentation to demonstrate proof of work complete, prior to disbursement of funds. The Program Inspector will document the status of the project and note the condition of the project related to the specific completed construction activities.

9.2.1.3 Final Inspection

A Final Inspection occurs at the completion of the construction project and indicates that no additional work is necessary. The applicant must provide evidence to the Program that the project has passed all municipal inspections, that the scope has been completed, and that the home is in a move-in condition. These documents may include, but aren't limited to, the following:



- ▶ Closed or completed permit
- ▶ Certificate of Occupancy or Certificate of Completion
- ▶ Final Elevation Certificate
- ▶ Green and/or Resiliency Checklist(s)
- ▶ Green Building Standards
- ▶ Warranty

9.2.2 Failed Inspections

Should the property fail a Program inspection, applicants will be made aware of the items that did not meet Program standard or were incomplete and will be advised to reschedule once the concerns noted are remedied.

9.3 Change Orders and Draw Payments

9.3.1 Draw Payment Requests

General contractors will be paid on a draw schedule agreed to by the general contractor and the Program before the start of construction. Funds will be released directly to the applicant on a draw schedule as specified within the contract documents which will include performance measures and defined progress payments. Each request for payment must contain all program required documents including proof of construction progress to support completion. Payment of each progress draw is contingent upon the Program's review and approval of the draw request and completion of an inspection if necessary. The final payment noted within the contract will occur after completion and issuance of a certificate of completion/occupancy by a local code official or support that all township inspections have occurred, as applicable.

9.3.2 Payments

Upon approval of the draw request, the Program may disburse funds for completed work. The applicant is ultimately responsible for ensuring that the contractor is paid for work completed.

Contractors must submit invoices in a timely manner and Homeowners must submit payment requests to DCA within 10 days of receipt of the contractor's invoice. An acknowledgement form attesting that they are satisfied with the work invoiced and will pay their contractor within ten (10) days of receipt of Program funds is also required. If the applicant does not pay the contractor within the ten (10) day period, they may be administratively withdrawn from the Program for non-compliance. The covenant on the property will be held until requirements are met.

9.3.3 Change Orders

Change orders are issued when the initial agreed-upon scope of work to be completed requires modification for repairs not identified by the initial damage



assessment. Each change order must include supporting documentation and a cost breakdown for any substantive scope of work modifications.

Supporting documentation must demonstrate the request is both necessary and essential to the completion of the home. This documentation generally consists of, but is not limited to, the following:

- ▶ Detailed contractor/applicant narrative of the request
- ▶ Structural related changes must be reviewed and approved by Program engineers
- ▶ Photographic support showing the condition to be remedied
- ▶ Supporting documentation as specified by the Program

The request and supporting documentation must be submitted to the Program for review. The Program will review the proposed change order and determine whether the scope of work is cost reasonable and eligible for grant funding. If all or a portion of the change order are ineligible for grant funding, the Homeowner will have to pay for the costs associated with the change order that are not funded by the Program.

The amount associated with the change order will be validated using an industry standard estimating platform or through an alternative estimating platform.

The Program will require that the construction contract include a final payment to be paid at the completion of the project. All payment schedules will be reviewed to ensure that payments are withheld until the project reaches completion. The Program recommends 10% of the total contract.

9.4 Warranty

The Program does not provide warranty services. The contractor must present warranty documents to the applicant which detail the length and method of claim request.

9.4.1 Rehabilitation

The applicant is encouraged to pursue a warranty agreement with the contractor. It is recommended that the contractor provide a one (1) year warranty period for all scope of work included in the Estimated Cost of Repairs and that the warranty meet the required warranty standards approved by the State of New Jersey.

9.4.2 Reconstruction

Reconstruction projects require the contractor to provide to the applicant a new home warranty as described in the New Jersey New Home Warranty and Builders' Registration Act (N.J.S.A. 46:3B-1).

9.5 Construction Disputes

As the applicant selects and engages with their contractor, it is their responsibility to resolve contract disputes. However, the Program Construction Manager may be able to join a scheduled meeting between the applicant and the contractor to assist with facilitating the Program requirements and next steps. . If the dispute cannot be resolved, the applicant may file a complaint as outlined in Section 11 Program Appeals, Complaints, And Grievances.

The program may make a policy exception when contractor fraud or workmanship issues are documented through appropriate channels which prevent the applicant from completing programmatic necessary scope.

10 CLOSEOUT

10.1 Construction Closeout and Final Inspections

Once construction is complete, the applicant will request a final site inspection to validate that all necessary work is completed according to the appropriate state and local codes and the home meets HQS. The final site inspection confirms that all required work has been completed and accepted by the local building inspector along with any required certificate of occupancy with municipal approval. The homeowner, and the Program Construction Manager will complete and sign a final inspection form.

The Declaration of Covenants will be released once all funds awarded in accordance with the Grant Agreement are expended, the home has met all Program construction requirements as evidenced by a certificate of occupancy or program approved equivalent and final inspection, and when applicable, the home is elevated in accordance with this Declaration of Covenants and Restrictions. Applicants who have been identified for recapture of program funding will not have this Declaration released until all funds have been recaptured by the Program.

10.1.1 Duplexes and Triplexes Closeout After Affordability Period

At the end of the compliance period, DCA will release the Affordability covenant for duplex/triplex properties and send a letter to the property owner stating that the requirements of the Program have been met and, if applicable, that the property owner is no longer responsible to rent to an LMI tenant.

10.2 Operations Quality Assurance Review

Operations QA/QC Review will be completed once the Construction Manager has verified construction has been completed, documented all change orders or incomplete scope, and uploaded all required documents to the file. Review will include checking that required construction and Program closeout documentation

is on file and, Program and federal cross-cutting requirements were documented., Upon confirmation that all applicable requirements have been completed and appropriately documented in the applicant's file, Program staff will conduct a change order reconciliation of the final award to account for any changes to the grant award since last executed grant amendment.

If there are changes to the final grant calculation, it will be signed by the applicant to ensure that any scope changes or additional duplication of benefit funds received after the execution of the grant agreement and final grant calculation are acknowledged.

10.3 Flood Insurance

Homeowners who have been assisted with CDBG-DR funds and who own a home in a Special Flood Hazard Area or a high-risk area defined by DEP must obtain flood insurance prior to start of construction to ensure that these properties are protected from future disasters. The applicant will be required to execute a deed restriction on the property at the time of grant signing, which notifies any future buyers of this requirement. Flood insurance monitoring will require the applicant to submit documentation meeting the compliance requirements of Section 102(a) of the Flood Disaster Protection Act of 1973. The standard documentation for compliance with Section 102(a) is either a paid receipt for the current annual flood insurance premium and a copy of the application for flood insurance or a copy of the current Policy Declarations form issued by the NFIP or issued by any property insurance company offering coverage under the NFIP. The Program may seek third party verification of compliance as well. Applicants who cannot meet these requirements will be determined to be non-compliant and may have to repay all or a portion of assistance provided by the Program.

10.4 Application Archive

The project will be ready for application archive when the following conditions are met:

- ▶ Project meets National Objective
- ▶ All funds are expended in full.
- ▶ Any funding determined to be ineligible is returned.
- ▶ All reporting requirements were completed.
- ▶ Any specials conditions of the Program were met.
- ▶ All audit and monitoring issues were resolved.

11 PROGRAM APPEALS, COMPLAINTS, AND GRIEVANCES

11.1 Program Eligibility Appeals

All appeal requests related to program activities are processed and reviewed by DCA. Initial review of the appeal will be conducted by a three (3) person panel, lead by Legal and Regulatory Affairs staff. This staff is independent from the group that originally made the decision being appealed. Each appeal will be reviewed against Program policies and requirements. The panel will make a recommendation to the Deputy Commissioner of DCA who will make the final determination.

Appeal requests to DRM must be postmarked within sixty (60) calendar days of the date of service on the original correspondence communicating the decision to be appealed. Appeals must be submitted in writing to:

Department of Community Affairs
Division of Disaster Recovery and Mitigation
P.O. Box 823
Trenton, NJ 08625-0800
Attention: Legal

The applicant's written request should contain the following information:

- ▶ Applicant's name,
- ▶ Address of damaged residence,
- ▶ Applicant's mailing address,
- ▶ Applicant's telephone number,
- ▶ Email address (if available),
- ▶ The reason(s) the decision or action is being appealed,
- ▶ Documentation that supports the request to overturn the decision, and
- ▶ Application number.

If appropriate, Legal and Regulatory Affairs may contact the applicant to allow the applicant to provide additional documents to address any deficiency or incomplete information, or to be interviewed to determine the merits of the applicant's appeal. If the action or decision is overturned, notification will specify the corrective action to be taken. The applicant shall be notified of the final determination in writing via certified mail.

11.2 Complaints

The State will accept written complaints related to the program. Written complaints should be submitted via email to DRM.ConstituentServices@dca.nj.gov or be mailed to:



New Jersey Department of Community Affairs
 Division of Disaster Recovery and Mitigation
 P.O. Box 823
 Trenton, NJ 08625-0800
 Attention: Manager, Constituent Services

The State will make every effort to provide a timely written response to every citizen complaint within 15 working days of receipt of the complaint, where practicable.

The State will require that its subrecipients follow a citizen complaint procedure reflective of the goals of the Citizen Participation Plan. A copy and/or summary of citizen complaints received by subrecipients will be forwarded to the NJ DCA. The complainant must be made aware by the subrecipient that if she or he is not satisfied with the response, a written complaint may be filed with the DCA.

11.3 Section 504 Coordination Complaints and Grievances

Section 504 prohibits discrimination on the basis of disability in programs conducted by federal agencies, in programs receiving federal financial assistance, in federal employment and in the employment practices of federal contractors. Complaints regarding accessibility can be reported to the State's Section 504 Coordinator. Plan publication efforts must meet the effective communications requirements of 24 Code of Federal Regulations (CFR) 8.6 and other fair housing and civil rights requirements, such as the effective communications requirements under the Americans with Disabilities Act.

State Section 504 Coordinator:
DisasterRecoveryandMitigation@dca.nj.gov

11.4 Fair Housing, Support to Non-English Speakers

Program activities will comply with all applicable Federal and local fair housing requirements including:

- ▶ Fair Housing Act (Title VIII of the Civil Rights Act of 1964);
- ▶ Title VI of the Civil Rights Act of 1964;
- ▶ Section 504 of the Rehabilitation Act of 1973;
- ▶ Section 109, Title 1 of the Housing and Community Development Act of 1974;
- ▶ Title II of the Americans with Disabilities Act of 1990;
- ▶ Architectural Barriers Act of 1968;
- ▶ Age Discrimination Act of 1975; and
- ▶ Title 6 of the Education Amendments Act of 1974

To further fair housing goals and ensure that all potentially eligible applicants are aware of the opportunity to participate in the Program, DCA will engage in an



outreach campaign prior to and during the application period. The multi-media outreach program includes special outreach to LMI households, minority households, and others identified as “least likely to apply” for assistance. In accordance with the requirements of Section 504 of the Rehabilitation Act of 1973, DCA will make reasonable accommodations to ensure access to the program for persons with disabilities. These accommodations may include providing alternative methods of compliance with program requirements, such as conducting home visits for individuals unable to travel and/or providing additional assistance in the completion of the application and program forms.

11.5 Fraud, Waste, and Abuse

DCA describes the process for applicants to report fraud, waste, or abuse in DCA Policy No. 2.10.4 Investigation Protocol Policy (February 2023) and, specifically, the “Avoid Home Repair Scams” tip sheet that is distributed to all beneficiaries. DCA has an established process for determining if fraud, waste, or abuse has occurred and it is discussed in DCA Policy No. 2.10.88 Policy Addressing Contractor Performance Issues: Fraud, Poor Workmanship, and Failure to Perform in a Timely Manner (April 2023). This policy discusses the role of DCA in investigating and acting when fraud occurs within program construction activities and/or programs. DCA Policy No. 2.10.13 Internal Audits and Recipients Audits Policy discusses the process of the Office of Auditing to provide both programmatic and financial oversight of grantee activities. When the grantee has determined that instances of fraud, waste, and abuse have occurred, these will be referred to the HUD OIG Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov) by the Office of Auditing.

It is the affirmative responsibility of any DCA employee and any Program Representative that has reasonable suspicion that any form of fraud is occurring, to notify the appropriate State or Federal agency or department. Notification of suspected fraud can be made to the Office of the State Comptroller. The toll-free telephone number for the hotline is 1-855-OSC-TIPS (1-855-672-8477). The e-mail address is comptrollertips@osc.nj.gov. All communications will be kept confidential. The hotline and e-mail address are maintained by the State of New Jersey, Office of the State Comptroller.

12 MONITORING, COMPLIANCE, AND RECORDS MANAGEMENT

12.1 Program Monitoring

The Disaster Recovery and Mitigation Division oversees activities and expenditures of authorized federal funds. DCA will perform monitoring and provide technical assistance on all program areas and files. The frequency of the monitoring is dependent on program progress, policy manual changes, and spending schedule.

The DRM Monitoring Unit conducts a risk analysis of programs and activities, then using a combination of desk reviews, site visits, and monitoring checklists to monitor program activities. To determine the appropriate monitoring of grants, DCA's risk assessment will consider prior grant administration and performance, audit findings, as well as the complexity of the project, among other factors in its monitoring efforts.

The primary purpose of the State's monitoring strategy is to ensure that all projects comply with applicable federal regulations and are effectively meeting their stated goals. Subsequently, the frequency and program components monitored will be determined by the risk analysis. All projects will be monitored at least once during the life of the activity. The results of monitoring and audit activities will be reported to the Deputy Commissioner of DCA overseeing the DRM.

The monitoring will address program compliance with contract provisions, which may include, but is not limited to, environmental reviews, procurement, fair housing, Section 3, Davis-Bacon Act and other prevailing wage provisions, Uniform Relocation Act, equal opportunity and civil rights requirements, Uniform Guidance, program income and other applicable financial requirements. All necessary environmental reviews shall be performed on each project prior to funding.

Procedures for verification of the accuracy of information provided by applicants for assistance are provided in the individual program policies and procedures. DCA's oversight and monitoring shall include procedures to ensure that the respective programs have sufficient documentation to verify the information being provided by applicants. DCA will test the program staff's adherence to the required procedures by testing applicant files using the appropriate sampling techniques. Further, DCA may embed quality assurance monitors into the intake process who will be charged with ensuring adherence to prescribed applicant verification procedures.

DCA will maintain a comprehensive monitoring manual and compliance and monitoring procedures for all funding sources including the CDBG-DR program.

12.2 Compliance

DCA has adopted a policy that it will conduct a risk analysis of CDBG-DR funds within the Program. Periodically, based on the risk analysis, DCA will monitor the program for its key areas. Monitoring will be performed by DRM Monitoring. The policies and procedures written into this manual will meet the standards set out in State and Federal law, the HUD Fund Notice, the HUD CDBG Rules, and the action plan to effectively provide the required proficient financial controls and procurement processes. Each program will develop a written comprehensive compliance plan consistent with the requirements in State and Federal law, the HUD Fund Notice, the HUD CDBG Rules, and the action plan. At a minimum the compliance plan should include:

- A. The system for monitoring of a general contractor's process for debarment verifications for subcontractors.

- B. The system for monitoring a general contractor's process for verification of Section 3 status, and the required record keeping. Certified payrolls are not required but will be accepted for this purpose.
 - C. Third-party (or non-program staff) consistency reviews for all monitoring processes for the program representatives' oversight inspection and monitoring functions.
 - D. An internal review of the draw approval process with the first not coming later than sixty (60) days after the first draw approvals.
 - E. A review of information system access and protections for program activities, including password protections by staff.
 - F. Other functions where errors could create inappropriate payments.
- Key Areas Identified:
- i. Section 3;
 - ii. Davis-Bacon Act and other labor standards (if applicable);
 - iii. Uniform Relocation Act;
 - iv. EEO Requirements;
 - v. OMB Circular A-87;
 - vi. 2 CFR Part 200 et al;
 - vii. Accessibility requirements;
 - viii. Program Income (if any); and
 - ix. CDBG Financial Requirements.

Each program will cooperate fully with the DCA, HUD, or HUD OIG monitors/auditors and assist them by providing all necessary access to databases and documents requested. Any compliance plan will include the frequency and distribution of any reporting of the ongoing activities.

12.3 Conflict of Interest

In accordance with federal requirements, the Program will adhere to the following conflict of interest provisions established for the CDBG-DR Program and as fully described in the DCA Conflict of Interest Policy No. 2.10.9. For the Program, the following areas have been identified as potential areas of conflict:

- ▶ Program Staff/Property owner Applicant or Staff/General Contractor relationships
- ▶ Property owner Applicant/General Contractor relationships
- ▶ Evaluation and approval process

12.3.1 Applicability

In the procurement of supplies, equipment, construction, and services by recipients and sub recipients, the conflict-of-interest provisions in 2 CFR 200.317-2 CFR 200.326, and the provisions of 24 CFR 570.611 apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient, by its sub recipients, or to individuals, businesses or other private entities under eligible activities which authorize such assistance (e.g., rehabilitation, preservation, and



other improvements of private properties or facilities pursuant to § 570.202, or grants, loans and other assistance to businesses, individuals and other private entities pursuant to § 570.203, § 570.204 or § 570.455).

12.3.2 Conflicts Prohibited

No persons who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of sub-recipients that are receiving funds under this part who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

12.4 Files, Records, and Reports

This section is intended to provide the protocols, guidance, and general framework for the files, records, and reports used and stored by DRM Housing Recovery Team Members. The process is composed of 3 Key Tasks:

- ▶ Maintain compliance with all applicable file retention guidelines as described in Policy for Record Retention 2.10.19 and audits in accordance with DCA's CDBG Disaster Recovery Program.
- ▶ Define a Standard Operating Procedure (SOP) to identify the specific steps, as well as customer and contractor interaction safeguarding personally identifiable information.
- ▶ Establish needed records, maintenance, and retention requirements.

DRM Housing Recovery Staff will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information by:

- ▶ Minimizing the use of PII on program documents and records;
- ▶ Providing access to PII only to those who require it for official business; and
- ▶ Securing PII appropriately whether in paper or electronic form.

12.4.1 Procedures for Performance Key Tasks

SIROMS is the electronic records system. The Program will maintain reliability to ensure records are accurate and available, preserve authenticity to protect against unauthorized access, and provide usability to staff so that records can be easily found and updated. Pertinent documents that are created elsewhere will be uploaded to SIROMS, at key points throughout the Program, as defined in the MIS Standard

Operating Procedure. Each applicant's files will reside in the system of record, SIROMS.

12.4.2 Record Retention Compliance

The Program, through the individual management information systems, will retain all relevant Program files as electronic records as described in the State's record retention policy 1.10.14. If any litigation, claim, audit, negotiation, or other action involving records has started before the expiration of the record retention period, records will be retained until all findings involving records have been resolved and final action is taken (2 CFR 200.334(a)). As defined in the policy, records must be retained and audited after the end of the Program. To assist with the compliance of these codes, the Program Representatives will work with the New Jersey Division of Revenue and Enterprise Services Records Management Services to submit and obtain an electronic Imaging System Certification, if applicable. This will include documenting the retention schedule outlined by the Program policy, defining our system configuration, quality control, disaster prevention/recovery, scanning policy, and procedures and data migration plan.

12.4.3 Prepare Standard Operating Procedures

These documents will be adjusted from time to time, as required to operate the program. At a minimum, the SOP will:

- ▶ Provide a description of what must be inventoried so that proper quality controls can be implemented. The inventory will consist of electronic records, such as scanned forms, electronic forms including signatures, internal and external reports, photographs, estimates, and drawings. These files shall be maintained such that they can be transferred via e-mail, disc format, and download.
- ▶ Define file formats and meta-data for each electronic record.
- ▶ Provide a clear description that appropriate State and Federal monitors/auditors will be allowed access to the records upon reasonable notice, unless fraud, waste, or abuse (See Policy 2.10.88) is the reason for the visit.
- ▶ Define specific procedures for the scanning of paper documents for the creation of an electronic file (paper forms are not anticipated).
- ▶ Implement quality controls that assure specific electronic records are being associated with the correct applicant ID and stored in the correct locations and format within the MIS.
- ▶ List the records retention schedule per Program policy.
- ▶ Define the methods of electronic records protection that include remote access control by only authorized staff members and physical security of the hardware.
- ▶ Define records disposition for program closeout, either by transfer of ownership or by destruction prior to the end of the required record retention period. This will include a plan to guard against technological



obsolescence which will involve common file formats, interfaces, and communication.

12.4.4 Required Records

Program Representative will provide support to DCA to meet the reporting requirements, where applicable to the Program, to the recordkeeping areas identified in the DCA Policy of Management and Record Keeping 2.10.19. These topics include but are not limited to:

1. Disaster Recovery (DR) Action Plan submission to HUD, which includes the application, program descriptions, certifications, and any amendments to the DR Action Plan, etc.;
2. Executed grant agreement or memorandum of understanding;
3. Description, geographic location, and budget of each funded activity;
4. Eligibility and national objective determinations for each activity;
5. Personnel files;
6. Property management files;
7. HUD monitoring correspondence;
8. Citizen participation compliance documentation;
9. Fair Housing and Equal Opportunity records;
10. Environmental review records;
11. Documentation of compliance with other Federal requirements, including but not limited to: Davis-Bacon Prevailing Wage requirements; Uniform Relocation Act, Section 3, and Lead-Based Paint; Employment/Economic Opportunity for Lower Income Persons (Section 3); Section 504 of the Rehabilitation Act of 1973; Americans with Disabilities Act; and Employment and Contracting (Minority and Women's Business Enterprise);
12. Chart of accounts;
13. Manual on accounting procedures;
14. Accounting journals and ledgers;
15. Source documentation (purchase orders, invoices, canceled checks, etc.);
16. Procurement files (including bids, contracts, etc.);
17. Real property inventory;
18. Bank account records (including revolving loan fund records, if applicable);
19. Draw down requests;
20. Payroll records and reports;
21. Financial reports;
22. Audit files;
23. Relevant financial correspondence;
24. Evidence of having met a national objective (see below);
25. Sub recipient agreement or Memorandum of Understanding, if applicable;
26. Procurement documentation, including any bids or contracts;
27. Locations of the beneficiaries;
28. Data on racial, ethnic, and gender characteristics of beneficiaries
29. Compliance with special program requirements, including environmental review records;
30. Budget and expenditure information (including draw requests);



31. Status of the project/activity;
32. National objective; and
33. Income.
- 34.

12.4.5 Destruction of Records

In no case shall the record destruction date be less than seven (7) years from the time of final closeout. All original records become property of the State of New Jersey. These original records shall be transferred to DCA for storage consistent with the Plan. The Program shall maintain copies for not less than seven (7) years of relevant records.

