

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

SUBJECT: Housing Resilience Mitigation Fund Program


NUMBER: 2.10.123

EFFECTIVE: March 2026

REVISED:

DCA-DRM

PAGE 1 OF 1

APPROVAL: 

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The Housing Resilience Mitigation Fund (HMF) is a CDBG-DR-funded mitigation program established by the New Jersey Department of Community Affairs (DCA), Division of Disaster Recovery and Mitigation (DRM), to reduce long-term risk to life and property from future natural hazards identified in the State's Hazard Mitigation Plan. The Program is funded through the State's Community Development Block Grant-Disaster Recovery (CDBG-DR) allocation for Tropical Storm Ida, as authorized by Public Law 117-43 and governed by HUD's Consolidated Notice (87 FR 31636).

The HMF is designed specifically to implement forward-looking mitigation measures. All activities funded under this Program must demonstrate a clear mitigation benefit and align with hazards identified in New Jersey's State Hazard Mitigation Plan. Activities must reduce future losses, enhance resilience, and support long-term risk reduction for eligible households.

Housing Resilience Mitigation Fund Program Policy

March 2026
Version 1.0

CONTENTS

- Contents 1**
- 1 Program Overview 6**
 - 1.1 Introduction 6
 - 1.2 Program Description 6
 - 1.2.1 Pathway 1: Mitigation - Hazard Risk Reduction and Prevention 6
 - 1.2.2 Pathway 2: Mitigation - Reconstruction / Development 7
 - 1.3 Funding Sources 8
 - 1.3.1 Tropical Storm Ida CDBG-DR 8
- 2 APPLICATION AND PRIORITIES 9**
 - 2.1 Application Process Overview 9
 - 2.1.1 Application Period 10
 - 2.1.2 Income Verification 10
 - 2.1.3 Applicant Prioritization 11
 - 2.2 Withdrawal 12
 - 2.2.1 Voluntary Application Withdrawals 12
 - 2.2.2 Administrative Application Withdrawal 12
 - 2.2.3 Program Reinstatement Requests 13
 - 2.3 Housing Counseling Services 13
- 3 ELIGIBILITY 13**
 - 3.1 National Objectives 13
 - 3.2 Applicant Eligibility 13
 - 3.2.1 Pathway 1 Eligible Applicants 13
 - 3.2.2 Pathway 2 Eligible Applicants 14
 - 3.3 Eligible Activities 14
 - 3.3.1 Pathway 1: Eligible Mitigation Activities - Hazard Risk Reduction and Prevention
15
 - 3.3.2 Pathway 2: Eligible Reconstruction and Development Activities 15
 - 3.4 Ineligible Activities 15
 - 3.5 Occupancy and Primary Residency 17
 - 3.6 Lawful Presence 17
 - 3.7 Mitigation Tie-Back 17
 - 3.8 Uniform Relocation Act (URA) 17
 - 3.9 Individual Homeowner Ownership 18
 - 3.10 Developer Ownership 18



- 3.11 Other Special Ownership Circumstances 18
 - 3.11.1 Foreclosures 18
 - 3.11.2 Death of Owner 18
- 3.12 Other Flood Insurance Requirements 18
- 4 ENVIRONMENTAL REVIEW.....19**
- 4.1 Environmental Review 19
 - 4.1.1 National Environmental Policy Act (NEPA)..... 19
 - 4.1.2 Tiered Reviews 20
- 4.2 Blackout Period/Stop-Work Period 21
- 5 COST METHODOLOGY AND ELIGIBLE ACTIVITIES LIST.....22**
- 5.1 Mitigation Activities (Pathway I)..... 22
- 5.2 Mitigation Reconstruction (Pathway II)..... 22
 - 5.2.1 Mitigation Reconstruction 22
 - 5.2.2 Existing Footprint and Design..... 23
- 5.3 Ineligible Costs 23
 - 5.3.1 Green Building Requirements 23
 - 5.3.2 Accessibility..... 24
- 6 AWARD.....24**
- 6.1 Cost-Benefit Assessment..... 24
- 6.2 Award Determination and Calculation 24
 - 6.2.1 Pathway 1 Award Determination (Mitigation – Hazard Risk Reduction and Prevention) 24
 - 6.2.2 Pathway 2 Award Determination (Mitigation Reconstruction/Development)..... 25
 - 6.2.3 Maximum Assistance 25
 - 6.2.4 Duplication of Benefits (DOB)..... 26
- 6.3 Responsibility of Applicant to Provide Non-Program Funds (NPF) 26
 - 6.3.1 Pathway 1 26
 - 6.3.2 Pathway 2: Additional Financing..... 27
- 6.4 Funding Agreement Execution 27
 - 6.4.1 Approvals 27
 - 6.4.2 Agreement..... 28
- 6.5 Repayment of Mitigation Funds..... 28
 - 6.5.1 Repayment Event..... 28
 - 6.5.2 No Partial Payments and No Amortization..... 28
 - 6.5.3 Covenant Requirements..... 29
 - 6.5.4 Release of Covenant..... 29



- 7 PRE-CONSTRUCTION.....30**
 - 7.1 Contractor Selection and Performance30
 - 7.1.1 Contractor Validation Requirements.....30**
 - 7.2 Preconstruction Conference & Cost Acceptance30
 - 7.2.1 Program Approved Costs30**
 - 7.3 Pathway II: New Construction Agreements31
- 8 CONSTRUCTION AND PAYMENTS.....31**
 - 8.1 Construction Monitoring and Inspections31
 - 8.1.1 Hazardous Materials31**
 - 8.1.2 Inspections.....32**
 - 8.2 Draw Payments and Change Orders32
 - 8.2.1 Pathway 1 Payment Requirements32**
 - 8.2.2 Pathway 2 Payment Requirements33**
 - 8.3 Contractor Disputes34
- 9 CLOSEOUT.....34**
 - 9.1 Construction Closeout and Final Inspections34
 - 9.2 Application Closeout34
 - 9.2.1 Closeout Requirements for Pathway 234**
 - 9.3 Flood Insurance35
 - 9.3.1 Requirements for Properties in Flood-Prone Areas35**
 - 9.4 Application Archive.....35
- 10 PROGRAM APPEALS, COMPLAINTS, AND GRIEVANCES36**
 - 10.1 Program Eligibility Appeals.....36
 - 10.2 Complaints.....37
 - 10.3 Section 504 Coordination Complaints and Grievances37
 - 10.4 Fair Housing, Support to Non-English Speakers37
 - 10.5 Fraud, Waste, and Abuse.....38
- 11 MONITORING, COMPLIANCE, AND RECORDS MANAGEMENT38**
 - 11.1 Program Monitoring38
 - 11.2 Compliance.....39
 - 11.2.1 Section 340**
 - 11.2.2 Use of Repaid Funds.....41**
 - 11.3 Conflict of Interest.....41
 - 11.3.1 Applicability41**
 - 11.3.2 Conflicts Prohibited42**



11.4	Files, Records, and Reports.....	42
11.4.1	Procedures for Performance Key Tasks	42
11.4.2	Record Retention Compliance.....	43
11.4.3	Prepare Standard Operating Procedures	43
11.4.4	Required Records	44
11.4.5	Destruction of Records.....	45



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	3.13.2026	Housing Resilience Mitigation Fund Policy



1 PROGRAM OVERVIEW

1.1 Introduction

The Housing Resilience Mitigation Fund (HMF) is a CDBG-DR–funded mitigation program established by the New Jersey Department of Community Affairs (DCA), Division of Disaster Recovery and Mitigation (DRM), to reduce long-term risk to life and property from future natural hazards identified in the State’s Hazard Mitigation Plan. The Program is funded through the State’s Community Development Block Grant–Disaster Recovery (CDBG-DR) allocation for Tropical Storm Ida, as authorized by Public Law 117-43 and governed by HUD’s Consolidated Notice (87 FR 31636).

The HMF is designed specifically to implement forward-looking mitigation measures. All activities funded under this Program must demonstrate a clear mitigation benefit and align with hazards identified in New Jersey’s State Hazard Mitigation Plan. Activities must reduce future losses, enhance resilience, and support long-term risk reduction for eligible households.

The Program includes two pathways tailored to different mitigation needs:

Pathway 1 – General Mitigation Activities as defined on the Eligible Activity cost list focused on smaller mitigation measures with a fixed cost schedule; and

Pathway 2 – Mitigation Reconstruction Development Activities, for applicants requiring mitigation reconstruction.

1.2 Program Description

HMF provides interest-free repayable funding to eligible applicants implementing approved mitigation activities that address risks such as flooding, stormwater intrusion, wind damage, and other hazards documented in New Jersey’s State Hazard Mitigation Plan which must be repaid upon the sale of the home. All activities must meet HUD’s definition of mitigation: *actions that increase resilience and reduce or eliminate long-term risk of loss of life, injury, property damage, or suffering.*

The Program is implemented through two pathways.

1.2.1 Pathway 1: Mitigation - Hazard Risk Reduction and Prevention

Pathway 1 supports smaller-scale mitigation improvements and multi-hazard protective measures designed to prevent and reduce properties’ future risk from disasters.

Key features of this Pathway include:

- **Maximum Assistance:** Up to \$100,000 in available mitigation assistance per property. This amount is cumulative across all application years. Funds may be repaid prior to home sale, at which point their maximum assistance is netted.

- **One Activity Per Year Rule:** Applicants must select one activity per program year to ensure fair and broad distribution of mitigation funding. The Program may allow for scope necessary to complete the mitigation work where it is necessary and reasonable.
- **Eligible Activities List and Fixed Cost Schedule:** Awards are based on the Program's publicly available Eligible Activities List and fixed cost schedule, not contractor proposals. The Program will periodically update the fixed cost schedule to account for regional cost increases. Any contract costs beyond the fixed cost schedule must be paid by the homeowner prior to program funding disbursement.
- **Repayment Requirement:** All funds disbursed become due in full at the sale or transfer of the home, as documented in the Funding Agreement and Restrictive Covenant.
- **Completion Timeline:** Work must be completed within 12 months of award, unless extended at DRM's discretion.

1.2.2 Pathway 2: Mitigation - Reconstruction / Development

Pathway 2 supports mitigation reconstruction which includes activities such as demolition, site improvements, and mitigation-focused development activities. This pathway is available to both individual homeowners and eligible developers.

Pathway 2 is designed for properties where preventive mitigation is insufficient to reduce long-term hazard risk. Examples include but are not limited to: flood prone structures that are below the NJDEP design flood elevation (DFE), a vacant lot in need of redevelopment, or a structure damaged by a hazard event where mitigation reconstruction is required.

Key features of this Pathway include:

- **Maximum Assistance:** Up to \$500,000 per structure, based on the Program's Firm Fixed Price (FFP) reconstruction model.
- **Cost-Benefit Assessment:** Required for all properties to determine if reconstruction is necessary and reasonable. This ensures the limited funding available to the program is put to the best use for the State.
- **Firm Fixed Price Budget:** Awards are based on standardized reconstruction models which consider bedroom count, square footage, and other factors. Pricing will be reviewed periodically and updated on the HMF website.
- **Milestone Based Payments:** Payments are issued across clearly defined construction milestones tied to municipal and program review.
- **Developer Resale Requirements:** Developers must sell reconstructed or developed homes to eligible LMI households, and resale must occur within Program defined parameters. These property-specific parameters will be established prior to the award and may include terms such as sale within 6

months of the CO issuance and based on an established sales price formula.

- **Completion Timeline:** Pathway 2 projects must be completed within 36 months of award, inclusive of design, permitting, construction, inspections, sale and closeout.
- **Repayment:** No repayment is required to HMF until the home is sold from one residing owner to another.
 - **Developer Reconstruction:** Funds paid by the program to the developer in the construction process will remain as a lien on the property through the sale to the LMI homeowner. The LMI buyer must repay funds to the Program at the time they sell the property.
 - **Owner Occupied Reconstruction:** Properties owned by a primary resident at the time of application, or subsequently purchased through a program-funded developer, must repay all program funds upon the sale of the home.

1.3 Funding Sources

1.3.1 Tropical Storm Ida CDBG-DR

The funding for this Program 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](#).

Applicants who can prove current ownership or site control and document that the property was directly or indirectly impacted by Tropical Storm Ida may receive priority consideration during application processing.

For funding sourced from Tropical Storm Ida CDBG-DR, mitigation assistance under the Housing Resilience Mitigation Fund is limited to properties located within HUD-identified and State-identified Most Impacted and Distressed (MID) areas associated with Tropical Storm Ida, as outlined below:



HUD-Identified MID Counties:

- Bergen
- Essex
- Hudson
- Middlesex
- Passaic
- Somerset
- Union

State-Identified MID Counties:

- Gloucester
- Hunterdon
- Mercer
- Morris
- Warren

Only applicants whose eligible properties are located within the counties listed above may receive mitigation assistance funded by Tropical Storm Ida CDBG-DR allocations.

2 APPLICATION AND PRIORITIES

2.1 Application Process Overview

HMF uses a structured application process designed to ensure equitable access, consistent evaluation, and compliance with federal CDBG-DR rules. Applications are accepted through the designated Program portal.

Pathway 1 applications must include the following components:

- Selection of one eligible mitigation activity from the Program’s annually updated Eligible Activity Cost List.
- A proposal from a licensed contractor detailing the scope and cost of the mitigation activity.
- Contractor proposal must include all scope necessary to complete the selected mitigation measure (e.g., electrical work required for sump pump installation).
 - Proposals submitted that include substantial amounts of proposed work that is not related to the mitigation measure will not be accepted
- Photographs of existing conditions of the proposed jobsite sufficient to document the need for the selected mitigation activity.
- Documentation needed to assess eligibility including proof of ownership, occupancy, and income.



Pathway 2 applications must include the following components:

- A proposal demonstrating that the project scope aligns with the Program’s Eligible Reconstruction Price List. Cost proposals are not required, as reconstruction awards are based on the Program’s Firm Fixed Price (FFP) model.
 - The Program may allow an increase in bedrooms or square footage if: (1) the expansion remains substantially within the existing footprint as required by HUD environmental guidance, and (2) the increase is justified by household size for owner-occupants, or by marketability for developer-constructed LMI units. Any expansion must remain within the Program’s Firm Fixed Price cost model and meet HUD cost-reasonableness standards. Should an applicant wish to increase the bedroom count in their new home, the Program will consider these household sizes eligible for the corresponding bedroom allowance.

Household Size	Bedroom Allowance
1 to 3	2 Bedrooms
4 to 6	3 Bedrooms
7+	4 Bedrooms

- Identification of any supporting scope necessary for the selected mitigation measure (design, demolition, other site improvements).
- Proof of site control
- Contractor’s active, valid NJ new home builder license.
- Photographs of existing conditions of the proposed jobsite, sufficient to document the need for the selected mitigation activity.
- Estimate of construction cost to determine applicant’s contribution amount
- Contractor’s active, valid NJ new home builder license.
- Proof of prior losses or tieback to Ida to demonstrate potential priority over other applications

2.1.1 Application Period

Applications will be accepted on a rolling basis. If demand exceeds available funding, the State may implement waitlists or phased intake periods. The application period may close based or reopened based on funding becomes available. Applicants will be notified in writing of their application status.

2.1.2 Income Verification

The income definition used for the Program is the definition of annual income as defined by IRS Adjusted Gross Income. Applicants certify their total household income on the application. For proof of household income, applicants must provide most recent Federal Tax Return for each household member who files taxes.



Income is used to classify households as either LMI households or non-LMI households based upon the income limits published by HUD. Applicants whose household income exceeds 120% of AMI at the time of the application are ineligible for Program.

Verification of income for all household members is required. Applicants must provide their most recent Federal Tax Return (Form 1040) for each household member who files taxes.

If an applicant or applicable household member did not file a 1040 tax return for the most recent tax year, the Program will accept an IRS Verification of Non-Filing Letter (VNF) as documentation. The VNF must:

- Confirm that the household member did not file and was not required to file a Federal income tax return for the applicable year;
- Be issued directly by the IRS;
- Be dated within 12 months of the application date.

2.1.2.1 Pathway 2: Developer Projects Income Verification

For developer-led projects, income for future buyers is not verified at the application stage when households have not yet been identified. Income eligibility and affordability compliance, where required, will be verified at the time of unit sale, consistent with the applicable national objective and award requirements. For more information about income verification at time of sale please refer to section 9.2.1

2.1.3 Applicant Prioritization

Due to limited funding, the program will impose application processing priorities as noted below. Funding will be provided to applicants with the highest priority over those with a lower priority when the interest exceeds funding.

Application Priorities		Higher Priority	Lower Priority
Household Income	Less than 80% of AMI	X	
	80% to 120% of AMI		X
Ida Impact	Properties impacted by Tropical Storm Ida	X	
	Properties in a MID but not impacted by Tropical Storm Ida		X



Damage Impact	Properties in FEMA SFHA or other repetitive hazard exposure	X	
	No previous or repetitive loss		X

2.2 Withdrawal

2.2.1 Voluntary Application Withdrawals

Applications may be withdrawn from the Program at any time during the application cycle. Because each application represents a distinct and separate funding round, withdrawal affects only the specific application being processed and does not remove an applicant from eligibility for future cycles.

- Applicants may voluntarily withdraw an application for any reason. The following rules apply:
 - Withdrawal applies only to the current application cycle and does not impact prior or future applications.
 - If no funds have been disbursed, the applicant may withdraw without further action.
 - If HMF funds have been disbursed for the current application, the applicant must return all funds disbursed under that specific application cycle.
 - Funds disbursed in previous years for completed mitigation activities do not need to be repaid, as each application cycle is treated independently.
 - Upon receipt of the applicant’s written withdrawal request, DCA will issue a written acknowledgment.

2.2.2 Administrative Application Withdrawal

Applications may be administratively withdrawn for the following reasons, and may require repayment:

- ▶ Any applicants become unresponsive or 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.
- ▶ An applicant is determined to have provided false or misleading information.
- ▶ 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.



- ▶ Applicant fails to complete construction within the period of performance required by the program.
- ▶ Other violations of program policy.

2.2.3 Program Reinstatement Requests

Applicants who have been withdrawn from the Program may submit a written request for reinstatement, based on extenuating circumstances. The request may 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.

2.3 Housing Counseling Services

Housing counseling services provided under the Housing Resilience Mitigation Fund will support applicants throughout their participation in the program. These services will include application assistance, documentation support, and long-term housing planning, as well as wraparound services and referrals that may be necessary to assist vulnerable populations as they move through the program.

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 across all Ida funded programs to 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 Applicant Eligibility

Applicants must meet the pathway-specific requirements below to receive assistance through the HMF. Eligibility differs for Pathway 1 and Pathway 2, depending on whether the applicant is an individual homeowner or a developer. All applicants must comply with applicable Federal, State, and Program requirements. Single-family homes, townhomes, modular homes, and manufactured homes, are eligible for the Program.

3.2.1 Pathway 1 Eligible Applicants

Pathway 1 provides funding for mitigation activities, excluding reconstruction, which prevent and reduce risk from future hazards. The mitigation measure which will be completed will be selected from the Program's Eligible Activity



Cost List. Only individual homeowners may apply for Pathway 1. Individual owners must meet the eligibility criteria as noted under sections 3.3-3.12.

3.2.2 Pathway 2 Eligible Applicants

Pathway 2 is available to both individual homeowners and eligible developers whose projects involve reconstruction, or mitigation-focused redevelopment.

Individual owners must meet the eligibility criteria as noted under sections 3.3-3.12. Developer requirements include but are not limited to the following:

- Must demonstrate clear site control at the time of application
- Possess sufficient construction and project management capacity
- Comply with all federal and state contracting, insurance, and licensing requirements

Submit a development pro forma demonstrating project feasibility, cost reasonableness, and compliance with Program affordability and resale requirements. Developer led projects must be designed as mitigation-focused redevelopment and must result in the sale of completed homes exclusively to Low- to Moderate-Income (LMI) homebuyers. Developers may be required to provide a marketing plan, list of potential LMI homebuyers or referral pipelines, affirmative fair housing marketing materials, and a demonstrated ability to meet Program timelines, documentation requirements, and cost reasonableness standards.

All Pathway 2 applicants must adhere to Program construction standards, milestone inspections, procurement rules, environmental compliance, and the Program's repayment and covenant obligations.

3.3 Eligible Activities

Eligible activities under HMF must meet HUD's definition of mitigation as defined in 87 FR 31636 and must directly reduce or eliminate long-term risk to life, health, safety, and property from future hazards. All activities must also be reasonable, necessary, cost-effective, and aligned with risks identified in New Jersey's State Hazard Mitigation Plan.

Single-family homes are eligible for both Program Pathways 1 and 2.

Townhomes, modular homes, and manufactured homes, are eligible for Pathway 1 of the Program. Any increase to a structure's footprint must comply with the Program's Tier II Environmental Review and municipal zoning requirements. Expansion is permitted only when:

- It does not create new adverse environmental impacts, and
- It is required to meet mitigation standards (e.g., elevating utilities, meeting egress requirements).

Expansion solely for added square footage or livability upgrades is not eligible for Program funding.



3.3.1 Pathway 1: Eligible Mitigation Activities - Hazard Risk Reduction and Prevention

Pathway 1 provides assistance for smaller-scale mitigation measures selected from the Program's annually updated Eligible Activity Cost List. Applicants may select one eligible mitigation activity per year, with additional supporting scope allowed when necessary to complete the selected activity.

3.3.2 Pathway 2: Eligible Reconstruction and Development Activities

Pathway 2 supports reconstruction and development activities that increase resilience to future hazards. Pathway 2 is open to individual homeowners and qualified developers.

Eligible reconstruction activities can include the following:

Structural Mitigation & Redevelopment

- Reconstruction or replacement of a home to meet modern hazard-resistant and green building standards
- Demolition of substantially damaged or high-risk structures
- Dry floodproofing or wet floodproofing components as part of reconstruction
- Structural retrofits needed to improve resilience

Site and Infrastructure Improvements

- Utility elevation or relocation
- Drainage or stormwater management measures integral to reconstruction
- Foundation replacement
- Access improvements required to meet mitigation standards (e.g., resilient driveways in flood-prone areas)

Professional and Soft Costs

- Architectural and engineering (A/E) design services
- Environmental review and permitting
- Surveying and geotechnical assessments
- Construction management and inspection services
- Testing and certification

These activities are eligible only when included within a complete mitigation reconstruction scope. None of the listed activities are eligible as standalone improvements.

3.4 Ineligible Activities

Ineligible activities include the following:

- ▶ Reimbursement of pre-award costs

- ▶ Activities not listed on the Program’s Eligible Cost List
- ▶ Activities which are not required to complete a scope activity from the Eligible Cost List
- ▶ Activities that do not fall under the definition of mitigation as defined by HUD
- ▶ Mitigation activities that disturb lead paint surfaces under Pathway 1
- ▶ Activities that will displace renters
- ▶ Forced payoffs- Applicants may not use their award funds to reduce or pay off their mortgage or other loans.
- ▶ Assistance for applicants who previously received federal disaster assistance and did not maintain flood insurance where required
- ▶ Assistance for applicants whose combined household income is over 120% of AMI.
 - Applicants may refer to the link provided to access the most current HUD-published income limits.: [CDBG and CDBG-DR Income Limits - HUD Exchange](#)
- ▶ 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.
- ▶ Funding assistance for second homes
 - A second home is defined for purposes of the Universal Notice 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.
- ▶ Properties containing rental units, including duplexes and triplexes, are not eligible for assistance.
- ▶ Properties located within a Disaster Risk Reduction Areas defined by NJDEP
- ▶ 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 for Recreational Vehicles (RV), house boats, and campers are not eligible, even if the applicant occupied one of these as a primary residence.
- ▶ 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 reconstruction is prohibited in floodways.
- ▶ The following ownership structures are *not eligible* for assistance:
 - Properties owned by LLCs
 - Properties held in trusts
 - Condominium or co-op units



- ▶ Work completed post-application but prior to environmental approval, see section 4.2

3.5 Occupancy and Primary Residency

Applicants must have occupied the property as their primary residence at the time of the application. 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 residence listed on the application as the applicant's primary residence. Alternative documentation will be considered if the primary residence cannot be confirmed as above. If an applicant is unable to provide a New Jersey driver's license or a government issued non-driver identification card, the applicant must present other documents to verify 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 the most recent year indicating that the property is the applicant's primary residence.
- ▶ Voter registration card showing the damaged residence.

3.6 Lawful Presence

DCA will determine lawful presence using the supporting documents discussed throughout this policy. 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.

3.7 Mitigation Tie-Back

All activities must:

- Meet HUD's definition of mitigation; and
- Demonstrate a clear connection to future risk reduction based on hazards identified in the State Hazard Mitigation Plan.

3.8 Uniform Relocation Act (URA)

Properties that contain rental units and activities that displace renters are not eligible for the Program. As a result, URA is not expected to apply to the HMF. Please reference policy 2.10.78 entitled "Uniform Relocation Act Procedures for the Homeowner's Assistance and Recovery Program" for further guidance on the State's process for implementing URA provisions and the State's Residential Anti-Displacement and Relocation Assistance Plan (RARAP).



3.9 Individual Homeowner Ownership

The applicant must own the property at the time of application. All individuals with an ownership interest in the property must agree to participate in the program. Applicants who do not own or have no legal interest in the property are not eligible for the Program.

An individual with Power of Attorney (POA) for the owner occupant may complete the application on the applicant's behalf.

3.10 Developer Ownership

Developer applicants must demonstrate clear and enforceable site control for the subject property at the time of application. Site control must provide the developer with the legal authority to undertake the proposed mitigation reconstruction or redevelopment activities and to convey the property in compliance with Program requirements.

Acceptable forms of site control may include, but are not limited to, fee simple ownership, an executed purchase and sale agreement, an option to purchase, a long-term ground lease, or another legally binding instrument deemed acceptable by the Program. All site control documentation must remain valid through funding agreement execution unless otherwise approved by the Program.

The Program reserves the right to verify site control and determine whether the form and duration of site control are sufficient to support project feasibility, environmental compliance, construction, and resale requirements.

3.11 Other Special Ownership Circumstances

3.11.1 Foreclosures

Applicants whose homes have been foreclosed are not eligible for Program assistance, however if they are in the process of a foreclosure (such as lis pendens) DCA will evaluate those properties for eligibility.

3.11.2 Death of Owner

If the applicant is deceased, then the application will be deemed ineligible. Heirs to the property are encouraged to re-apply once ownership is transferred.

Should death occur post-award, the heirs are eligible to receive the balance of the award to complete the project.

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 an 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 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 from receiving federal assistance.

As of 2025 those communities not eligible to participate in the program are:

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

4 ENVIRONMENTAL REVIEW

4.1 Environmental Review

4.1.1 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.

4.1.2 Tiered Reviews

DCA employs 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, or mitigation work, or disbursements 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.

4.2 Blackout Period/Stop-Work Period

“Blackout” or “stop-work” period refers to the period of time from the application date through the completed environmental review where no work may be performed in relation to the home. Work performed during this period may not be eligible for inclusion within the scope of work and may result in the project being ineligible for the Program. Applicants are required to stop any construction activities if notified to do so by the Program.

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.

5 COST METHODOLOGY AND ELIGIBLE ACTIVITIES LIST

5.1 Mitigation Activities (Pathway I)

Pathway 1 provides funding for eligible mitigation activities that address damage or high-risk conditions without requiring full reconstruction. Allowable Pathway 1 activities are defined in the Program's Eligible Activity List available on DRM's website. This list has been developed through a structured methodology that relies on standardized cost estimation software, historical construction cost data, and pricing from recent, competitively procured contractor bids. This approach ensures that cost allowances reflect current market conditions and support consistent and equitable award determinations.

Pathway 1 cost allowances are based on the typical material and labor costs required to perform eligible mitigation measures. Cost allowances are standardized for each eligible activity type and will comply with Program cost-reasonableness standards.

5.2 Mitigation Reconstruction (Pathway II)

Program funds may be used to demolish and/or rebuild structures in a way appropriate to mitigate against damage from future hazard events. If the property is in the FEMA SFHA or a flood zone as defined by NJDEP, the reconstructed property must be elevated to DFE or above.

5.2.1 Mitigation Reconstruction

Reconstruction awards are based on the Program's Eligible Activity List, which establishes allowable costs for demolition and reconstruction activities. These costs are developed using standardized construction cost estimation software, historical pricing data, and recent contractor bid information. This methodology ensures all reconstruction cost allowances reflect current market conditions, HUD standards, and cost-reasonableness requirements.

Cost allowances for reconstruction are derived from Program-developed standard model house plans. These models include typical two-, three-, and four-bedroom layouts. The estimated construction cost for each model is used as the basis for calculating the applicant's reconstruction award. These standardized estimates may differ from the cost a homeowner would incur to rebuild their prior home with its original square footage, finishes, or custom features. Awards are limited to Program-allowable costs to construct a code-compliant home that meets HUD expectations.

The program may allow for additional site-specific adjustments to this pre-calculated reconstruction award at its sole discretion when necessary.

The Program may perform periodic inspections to confirm that work completed aligns with the approved reconstruction scope and allowable cost standards.



Inspections may occur at any point during the demolition or construction process.

5.2.2 Existing Footprint and Design

The replacement structure must be constructed substantially within the same footprint, allowing for reasonable adjustments required to meet zoning, environmental, or mitigation design standards. The Program will not compensate for an increase to the number of units on the lot. The Program will fund one environmental review in accordance with Program requirements.

The program may allow for an increase in the number of bedrooms or sq ft from the original design provided it is either:

- Required for marketability when a Developer is the principle applicant
- Supported by the number of people residing in the home

5.3 Ineligible Costs

All costs funded by the Program must be related to the approved mitigation measure. The items below are not eligible for funding by the Program unless they are required to meet local building code requirements:

- ▶ Upgraded materials or finishes;
- ▶ Outbuildings (sheds, etc.);
- ▶ Decorative landscaping and paving;
- ▶ Outdoor sprinkler systems;
- ▶ Pools and hot tubs;
- ▶ Solar panels;
- ▶ Sky lights
- ▶ Fences;
- ▶ Security Systems;
- ▶ Post storm additions (rooms added to original pre-storm structure);
- ▶ Outdoor showers;
- ▶ Outdoor fireplaces;
- ▶ Purchase of tools and equipment;
- ▶ Bulkheads, docks and boat ramps
- ▶ Replacement of clothes washer and/or dryer;
- ▶ Replacement of window air conditioner units;
- ▶ Any additional items deemed by the Program to not contribute to the habitability or life/safety aspects of the home.

5.3.1 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.



5.3.1.1 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.

5.3.2 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. 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

Accessibility improvements must be supported by documented need and are limited to primary taxable living areas of the home (i.e. 1st and 2nd floors). Costs are determined by using industry standard estimating software. This cost reasonableness evaluation may be performed using an alternative estimating platform or through bid responses.

6 AWARD

6.1 Cost-Benefit Assessment

A Cost-Benefit Assessment (CBA) is required for Pathway 2 activities to determine if reconstruction is necessary and reasonable. This evaluation will consider previous losses as a result of hazard events, and the likelihood of future losses if the structure is not mitigated.

The Cost-Benefit Assessment will evaluate whether the proposed mitigation reconstruction is reasonable and necessary, including whether the completed structure is expected to retain a reasonable market value relative to the level of Program investment.

6.2 Award Determination and Calculation

Award amounts are determined based on the applicant's selected pathway, the Program's fixed cost allowance for the proposed mitigation activity, and the cost model applicable to that pathway. Awards may not exceed the Program's maximum assistance limits or eligible costs.

6.2.1 Pathway 1 Award Determination (Mitigation – Hazard Risk Reduction and Prevention)

For Pathway 1, the award is calculated using the Program's Eligible Activity List, which is updated annually and reflects standardized pricing for reasonable and necessary mitigation activities.

The award equals the Program-approved cost for the selected mitigation activity, plus any verified supporting scope required to complete the measure, less any Duplication of Benefits (DOB).

The Program will not fund costs beyond the eligible activity amount, even if the contractor invoices exceed it.

Contractor proposals do not determine award amounts; they are used only to validate that the proposed scope qualifies as a mitigation measure as defined by the Program. Awards are calculated from standardized Eligible Activity costs; disbursements are limited to verified contractor invoices for eligible scope and may not exceed actual eligible costs

Since the program only pays upon receipt of contractor invoice, applicants may receive less than the maximum calculated award. If there are undisbursed funds at the time of application closeout, then the funds will be de-obligated and will no longer be available to the applicant.

6.2.2 Pathway 2 Award Determination (Mitigation Reconstruction/Development)

For Pathway 2, the award is determined using a Firm Fixed Price (FFP) reconstruction or development budget consistent with Program construction standards.

The award reflects the Program-approved reconstruction model, based on size, design, and hazard-resilient requirements.

The Program may fund additional costs for Architecture and Engineering (A/E), municipal inspections and permitting, environmental mitigation, and other site-specific conditions.

Developer awards are based on the same FFP model and must pass cost-reasonableness review, feasibility tests, and market-value caps.

6.2.3 Maximum Assistance

Pathway 1 – Hazard Risk Reduction and Prevention Measures

Maximum assistance: Up to \$100,000 per applicant.

Applicants may repay funds and re-borrow up to the \$100,000 maximum in future years.

Pathway 2 – Reconstruction / Development

Maximum Assistance

- Each eligible structure may receive up to \$500,000, contingent upon available program funding.
- This limit applies to both individual homeowners and developers.

Award Parameters

- Owner-Occupied Units:
 - Assistance may not exceed the applicable Firm Fixed Price (FFP) model amount.
- Developer Projects:
 - Assistance may be provided up to the FFP model amount, subject to:
 - Cost reasonableness
 - Project feasibility
 - Compliance with resale affordability requirements

Additional costs, such as those in section 6.2.2 may be eligible.

6.2.4 Duplication of Benefits (DOB)

Applicants must report all assistance from third-party sources they have been received, or which is available to cover costs relating to mitigation or other items that will be covered under the Program scope of work. Common sources of disaster assistance that may be duplicative include homeowner's insurance, flood 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. Any Increased Cost of Compliance (ICC) funds received for the same mitigation purpose must be returned to the Program or counted as Duplication of Benefits during award calculation. For additional policy and procedures regarding the duplication of benefits under the Program, please refer to 2.10.1 Duplication of Benefits Policy.

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

6.3.1 Pathway 1

For Pathway 1 mitigation activities, the Program establishes fixed cost allowances based on the Eligible Cost List. These standardized allowances represent the maximum amount the Program will fund for each approved mitigation activity. Because Program cost allowances are fixed, the applicant's actual project cost may exceed the Program-funded amount.

When an applicant's chosen materials, contractor pricing, or overall project costs exceed the Program's allowable cost for a given mitigation activity, the applicant is responsible for providing NPF to cover the difference. NPF may also be required when the applicant has received disaster assistance, but it was not applied to the project.



Applicants must provide an NPF attestation form to confirm that they have the NPF available to fully fund their portion of the project. The Program will rely on this attestation as the primary means of confirming NPF availability. For applicants with projects that have an NPF requirement, they must provide a signed attestation affirming that:

- They have sufficient NPF to fund the portion of the project that exceeds the Program’s fixed cost allowance, and
- Such funds will be available to fully complete the scope of work approved by the Program.
- The applicant understands that Program funds may not be disbursed until the applicant’s portion of the project has been fully funded

Periodic verification may occur if needed to ensure that the project remains financially feasible and can be completed within the approved scope.

6.3.2 Pathway 2: Additional Financing

Pathway 2 reconstruction awards are based on the Program’s fixed reconstruction cost allowance derived from the standard model home pricing. In some cases, the total cost of the applicant’s reconstruction project may exceed the Program-funded amount. When this occurs, the applicant is responsible for securing additional financing to cover the difference.

Applicants may obtain additional financing from private lenders or other non-Program sources. These funds will be treated as Non-Program Funds (NPF) and will not require subrogation to the Program. The applicant must ensure that these funds are sufficient to complete the approved reconstruction scope and any potential construction change orders.

The Program may request a signed attestation confirming that the applicant has secured the necessary additional financing and that the funds will remain available until project completion.

6.4 Funding Agreement Execution

6.4.1 Approvals

Before a funding agreement can be executed, the Program will complete all required eligibility reviews, environmental clearances, DOB verification, and scope approvals. Once the applicant’s award amount is finalized and the reconstruction or mitigation scope is approved, the file will move into the funding agreement step. Applicants must have selected a licensed contractor and provided all required documentation prior to agreement execution.

The Program will issue a formal approval notice confirming the award amount, the approved scope of work, and any conditions that must be satisfied before the first payment can be requested.



6.4.2 Agreement

The funding agreement establishes the terms and conditions under which Program funds will be disbursed for the approved scope of work. Under this agreement:

- The applicant is responsible for managing their contractors.
- The Program may issue payments directly to the contractor for verified work.
- The applicant must notify the Program when payment is required and submit all documentation needed for review.
- Once the program has verified that all required documentation is provided and the work is completed, the payment will be made.

6.5 Repayment of Mitigation Funds

All financial assistance provided under HMF is issued as recoverable funds secured through a Recordation of Restrictive Covenant on the assisted property. The restrictive covenant and the Funding Agreement together establish repayment obligations. The following requirements apply to all Pathway 1 and Pathway 2 mitigation awards.

6.5.1 Repayment Event

Repayment of all Program funds disbursed to the applicant becomes due in full upon the sale or transfer of the property. The repayment requirement applies whether the sale is voluntary, involuntary, or discretionary, including but not limited to:

- Traditional property sale
- Refinancing that requires payoff of recorded liens
- Conveyance as part of estate settlement or inheritance unless the heir elects to assume all remaining Program obligations

No repayment is due during the period in which the applicant maintains ownership of the home and complies fully with all Program covenants. If net proceeds at sale are insufficient to satisfy senior liens and the Program's recorded covenant, DCA may reduce the repayment amount to avoid creating additional debt for the homeowner.

6.5.2 No Partial Payments and No Amortization

If a repayment event is triggered, all funds disbursed by the program must be paid back in full at the real estate transaction, at which point the Program will release the covenant.

The Program does not permit partial repayments. Program funds may not be amortized, and no monthly or other scheduled payment plans are accepted.



Applicants may voluntarily repay the entire outstanding balance at any time.

6.5.3 Covenant Requirements

The repayment obligation is secured through a Restrictive Covenant recorded on the property. The covenant:

1. Establishes the State of New Jersey's financial interest in the property.
2. Runs with the land, binding all future owners unless formally released by DCA.
3. Requires repayment in full at the time of sale, as validated through closing documentation.
4. Requires the homeowner to maintain compliance with all Program requirements (including NFIP, where applicable) as a condition of avoiding premature repayment.

Failure to comply with covenant terms may result in Program enforcement action, including immediate recapture.

6.5.4 Release of Covenant

6.5.4.1 Standard Release of Covenant

A standard covenant release occurs at the time all Program funds have been returned to the Program following a repayment event. Upon verification that the funds have been returned in full, the Division of Disaster Recovery and Mitigation (DRM) will issue a covenant release.

6.5.4.2 Early Release of Covenant

At its sole discretion, the Division of Disaster Recovery and Mitigation (DRM) may approve an early covenant release under limited circumstances, including but not limited to:

- Full voluntary repayment of all Program funds by the homeowner
- Administrative correction, such as when a covenant was recorded in error
- Program or federal interest determination, where DRM concludes that continued encumbrance is no longer necessary to protect Program or federal interests or is not in the best interest of the State or federal government

Requests for early release must be submitted in writing. All requests will be reviewed on a case-by-case basis, and approval is not guaranteed.

7 PRE-CONSTRUCTION

Unless otherwise specified, guidance is only applicable to Pathway II.

7.1 Contractor Selection and Performance

Once an applicant has selected a contractor, documentation supporting the contractor's 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 execute a contract with their selected contractor until the Program has confirmed all applicable contractor credentials have been reviewed. All contractors who complete work funded by HMF must be licensed in the State of New Jersey. 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 if the unvalidated contractor is found not to be licensed.

Applicants must engage with one primary contractor to complete all mitigation and supporting scope associated with each application for funding, unless otherwise approved by the program.

7.1.1 Contractor Validation Requirements

Applicants must seek and identify their own general contractor who 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 appear on DCA's New Home Builder registry at the time of agreement execution

7.2 Preconstruction Conference & Cost Acceptance

7.2.1 Program Approved Costs

The total construction cost included in the applicant's approved scope of work is based on the Program's Eligible Activity Cost List provided in the application. All costs are derived from the Program's standardized reconstruction cost list, which establishes set pricing for all eligible activities. These costs are not estimates, ranges, or negotiable figures; they represent the maximum amount the Program will fund for each reconstruction activity.

The Program will not modify, increase, or adjust any costs once established, regardless of any prior agreements, pricing arrangements, or bids the applicant and their selected builder may have separately negotiated. If a builder's contracted price exceeds the Program's firm fixed price allowance, the applicant is responsible for covering the difference using Non-Program Funds.



7.3 Pathway II: New Construction Agreements

For Pathway II demolition and reconstruction, the applicant must execute a construction agreement with their selected licensed contractor that outlines the approved scope of work, the firm fixed price, and the timeframes required by the Program. The agreement must specify when construction must begin, the expected progress milestones, and the required completion date. It must also state that the Program will disburse funds directly to the contractor only after verifying completed work through required inspections. The contractor is responsible for performing all work in accordance with Program standards, applicable codes, and the approved schedule, while the applicant must notify the Program when work is ready for inspection or when a payment request is needed. Any delays, deviations from the approved scope, or changes to the schedule may require Program review and could affect the timing of payments or continued eligibility.

8 CONSTRUCTION AND PAYMENTS

8.1 Construction Monitoring and Inspections

HMF will monitor construction activities to ensure that all mitigation work is completed in accordance with:

- Program-approved scope;
- Applicable CDBG-DR and CDBG-MIT regulatory requirements;
- Environmental Review and Lead-Based Paint (LBP) requirements; and
- Cost and time requirements established.

Monitoring may be conducted at any time and may include on-site inspections, desktop verification, photographic documentation, periodic progress reviews, and compliance checks to ensure that mitigation activities are eligible, reasonable, and completed within required timelines.

8.1.1 Hazardous Materials

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

Activities under Pathway I which disturb lead based paint or deteriorated paint in pre-1978 homes are prohibited by the program. 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. If these unidentified hazardous materials will be disturbed as a result of the approved activities, the project may not be able to move forward.

Activities under Pathway II must comply with HUD's Lead-Safe Housing Rule (24 CFR Part 35) and EPA's RRP Rule (40 CFR 745), as applicable. For reconstruction/new construction, LSHR typically does not apply to the new structure; however, any demolition, interim controls, or retained components from pre-1978 structures must meet lead-safe work practices, clearance, and disposal requirements before payment.



8.1.2 Inspections

The Program generally will not conduct on-site inspections to verify construction progress, but reserves the right to do so when deemed necessary based on case-specific circumstances. When conducted, inspections will typically align with draw requests.

8.2 Draw Payments and Change Orders

8.2.1 Pathway 1 Payment Requirements

Payments under Pathway 1 follow a two-payment structure that reflects the limited scope and fixed-cost nature of mitigation activities to reduce and prevent future risk. All payments must align with the Program-approved eligible activity cost schedule provided in the application.

8.2.1.1 Payment Structure

Pathway 1 allows for two disbursements, issued as follows:

1. Mobilization Payment
 - Up to 50% of the approved eligible activity cost may be disbursed at mobilization.
 - Mobilization is limited to covering contractor mobilization and materials.
 - Applicants must submit:
 - Signed Award Agreement
 - Executed contractor invoice identifying any up-front cost obligations
 - Confirmation of required Non-Program Funds (if applicable)
2. Final Payment
 - The remaining balance is paid upon confirmation that the mitigation activity is fully completed and meets Program requirements.
 - Final payment is contingent upon program's acceptance which may include:
 - Contractor "after" photos documenting completion of all scope in the accepted contract
 - Required municipal permits/approvals (if applicable)
 - Program desktop verification
 - Any additional documentation required based on the scope of work

8.2.1.2 Completion Timeline

Applicants must complete all Pathway 1 mitigation activities within 12 months of Award Agreement execution.

Failure to complete work within 12 months may result in full repayment of Program funds unless a DRM-approved extension is granted.



8.2.1.3 Payment Limitations

Pathway 1 payments cannot exceed the Program-approved eligible activity cost, even if contractor invoices exceed that amount.

Applicants cannot receive program payments for work performed outside the approved scope.

8.2.2 Pathway 2 Payment Requirements

Payments under Pathway 2 follow a milestone-based draw schedule following the reconstruction and development activities.

8.2.2.1 Payment Structure

Pathway 2 requires multiple disbursements tied to documented progress milestones. Exact milestones are determined during the pre-construction conference and may include:

- Design and Engineering Completion
- Demolition and Site Preparation
- Foundation Completion
- Final Completion and Certificate of Occupancy

8.2.2.2 Completion Timeline

All Pathway 2 projects must be completed within 36 months, including design, permitting, construction, and closeout unless otherwise extended by the program.

8.2.2.3 Documentation Required for Each Draw

Each draw request must include:

- Contractor invoice for completed work
- Photographic documentation
- Municipal inspection approvals (as required)
- Updates to A/E documentation (if scope changes)
- Verification that the work aligns with the program approved scope and budget.

8.2.2.4 Final Payment

Final payment will not be released until:

- The contractor submits all required closeout documentation
- The developer or homeowner provides necessary documentation such as:
 - Certificate of Occupancy (CO) or Certificate of Completion
 - Final Elevation Certificate (if applicable)
 - All required municipal inspection approvals
 - Green and Resilient Building documentation



- Program staff confirm that the reconstruction or development is fully complete and the property is habitable.

8.2.2.5 Change Orders

The Program does not anticipate change orders. Applicants are responsible for all unapproved project costs.

8.2.2.6 Warranty for 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).

8.3 Contractor Disputes

As the applicant selects and engages with their contractor, it is their responsibility to resolve contract disputes.

9 CLOSEOUT

9.1 Construction Closeout and Final Inspections

Once construction is complete, the applicant must notify the program that requirements for a final payment have been met. The Program will perform a desktop review to confirm that the mitigation activity was completed, applicable Program and federal construction requirements were met, municipal final inspections were passed and ensure required construction supporting documentation is on file. The program may perform an on-site final inspection if it is deemed to be necessary. If there is incomplete scope of work at the end of the Program's completion timeline, it may impact the final funding disbursement or result in funds owed back to program.

9.2 Application Closeout

Application closeout will be completed once construction has been completed. If an applicant did not require all funds that were initially obligated to their project, the Program will de-obligate unspent funds as part of application closeout. Once these steps are completed, the file will be archived.

9.2.1 Closeout Requirements for Pathway 2

Pathway 2 involves reconstruction or development activities and therefore includes long-term CDBG-DR benefit requirements.

If the applicant is a developer, the property must be sold to an LMI household, verified at or below 80% AMI after the project is completed.

To close out the award, the owner/developer must provide:

- Buyer Income Verification



- Prior to closeout, the Program will verify buyer income at or below 80% AMI using the HUD income procedures and retain documentation in the project file
- Final HUD Required Closing Documentation
 - Settlement statement, deed restrictions (if applicable), and affordability covenants ensuring ongoing compliance.
- Recorded deed and evidence that the LMI purchaser has taken possession.

If the owner is unable to sell to an LMI household by the end of the affordability period, the program may require:

- A resale extension which is at the sole discretion of DRM, or
- Repayment of the award

9.3 Flood Insurance

Applicants who have been assisted with CDBG-DR funds and who own a home in a Special Flood Hazard Area, experienced severe flood damage, or a high-risk area defined by DEP must obtain flood insurance 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 funding agreement 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.

The NFIP requirement will remain filed on the property in perpetuity. The buyers of properties under Pathway 2 must remain in compliance with this flood insurance requirement.

9.3.1 Requirements for Properties in Flood-Prone Areas

Properties located in flood-prone areas outside of a Special Flood Hazard Area (SFHA), including flood-prone areas as identified or defined by the State of New Jersey, are required to obtain and maintain flood insurance where such coverage is available under prevailing market conditions.

9.4 Application Archive

The application will be archived 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 special conditions of the Program were met.
- ▶ All audit and monitoring issues were resolved.

10 PROGRAM APPEALS, COMPLAINTS, AND GRIEVANCES

10.1 Program Eligibility Appeals

All appeal requests related to program eligibility are processed and reviewed by DCA. Initial review of the appeal will be conducted by a three (3) person panel, led 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,
- ▶ Subject Property Address,
- ▶ 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.



10.2 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.

10.3 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:
DRM.Policy@nj.dca.gov

10.4 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.

10.5 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.

11 MONITORING, COMPLIANCE, AND RECORDS MANAGEMENT

11.1 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.

11.2 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.

11.2.1 Section 3

Pathway 2 projects whose CDBG-DR awards are greater than or equal to two-hundred thousand dollars (\$299,200.00) require compliance with Section 3 of the Housing and Urban Development Act of 1968 (Section 3), as amended, which 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 activities 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.

Section 3 Labor Hour Requirements:

- Contractors must make best efforts to direct twenty-five (25) percent of total labor hours worked toward Section 3 certified workers.
- Contractors must direct five (5) percent of total labor hours worked toward Targeted Section 3 workers.
- If a contractor is unable to meet the required labor-hour thresholds, they must submit documented qualitative efforts demonstrating that every reasonable attempt was made to satisfy the requirements.
- Program Representatives will designate a liaison responsible for coordinating contractor reporting and compliance.

11.2.2 Use of Repaid Funds

All recovered funds are treated as Program Income under 2 CFR 200 and HUD CDBG-DR rules. Repayments will be:

- Returned to HMF
- Reused for eligible CDBG-DR mitigation activities

Tracked in accordance with the State's Program Income Plan

11.3 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

11.3.1 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).

11.3.2 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.

11.4 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.

11.4.1 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.

11.4.2 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.

11.4.3 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.

11.4.4 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.

11.4.5 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.

