

Small Rental Repair Program Policy

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Version 2.2

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Version History and Version Policy

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

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

After making non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, the State will publish a version of the document with a sequential number increase behind the primary version number such as 2.1, 2.2, etc.

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

Version Number	Date Revised	Key Revisions
1.0	3.15.2023	Original Small Rental Repair Program Policy Manual
2.0	1.25.2024	<ul style="list-style-type: none"> • Edits to property damage assessments in Section 2.4. • Section 3.2 Eligible Structure was updated to address properties located in a Special Flood Hazard area and properties located in Manville. • Updates to Section 3.4 Ineligible Activities to provide clarification for properties located in a Special Flood Hazard Area. • Added Section 3.5.1 Lawful Presence. • Language pertaining to LMI tenants was added to Section 3.8 Ownership. • Section 3.9.4 was added to address properties that are held in Trusts. • Updates to Section 3.11.1 Property Damage Verification • Updated Section 3.11.2 Other Flood Insurance Requirements to provide more information pertaining to property eligibility. • Substantial edits to Section 6.5 Estimated Cost of Repairs and Section 6.6 Work in Place. Section 6.7 Contesting ECR or Work in Place was removed and information included in the Section 6.6. • Removed time frame from Section 7.2 Property Owner Obligations. • Added language in Section 7.3.4 to address the event of a voluntary or involuntary sale of the property. • Updated timeframe to submit payment invoices in Section 9.6.2. • Added language to Section 10.1 to address the release of the declaration of covenants. • Minor language clarifications to Section 10.2 Tenant Income Verification.



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		<ul style="list-style-type: none">• Update definition of 30% of income for determining affordable rents and added in section 1.7• Added recapture language if the property is sold before the end of the affordability period in section 7.3.4
2.1	5.6.2024	<ul style="list-style-type: none">• Update the interchangeability scope to include the state identified most impacted and distressed (MID) areas.
2.2	8.29.2024	<ul style="list-style-type: none">• Update all language pertaining to “properties” to replace this word with “structures”.• Update Section 3.11.2 to remove the language pertaining to “Applicants over 120% AMI located in the SFHA without Flood Insurance”. This regulation does not apply to rental programs.• Updates to Section 3.9.4 to remove the language pertaining to the recording of a trust with the County. This is not a requirement.• Add clarifying language to section 3.11.1



1 OVERVIEW

1.1 Introduction

The Small Rental Repair Program (SRRP or Program) is funded through the United States Department of Housing and Urban Development (HUD) through its Community Development Block Grant Disaster Recovery (CDBG-DR) Program. The purpose of this policy manual is to provide guidance for applicants who are participating in the Program. To understand all provisions within SRRP, applicants are encouraged to read this document in its entirety and reach out to Program Representatives with any questions. In addition to this document, the New Jersey Department of Community Affairs will publish FAQs, program checklists, and other documents in order to assist in navigating program participation.

1.2 Program Description

The New Jersey Small Rental Repair Program (SRRP) will provide awards to owners of rental structures with seven or less units to restore their Tropical Storm Ida damaged structures. SRRP will provide these awards to property owners who rent the funded units improved to income eligible tenants for activities necessary to restore their storm damaged structures. Activities include rehabilitation, elevation, and/or other eligible mitigation activities such as structural and utility retrofits to make housing units more resistant to floods, grading and slope stabilization, and drainage improvements. Assistance also may be provided to make housing accessible for individuals living with disabilities. Substantial rehabilitation as defined in 24 CFR 55.2(b)(10), described more in Section 4.2, of structures with more than four rental units will include the installation of broadband infrastructure, where feasible. In cases where structures have been substantially damaged, the cost to rehabilitate is not reasonable, or the housing unit cannot be rehabilitated in a manner to reasonably accommodate the impacted unit, property owners may be eligible for alternative assistance. DCA will work with those property owners to determine what eligible assistance can be provided.

1.3 Funding Sources

1.3.1 Tropical Storm Ida CDBG-DR

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

On September 30, 2021, President Biden signed Public Law 117-43 directing \$5 billion to the U.S. Department of Housing and Urban Development for recovery from disasters in 2020 and 2021. HUD allocated \$228.346 million in CDBG-DR to the State of New Jersey as a result of Tropical Storm Ida that impacted the state from

September 1-3, 2021. Alternative requirements and waivers for the use of CDBG-DR funds are published in the applicable Federal Registers, including [87 FR 31636](#).

1.3.2 Superstorm Sandy CDBG-DR

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

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

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

1.4 Program Administration

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

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

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

1.5 Uniform Relocation Act (URA)

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

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

To receive URA assistance tenants must be able to verify lawful presence. Exceptions will only be made in the event of extreme unusual hardships as defined in [24 CFR 24.208\(a\)](#).

1.6 Reimbursement

Reimbursement of pre-award costs is not allowed; however, the Program will consider pre-award activities carried out by the property owner as part of the award calculation process when calculating duplication of benefits (DOB). Eligible costs fixed to an enforceable contractual obligation executed prior to the time of application, even if the costs are accrued on or after the date application is submitted can be used to reduce the impact of an applicant’s DOB funds. The property owner must maintain receipts and other supporting documentation as proof that eligible costs are fixed and attributable to the contract executed prior to application submission. Expenses that can be used to reduce the DOB impact include:

- Repairs
- Design Services
- Forced mortgage payoffs

1.7 Property Owner Requirements- Affordability Period

Property owners are required to rent to income eligible tenants upon completion of the rehabilitation of the unit(s). Income eligible tenants must be LMI households, defined as households earning at or below eighty percent (80%) of the AMI. Rents will be calculated upon income qualification of the tenants and upon tenant turnover. Rents will be based off of and not exceed thirty percent (30%) of gross income for housing costs, including utilities. Income eligible tenants must occupy unit(s) for the required affordability period detailed in Section 3.22. If a tenant leaves the property prior to the completion of the affordability period, the property owner must certify a new tenant's income, the parties must sign a new lease approved by DCA, and provide an affordable rent based on the new household income. The mortgage agreement is not satisfied until the affordable occupancy requirement period is met by the property owner. Property owners will also abide by the compliance requirements of maintaining the unit as safe and sanitary and provide annual certifications to DCA to ensure they maintain compliance.

1.8 Property Owner Requirements-Tenant Related Parties

In the event that the tenant is a relative of the property owner, the property owner must be able to provide evidence of an arm's length transaction. If the property owner is unable to do so, the property owner may contract with another tenant, or they will not be allowed to participate in the program

1.9 Affordability Period

The Affordability requirement is for a period of one, three or five years determined by the amount of funding provided to each unit wherein the property owner must rent the program funded units to LMI tenants. The affordability period will be documented by the award agreement. The agreement will remain on the county land records until the end of the affordability period. If the affordability period is not maintained, DCA will require the property owner to repay a prorated amount of the award as described in the Award Agreement. The following affordability timeframes apply to all assisted units:

Rental Housing Activity	Minimum Period of Compliance in Years (after initial occupancy)
Rehabilitation or acquisition of existing housing per unit of CDBG-DR funds	
Under \$15,000	1
\$15,000-\$50,000	3



Over \$50,000	5
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1.10 Housing Counseling and Legal Services

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

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

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

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

- Owners who rent housing at affordable rents to income-qualified tenants.** These applicants will receive training on fair housing requirements and for meeting the affordable rental requirements. Applicants will also receive financial counseling to ensure they can successfully cash-flow and maintain their property for the duration of the affordability period.
- Tenants who need to be temporarily relocated during the rehabilitation process** These tenants will receive training on relocation benefits and assistance finding units that they can temporarily relocate to during this time.
- Tenants who reside in units improved in this program.** These tenants will receive training on fair housing requirements, rental limits, assistance understanding their housing rights, property owner requirements.
- Applicants to multiple recovery, elevation, or buyout programs.** Some CDBG-DR, State and Federal recovery or mitigation programs do not allow applicants to receive assistance from other recovery or mitigation programs. This provision typically relates to a cost reasonableness determination, rather than a duplication of benefits analysis (e.g., an applicant may not receive SRRP



assistance to rehabilitate their units and participate in a buyout program that will demolish the rehabilitated property). In such cases, applicants may have to choose one program over another. Applicants will receive housing counseling services to ensure they understand their options and potential benefits under each of the programs. This will allow them to make an informed decision that is best for their household prior to withdrawing from one of the programs.

2 Application and Priorities

2.1 Application Process Overview

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

2.2 Application Method

Owners of rental structures may submit applications through various methodologies, including:

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

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

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

2.3 Application Period

Applications will be open to all impacted HUD and State MID property owners and prioritized in phases. Applications will be placed in phases based on the prioritization criteria and randomized by an electronic random selection process in order for processing. This ensures that all applicants are treated fairly, regardless of application method. For more detail on application phasing please refer to Section 2.4 below.

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

The Program reserves the right to reopen the application period.



2.4 Phased Approach

Due to limited funding, DCA will implement the Program through a phased approach, which is designed to prioritize owners/property owners who provide affordable units of housing. This approach is aligned with the conditions tied to the federal funding allocation and targets those survivors with limited resources to help them complete the necessary repairs to their damaged housing units. Improvements made to these housing units will further open more units of affordable rental housing. The information collected during the application process will be verified during eligibility review and is the basis for determining the prioritization phase for the applicant. However, should application verification result in a prioritization phase change, the program reserves the right to serve the property owner in the phase in which the property owner initially entered the application stage of the program.

To be placed in the appropriate program prioritization category, property owners must meet all eligibility criteria and must have 1-7 affordable housing units and must have damages as determined through methods described in 3.11.1 Property Damage Verification section..

All assistance is subject to funding availability. Through all application phases, the State reserves the right to add additional priorities based on number of affordable units, whether any tenants renting structures have a disability, location, and whether the property is considered substantially damaged (per FEMA definition and local jurisdictional determination), or whether the program is oversubscribed. “Substantial damage” is defined as damage of more than fifty percent (50%) of the unit's pre-storm value.

For this program, the State has prioritized the following types of rental units:

- Structures owned by the original owner
 - Original owner is defined as the property owner who must have owned the property at the time of the disaster and still own the property at the time of application
 - New owners are the owners of record at the time of application and were not the owners of record at the time of the storm.

Structures with one to four units, then five to seven units. The table below illustrates the program's phased approach, and the subsequent sections provide additional information on the requirements of each phase.

2.5 Small Rental Repair Program Application Phases

Application Phases		Phase I	Phase II
Unit Ownership	Original Owner	Prioritized	X
	New Owner		X
No. Of Units in Property	1-4	Prioritized	X
	5-7		X

2.5.1 Phase I

In order to be placed in Phase I property owners must meet the following criteria:

1. Number of Units: Property owners with 1-4 units will be prioritized
2. Original Owners: Owners who owned the property at the time of the disaster and still own the property at the time of the application submittal to DCA.

2.5.2 Phase II

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

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

1. Number of Units: Property owners with 5-7 units will be included in this phase.
2. New Owner: New owners include those entities who (1) purchased the property after the storm or have an option to purchase, or other suitable form of site control for an eligible property that received a significant amount of damage during the storm; and (2) wish to exercise that option in order to rehabilitate the property.

2.6 Application Waitlist

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

2.7 Withdrawn Applications

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



2.8 Voluntary Withdrawals

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

2.9 Administrative Withdrawals

Applications may be administratively withdrawn for the following reasons:

- An applicant fails to provide required documentation or information within the deadline described in the written request or otherwise becomes unresponsive. 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 application to the same or conflicting Program such as the Blue Acres Buyout Program or the Hazard Mitigation Grant Program (HMGP).
- 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.

2.10 Administrative Withdrawal Reinstatement Requests

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

3 Eligibility

3.1 National Objectives

Per 87 FR 31636, HUD requires States to comply with the overall benefit requirements in the Housing and Community Development Act of 1974 (HCDA) and 24 CFR 570.484, 24 CFR 570.200(a)(3), and 24 CFR 1003.208, which require that 70 percent (70%) of funds be used for activities that benefit low-and moderate-income persons. To meet that requirement, this program will use the Low-Moderate Income Persons and Households national objective.

3.2 Eligible Structures

Eligible structures are rental structures of one to seven dwelling units requiring rehabilitation as a result of damage from Tropical Storm Ida. A dwelling unit is defined as

having complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation. The structures must be designated as being long-term rental housing. Second homes and/or vacation rental style structures are not eligible, unless the applicant certifies their intent is to convert the use to a long-term LMI rental property. This certification will be required upon intake into the program and will be included as a component of the participants mortgage attachments. Structures located in a Special Flood Hazard Area, which is defined by FEMA as the land area covered by the floodwaters of the base or 100-year flood (an area of land that has an approximate 1 percent probability of a flood occurring on it in any given year) (SFHA), or high-risk flood area designated as Disaster Risk Reduction Areas (DRRA) defined by DEP, will be required to elevate their structures to Design Flood Elevation (DFE). All tenant and affordability requirements must be met, or all award funds must be returned to the program. All structures must have access to water, sewer, and electricity.

The following structures are ineligible for the program:

- RVs
- Houseboats
- Multi-family structures with eight or more units
- Structures located in a floodway.

3.2.1 Ineligible Structures

In a select, highly impacted, area of Manville, applicants who meet the conditions listed below may only be offered buyout funding, resulting applicants within this Manville area becoming ineligible for housing repair or elevation assistance. If the applicant declines the buyout grant, funding for neither an elevation nor repair assistance may be offered as an alternative. The criteria is listed below:

1. The property is in a flooding hazard area that experienced 5.5' or more of inundation during Ida and/or is located within the Lost Valley that has emergency access limitations during flooding events. Final determination on the criteria used to determine the individual structures affected by these criteria will be made by the New Jersey Department of Environmental Protection and New Jersey Department of Office of Emergency Management.
2. The property is a residential home.

3.3 Eligible Activities

Eligible activities are activities necessary to restore storm-damaged structures, including rehabilitation, elevation and/or other mitigation activities. Mitigation activities include, but are not limited to, structural and utility retrofits to make the building more resilient to floods, grading and slope stabilization, and drainage improvements. Assistance also may be provided to make housing accessible for individuals living with disabilities. Substantial rehabilitation of structures with more than four rental units will include the installation of broadband infrastructure where feasible. Displaced tenants are eligible for assistance under the Uniform Relocation Act (URA) as defined in Section 1.

3.4 Ineligible Activities

Ineligible activities include the following:

- ▶ New construction
- ▶ Forced mortgage payoffs- Lending institutions may not require borrowers to use any of their insurance proceeds to reduce or pay off the mortgage before releasing funds to rebuild.
- ▶ Funding for second structures, unless they are converting to an eligible affordable rental property following the program guidelines
- ▶ Assistance for structures who previously received federal disaster assistance and did not maintain flood insurance where required
- ▶ Compensation payments
- ▶ Assistance to structures located in communities that do not participate in National Flood Insurance Program (NFIP) because they are prohibited to receive federal assistance.
- ▶ Assistance for structures located in a floodway.
 - A Regulatory Floodway comprises the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height. This is the segment of the floodplain that will generally carry flow of flood waters

3.5 Applicant Eligibility

Eligible structures and owners must meet the following criteria:

- Any property owner, public, private, for-profit, or nonprofit entity that owns the subject property at the time of application.
 - Priority may be given to the original owners who owned the property continuously from the time of the storm until the time of application for assistance.
 - New owners include those persons or entities who purchased the property after the storm, or have an option to purchase.
 - DCA will not process the application until evidence is received in the form of a recorded deed with the County Clerk in the applicable County.
- Structures must have seven or fewer units
- Property must be in a HUD or State MID. HUD MID's include the following counties: Bergen, Essex, Hudson, Middlesex, Passaic, Somerset, and Union. The State MID's include the following Counties: Gloucester, Hunterdon, Mercer, Morris, and Warren.
- The property owner must meet the eligibility criteria at the time of application.
- Property owners who are in active foreclosure are not allowed to participate in this program.

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

3.5.1 Lawful Presence

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

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

DCA reserves the right to request additional information if necessary.

3.6 For-Profit Participation

For-profit landlords must agree to execute a lease which corresponds with the program affordability requirements detailed in section 1.9. Affordable rents will not exceed thirty percent (30%) of eighty percent (80%) of the AMI as calculated for each county and adjusted annually. If over the course of the compliance period a unit becomes vacant, the property owner must still abide by the SRRP requirements and find and select a new eligible tenant to fulfill any remaining time in the compliance period. For-profit property owners will also be required to follow all other compliance requirements such as maintaining the property to a safe and sanitary standard.

3.7 Non-Profit Participation

Non-profit landlords must agree to execute a lease for the unit(s) to LMI households at affordable rent levels based on rents not exceeding thirty percent (30%) of eighty percent (80%) of the AMI as calculated for each county and as adjusted annually. These affordable units must be maintained for the period of affordability as defined in Section 1.9 of this document. If over the course of the one (1) year period a unit becomes vacant, the property owner must still abide by the SRRP requirements and find and select a new eligible tenant to fulfill any remaining time in the compliance period.

Non-profit agencies qualifying as 501(c)(3) organizations may participate in the SRRP as an eligible property owner. Non-profit organizations must provide verification of their non-profit status, and the most recently completed audit as required by 2 CFR 200. Income collected by participating non-profit organizations will not be considered Program Income.

3.8 Ownership

In order for the applicant to be placed into Phase I, the property owner must have owned the property at the date of storm. Wherever possible, ownership will be verified by title searches in public records. If ownership cannot be verified through a public title search, applicants will be asked to provide appropriate documents. Acceptable documents for original owners are:

- Tax records that show the applicant owned the property at the time of the storm and owns the property at the time of application or,
- Deeds or other legal documents will be reviewed on a case-by-case basis.



For property owners that occupy a unit as their primary residence, in order to receive funds to repair that unit they must agree to voluntarily move and rent that unit affordably to an LMI tenant.

3.9 Other Special Ownership Circumstances

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

3.9.1 Death of Property Owner

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

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

3.9.2 Property Owners Who Have Sold Their Structures

Applicants who have sold their storm damaged structures are not eligible for assistance under the Program.

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

In those instances, in which title to the damaged property may be held by a Limited Liability Company (LLC) or a Limited Liability Partnership (LLP), the applicant must establish that the LLC or LLP was formed for estate planning purposes or liability concerns. Ownership must be established by providing all necessary information, including but not limited to, certificate of formation, tax returns for the company or partnership, operating agreement, and a certificate of good standing. Each LLC or LLP will be evaluated by DCA on a case-by-case basis for program compliance.

3.9.4 Trust

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

To confirm ownership, the applicant must provide a copy of the trust document.

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

3.10 Financial Projections

Participating property owners will work with a HUD approved housing counseling agency to go over financial projection and pro-forma. The purpose of conducting a financial projection is to verify that there is a sustainable cost projection to allow for the

property to maintain affordability for the units that require it. The intent is to ensure that the property owner does not get into a difficult financial position by participating in this program.

3.11 Property Damage

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

3.11.1 Property Damage Verification

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

- If FEMA, SBA, NFIP, HOI, or a private company does not conduct the necessary damage assessments, the applicant can submit documentation as outlined below. Failure to provide this documentation may result in the applicant being deemed ineligible. Applicants will receive written notification and have the opportunity to appeal according to the appeals policy. Documentation may include: Proposals or Invoices evidencing repairs and storm related mitigation measures immediately following the storm which is further defined as:
 - Proposals and Invoices are subject to Program's discretion which may include verifying the contractor and/or work performed/proposed
 - Work must be related to home repairs or storm mitigation measures (such as purchase of mold sprays, roof tarps, etc)
- If information from FEMA, SBA, NFIP, HOI, or a private adjuster is not available nor proposals/invoices, the Program may conduct a Program assessment which may include, but not limited to:
 - Contacting local governments for information specific to the property
 - Homeowners photos of damage (preferably time stamped)
 - Reports of flooding in the same area
- The Program will document the means by which damage impact was determined and approved in SIROMs, the system of record.

3.11.2 Other Flood Insurance Requirements

Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance

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

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

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

Communities in the Special Flood Hazard Area

Assistance for the rehabilitation of a property in the Special Flood Hazard Area (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. Those communities not eligible to participate in the program are:

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

3.12 Property Owner Responsibilities

Participating property owners will certify and agree to the following requirements in order to receive assistance through the Small Rental Repair Program:

- ▶ Unit(s) will be leased to an LMI household within sixty (60) days of the Certificate of Occupancy or satisfactory completion of the construction closeout inspection;
- ▶ Tenant income information must be provided to DCA for review and approval prior to executing the lease with a new tenant. Property owners must utilize the SRRP lease addendum. Existing lease may be used in conjunction with the SRRP lease addendum;
- ▶ Rents may not exceed thirty percent (30%) of monthly income for a household earning eighty percent of the Area Median Income or less;
- ▶ For a date of storm (DOS) tenant, monthly rent and estimated average monthly utility cost cannot exceed the greater of: (a) the tenant's old rent and the current average monthly utility costs or (b) thirty percent (30%) of the tenant's gross household income;
- ▶ Must be registered with the New Jersey Bureau of Housing Inspection (N.J.S.A. 55:12A-1 et seq.);
- ▶ Property owner must abide by federal, and state fair housing laws and the non-discrimination requirements outlined in the Fair Housing Act;
- ▶ Property owners will be prohibited from refusing residency to persons with disabilities, or placing conditions on their residency, because they require

- reasonable accommodations or modifications;
- ▶ Reasonable accommodations can be provided and included in the scope of work as necessary.
- ▶ Property owners with five (5) or more units must develop an Affirmative Fair Housing Marketing Plan (AFHMP) to affirmatively promote fair housing and comply with the Fair Housing Act;
- ▶ Compliance with HUD Lead Safe Housing Rule;
- ▶ Compliance with the Uniform Relocation Act (URA) requirements for tenant notifications (including notifications to new and existing tenants residing in adjacent or nearby undamaged/non-applicable units that may be affected by project construction), temporary housing, and relocation assistance (including movement, storage, and security of all tenant property and personal belongings) as determined by DCA;
- ▶ Property owner must arrange with tenants reasonable and timely access to the property, and if the unit is occupied, provide reasonable notice to the tenants for inspectors and contractors providing rehabilitation services;
- ▶ Property owner understands that unforeseen conditions may arise during construction and agrees to be responsible to pay in full all change orders exceeding the amount of the SRRP grant award;
- ▶ All debris, abandoned vehicles, and buildings that pose a safety and/or health threat as determined by DCA (or the local jurisdiction where the property is located), or person qualified to make such a determination, must be removed from the property prior to the start of construction. Property owners must also remove dilapidated personal property.

3.13 Affirmative Fair Housing Marketing Requirements

Affirmative marketing is a part of a larger affordable housing policy overseen by the U.S. Department of Housing and Urban Development. This policy requires that procedures be put in place for marketing practices which specifically target tenants who may be able to take advantage of affordable housing options within the given jurisdiction. The requirements of affirmative marketing apply to any housing with at least five (5) assisted units. The affirmative marketing plan would meet the requirements to carry out an affirmative program to attract buyers or tenants regardless of sex, handicap or familial status, or all minority and majority groups to the housing for initial sale or rental. An affirmative marketing program shall be in effect for each project of five or more units throughout the life of the period of compliance. Such a program shall involve publicizing to minority persons the availability of housing opportunities regardless of their protected class, through the type of media customarily utilized by the applicant, including minority publications or other minority outlets which are available in the housing market area.

3.14 Affordable Rents

Rents payable by the household plus utilities may not exceed 30% of tenant's household income for a household earning 80% and below of area median income. Households over 80% of the AMI will not be eligible to reside in one of the affordable units. Affordable rents for each household will be calculated according to the tenant household income and considered affordable based on rents not exceeding thirty percent (30%) of eighty (80%) of the AMI as calculated for each county and as



adjusted annually by HUD. The current HUD income limits are posted here: https://www.huduser.gov/portal/datasets/il/il2022/select_Geography.odn and are updated annually.

The Property owner will provide all required documentation to DCA in order to document income eligibility for all new (and any applicable existing) tenants prior to executing a lease (or providing a lease addendum to an applicable existing tenant), as well as the corresponding rent charged for the unit.

4 Construction Contract and Pathways

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

4.1 Initial Pathway Assessment

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

4.1.1 Pathway 1: Property Owner with Existing Construction Contract

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

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

To expedite the release of funds, the property owner should provide documentation of work in place completed prior to the initial site inspection. Even though reimbursement costs are not eligible, applicants that have already begun repairs on their disaster damaged property may be eligible to receive credits for the work performed as part of the award calculation process as a reduction of DOB. Property owners are precluded from acting as their own general contractors. Applicants are financially responsible for any and all upgrades and change orders that are not within the approved scope of work.

4.1.2 Pathway 2: Property Owner Selects Own Contractor

Property owners are able to hire registered and insured contractors of their choice to perform the construction on their housing units. Property owners are precluded from acting as their own general contractors.

Once a contractor is selected and has provided a quote for the scope of work, the Program will verify that costs are necessary and reasonable compared to the estimated cost of repairs. If contractor quote is outside the estimated cost of repairs, additional steps will be taken to justify the costs, the property owner may select a different contractor, or the property owner will pay for costs above those deemed necessary and reasonable.

All projects receiving elevation assistance will be required to use DCA-provided design services to develop their project scopes of work. The State will procure a pool of individual design firms who will prepare the geotechnical, engineering, architectural and/or other design components to be provided to the applicant prior to them selecting their own contractor(s). Applicants who are rehabilitating their structures may ask for DCA feasibility and design support. Applicants are financially responsible for any and all upgrades and change orders that are not within the approved scope of work.

To expedite the release of funds, the property owner should provide documentation of work in place completed prior to the initial site inspection. Even though reimbursement costs are not eligible, applicants that have already begun repairs on their disaster damaged units may be eligible to receive credits for the work performed as part of the award calculation process as a reduction of DOB.

Property owner will be responsible for ensuring that the contractor provides any applicable warranties related to construction, and property owner will additionally be responsible for demonstrating there is no debarment sanction on any individual, organization, and/or subcontractor and is not excluded from conducting business with any federal agency government wide.

For property owners that have a need for further assistance with the construction process, the Program will coordinate with entities such as the New Jersey Builder's Association to curate a list of contractors the property owner can select. The State will actively assist property owners with contract execution, payment terms, performance requirements, and managing construction through project completion and compliant with all state, local, and federal requirements.

4.2 Substantial Damage Determination

"Substantial damage" is defined as damage of more than fifty percent (50%) of the home's pre-storm value.

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

Applicants who are funded as "non-substantially damaged" will be required to elevate under the following circumstances:

- ▶ The applicant subsequently receives a substantial damage determination by their floodplain manager for the property, or
- ▶ The Program determines the property to be substantially damaged (improved) through an assessment.

4.2.1 Changing the Status of Substantial Damage Selection

Applicants who stated on their application their property was “substantially damaged,” but upon being funded, claim their property is “non-substantially damaged,” must provide a letter from their local floodplain manager verifying the structure is not substantially damaged.

5 Inspections and Environmental Review

5.1 Initial Site Inspection

The purpose of the Initial Site Inspection (ISI) is to confirm existing site conditions, to make property eligibility determinations, establish project feasibility and scope, and to confirm substantial damage conditions.

Applicant and property information will be made available to the Inspectors performing the site visit. This section outlines the policy that the Division will use when performing an ISI and related work, including the development of cost estimates for work incurred prior to the ISI and work remaining, assessment of lead paint, asbestos, mold hazards, and program environmental reviews conducted on the property. The ISI and related work may be conducted over several site visits.

The Program may determine that the proposed scope of work contains an excessive amount of deferred maintenance, and the applicant may need to contribute non-Program funds to the project to return the subject property to Program standards. DCA will review these on a case-by-case basis.

The ISI and related work are composed of the following:

1. Construction Managers will perform an inspection to determine the scope of work remaining in accordance with inspection protocols and program specifications. This inspection will result in a feasibility determination of rehabilitation, and/or elevation.
2. To calculate the Work in Place (WIP) completed by the applicant for use in the Duplication of Benefits determination, the Construction Managers will determine the scope and quality of any eligible completed repairs. To verify the WIP, property owners will be required to provide copies of paid invoices.
3. Licensed lead inspectors and/or risk assessors will be procured to perform assessments for lead hazards.
4. Contractors will be procured to perform an environmental review.
5. The Department will not use destructive testing methods during the site inspection process to assess or determine storm damage. Count, measure, and observe methodology will be used by the assessor during the site visit to document existing conditions and scope of work.

5.2 Environmental Review

National Environmental Policy Act (NEPA)

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

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

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

5.3 Tiered Reviews

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

As the first step, or Tier 1 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 rehabilitation, elevation, or mitigation work can begin until the Tier 1 environmental reviews have been completed and Authorization to Use Grant Funds (AUGF) received, and the Tier 2 ERR has been completed and approved for the subject property. Construction activities must be performed in a manner that fully complies with any requirements identified in the Tier 2 review. DCA Construction and Monitoring Teams will ensure compliance.

5.4 Blackout Period/Stop-Work

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

Exceptions to the “stop-work requirement” may be allowed in the event an applicant entered a written contract with a contractor prior to applying to the Program. In such cases, the applicant may be allowed to continue the work outlined in the written contract, as it was described and executed prior to the property owner'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” or eligible exceptions to the “stop-work requirement” may result in an applicant's ineligibility in the Program for all or partial funding. Applicants should consult with a Program Representative prior to making any additional contract decisions during the mandatory blackout/stop-work period.

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

6 Scoping and Feasibility

Project scoping uses information gathered during the Initial Site Inspection (ISI) to establish the Total Development Cost (TDC), cost to facilitate all rehabilitation since the storm including Work in Place (WIP) and Estimated Cost to Repair (ECR), work remaining to return the property to Program standards, are used in calculating the program award, finalizing the project's feasibility, and ensure the property owner has been given the opportunity to discuss these factors with the Program.

6.1 Rehabilitation

Structures that are eligible to be considered for rehabilitation are those that have not been determined to be substantially damaged or whose remaining repairs do not constitute substantial improvement. If the property is located within the Special Flood Hazard Area (SFHA) and is substantially damaged or the scope constitutes substantial improvement, then the property must be elevated to Design Flood Elevation to be considered for rehabilitation.

DCA may provide feasibility cost estimate and design support to ensure that the structure/site is brought into compliance with state and local building codes, standards, ordinances, HUD Green Building standards, Minimum Housing Rehabilitation Standards, and Program standards. Feasibility cost estimate details can be found in Section 6.6 **Error! Reference source not found..**

At DCA's discretion and in limited instances, rehabilitation may also take place on structures whose remaining repairs exceed the substantial improvement threshold.

If structures cannot be rehabilitated in place under existing agency policies and award caps due to legal, engineering, or environmental constraints, such as permitting, extraordinary site conditions, or historic preservation, the Program may address on a case-by-case basis.

6.2 Elevation

Substantially damaged and substantially improved structures in the Special Flood Hazard Area or other areas designated by the State, are required to elevate and are eligible for elevation assistance through SRRP. All projects receiving elevation assistance will be required to use DCA-provided design and engineering services to develop the project scope of work. All structures will be elevated according FEMA floodproofing standards and all local building codes.

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

All structures requiring elevation will be designed such that the lowest habitable floor is elevated to the Design Flood Elevation (DFE) determined by the Department of Environmental Protection, minimum Base Flood Elevation (BFE) plus three (3) feet, or as required by the local jurisdiction, whichever is higher.

The cost of elevation will be included as part of the overall cost of rehabilitation or replacement of a property. Costs may vary depending upon location, size of the unit, and the height to which the property must be elevated.

6.3 Site Condition Determination

6.3.1 Unsafe Conditions

Unsafe conditions include but are not limited to:

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

6.4 Cost Estimation

6.4.1 Cost Estimating Software

The damage assessor will use construction cost estimating software to develop an estimate for the repair, replacement, and/or mitigation of the housing structure to meet Program requirements. The field-generated ECR is subjected to review by additional field team damage assessors prior to being submitted to the damage assessment quality control (QC) group. The field report is reviewed, corrected, and revised as necessary to produce the final version of the ECR. The estimate, photographs, and required documentation are uploaded to the SRRP databases.

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

6.5 Ineligible Costs

Costs incurred for the items listed below are ineligible. Costs for ineligible work will be estimated during the Work in Place (WIP) assessment and reflect Program accepted costing principles.

Costs that are outside the CDBG-DR scope of work are not Program eligible. Any upgrades to the materials or scope of work must be paid out of pocket by the property owner and directly to the contractor. CDBG-DR funds will not be issued until all ineligible expenses are paid. Ineligible items and activities include, but are not limited to, the following:

- ▶ Enhancements;
- ▶ Outbuildings (sheds, etc.);
- ▶ Decorative landscaping and paving;
- ▶ Outdoor sprinkler systems;
- ▶ Pools and hot tubs;
- ▶ Solar panels;
- ▶ Fences;

- ▶ Security Systems;
- ▶ Post storm additions (rooms added to original pre-storm structure);
- ▶ Outdoor showers;
- ▶ Outdoor fireplaces;
- ▶ Purchase of tools and equipment;
- ▶ Repair or replacement of detached structures such as sheds, swimming pools, docks, or boat ramps (bulkheads will only be included when required by local codes);
- ▶ Replacement of special features, trims, and designer features that exceed basic livability requirements and features of standard grade structures such as solar panels, sky lights, wainscoting and wood paneling, Jacuzzis, copper gutters and roofs (these items may be repaired if they present a health or safety hazard or replaced with the Program standard quality of material);
- ▶ Replacement of clothes washer and/or dryer;
- ▶ Replacement of window air conditioner units;
- ▶ Any product upgrades or repairs in excess of the Minimum Program Quality Standards;
- ▶ Any additional items deemed by the Program to not contribute to the habitability or life/safety aspects of the property.

6.6 Estimated Cost of Repairs (ECR)

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

1. Repair of the residence that meets program standards and applicable local, State, and/or Federal building codes, including windstorm requirements, and
2. Mitigation and elevation efforts to reduce the impact of future storms on the property where applicable.

The ECR will contain a detailed listing of eligible repairs and associated units of measure and quantities. Eligible construction activities, necessary environmental mitigation (as required), elevation costs (as required), eligible accessibility features, and Program-required minimum housing quality standards will be detailed in the ECR. Xactimate is used to assign a value for each line item included in the Scope of Work.

If an applicant believes that program eligible, reasonable, or necessary costs were omitted from the ECR, the applicant may request that the Construction Manager review the Program ECR at the Initial Scope Meeting. Applicants may be required to provide supporting documentation for the contested scope of work. Once the review is complete, the Construction Manager will determine if the documentation provided is acceptable. If warranted, the ECR will be adjusted to reflect the new scope of work. The Program may not adjust pricing of original estimates, but may consider adjusting quantities or adding omitted scope of work.

The Construction Manager will be responsible for contacting the homeowner to discuss the results of the review.

6.7 Work in Place (WIP)

The WIP refers to repair activities already completed by the property owner at the time of the initial site inspection. Reimbursement of pre-award costs is not allowed. However, repairs completed prior to the initial site inspection will be considered for reduction of DOB impact. The WIP assessment will be completed using invoices, proofs of payment, and other related documents as determined by the Program. Utilizing the completed Duplication of Benefits (DOB) Questionnaire from the intake process, Program staff will intake, review, and analyze all documents submitted for WIP analysis. Upon completion of review, Program staff will contact the applicant to discuss the results of the WIP analysis. If the applicant does not have any DOB to report, there will be no need to document completed repairs.

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

- ▶ Program Eligible
- ▶ The repairs made to the home were reasonable and necessary;
- ▶ The repairs must have a lasting presence; and/or
- ▶ Completed after and as a result of Tropical Storm Ida.

DOB funds that are not found to have been put toward program eligible work for DOB offset will be required to be put towards funding their construction project with these unaccounted funds as NPF.

If there is an existing contract in place for construction, Program staff will determine the remaining contract value at the time of the initial site inspection (ISI). The Program will determine the value of the completed contract work and validate the funds paid to the contractor. The value of work completed will be considered for DOB offset. For the remaining work, a contract addendum will be required in order to receive Program funding.

6.8 Design Services

DCA will procure a pool of individual design firms who will prepare any or all of the geotechnical, engineering, architectural, and/or other design components to be provided to the applicant per pathway chosen. All projects receiving elevation assistance will be required to use these DCA-provided services to develop their project scopes of work, unless design services have already been retained. Design drawings and/or repair scopes are created to comply with municipal zoning/permitting and Program construction requirements.

Once complete, designs will be provided to the property owner for review and acceptance. The Program will work to provide a design acceptable to the applicant within Program guidelines however the program is voluntary and an applicant who elects not to accept the Program design may not be eligible for further assistance.

If design services have already been retained, the applicant must provide any relevant information that will enable the Program to determine the extent to which services have been engaged and utilized. Relevant information may be in the form of invoices, payments, plans, blueprints, etc. Each eligible design service may be invoiced with no standard allowance price up to a combined total of fifteen thousand (\$15,000) dollars, provided the costs and services are necessary and reasonable. The Program will make a final determination as to the eligibility of these services and whether the applicant's design firm is eligible for program funding complete, for duplication of benefits off-set. For example:

- ▶ Eligible: The applicant has expended funds on the design and has received preliminary plans.
- ▶ Ineligible: The applicant has not incurred any expenses and has not received any designs.

Design services will be accounted for in all applicable Scope of Work as a standard line item. Once environmental clearance has been achieved, funds may be provided for design work undertaken on or after the date of application and prior to environmental clearance, even when such work is not attributable to a construction contract executed prior to application submission.

Rehabilitation plans will be tailored to the property to reduce the potential that the project will encounter the need for a variance to be requested from the permitting authority. The local regulating authority and associated requirements supersede Program requirements in instances where the Program requirement is less stringent.

Applicants who are rehabilitating their structures may ask for DCA feasibility and design support.

6.9 Restrictions

DCA is providing design services in an effort to streamline the recovery process and ensure that the design of the structure and/or site is compliant with all applicable regulations and requirements. Design services are *not* provided to enable the applicant to reconfigure the property or make substantial structural or layout changes and the design firms are generally prohibited from incorporating these types of elements.

6.10 Construction Standards

DCA or its agent(s) will prepare the design and scopes of work, which will help standardize costs and ensure that projects meet the desired resiliency and energy efficiency goals. DCA will establish comprehensive construction standards, limitations, and eligible recovery and mitigation activities, which will serve as the mechanism for establishing the maximum assistance that an applicant may receive through the program. Exceptions to these standards and eligible expenses may be required. More

detail pertaining to construction standards may be found on the DCA website:

<https://www.nj.gov/dca/ddrm/>.

6.11 Resilience and Mitigation

The Program will incorporate mitigation measures to the greatest extent feasible when carrying out rehabilitation projects. Projects, where feasible, will incorporate necessary and reasonable measures to withstand existing and future climate impacts expected to occur over the life of the property. Refer to Section 6.14 **Error! Reference source not found.** and Section **Error! Reference source not found. Error! Reference source not found.**

6.12 Broadband Infrastructure

Any substantial rehabilitation, as defined below of a building with more than four rental units will include within the scope of work installation of broadband infrastructure, except where determined to be infeasible or in structures where broadband infrastructure already exists. Broadband installation may be determined to be infeasible under one or more of the following circumstances:

- ▶ The location of the new construction or substantial rehabilitation makes installation of broadband infrastructure infeasible; or
- ▶ The cost of installing broadband infrastructure would result in a fundamental alteration in the nature of its program or activity, or in an undue financial burden; or
- ▶ The structure of the housing to be substantially rehabilitated makes installation of broadband infrastructure infeasible.

The program defines broadband infrastructure as the component(s) needed to exist within the property for the end user to access high-speed internet services which generally include network cable and coaxial cable.

Substantial rehabilitation, for the purposes of determining when installation of broadband infrastructure is required, is defined as the following:

1. Significant work on the electrical system. Significant work means complete replacement of the electrical system or other work for which the pre-construction cost estimate is equal to or greater than 75 percent of the cost of replacing the entire electrical system. In the case of housing units with multiple buildings with more than 4 units, "entire system" refers to the electrical system of the building undergoing rehabilitation.
2. Rehabilitation of the housing units in which the pre-construction estimated cost of the rehabilitation is equal to or greater than 75 percent of the total estimated cost of replacing the housing units after the rehabilitation is complete. In the case where there are multiple buildings with more than 4 units, the replacement cost must be the replacement cost of the building undergoing rehabilitation.

6.13 Green Building Requirements

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



6.14 Substantial Improvement

For substantial improvement projects the property must meet green and resilient building standards 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 standard. Should a different standard be chosen, it may be reviewed by the Program to determine whether it is allowable as a substitute.

6.15 Rehabilitation

All structures rehabilitated through the Program will meet the requirements of the HUD Green Building Retrofit Checklist to the extent applicable for the rehabilitation work undertaken. A copy of the checklist must be provided to the Program Representative before final inspection.

6.16 Accessibility

Assistance for accessibility improvements for date of application disabled tenants who will remain tenants after completion of the project, or their household members is available upon request by the tenant, disabled household member, or family member or legal representative of a disabled family member. Any accessibility features that were present in the property of a disabled person and destroyed or damaged by flood waters will be assessed for replacement prior to award signing. Specialty accessibility items which may be included within the scope of work or design include, but are not limited to, the following:

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

These additional components and costs may be included with appropriate documentation or evidence to support the applicant's need. Costs will be determined using industry standard estimating software or another form of cost reasonableness review will be performed if the components are unable to be evaluated within the software platform. This cost reasonableness evaluation may be performed using an alternative estimating platform or through bid responses. DCA will make exceptions to the maximum award amounts, when necessary, to comply with federal accessibility standards or to reasonably accommodate.

6.17 Finish Selection

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

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

6.18 Upgrades

Applicants are discouraged from upgrading materials, appliances, and finishes. However, should the applicant elect to modify or deviate from the Program designs or scope of work, they must use their own personal funds to do so. Refer to Section 7.1.5 **Error! Reference source not found.** The cost of these upgrades must be borne by the property owner. The Program will not allocate funding for payment of any upgrades.

Should an applicant elect to deviate from or modify the design and/or scope of work elements, the modifications will only be allowed for those items that have minimal impact on the footprint of the building and do not violate the floor plan or building envelope such as flooring, trim, wall tile, windows, doors, cabinets, hardware, countertops, paint, plumbing and lighting fixtures, site-built showers, roof shingles, HVAC SEER rating, and appliances. Further, should an item be delayed, the applicant is encouraged to select an alternative that is available and of comparable cost.

The amount that the Program will disburse, regardless of the increased level of finish or labor complexity, will only be the Program-eligible amount for the corresponding element. For example, should the applicant instruct the contractor to install marble countertops, the Program will only fund the amount equivalent to that of a laminate countertop. The applicant will be wholly financially responsible for the net upgrade amount.

7 Award

7.1 Award Determination and Calculation

7.1.1 Award

Awards will be determined based on the necessary and reasonable scope of work and cost of materials. For elevation projects, DCA or its agent(s) will prepare the design and scope of work, which will help limit and standardize costs and ensure that projects meet the desired resilience and energy efficiency goals.

7.1.2 Maximum Assistance

The maximum assistance is \$50,000 per unit for rehabilitation. For structures that require elevation, up to an additional \$50,000 per unit may be available, resulting in a total maximum assistance of \$100,000 per unit, or overall program cap of \$700,000 for a seven-unit structure. Because each award will be calculated based on a necessary and reasonable scope of work and cost of materials using industry standard cost estimating software, comparative market analysis, or price per square foot and/or review of multiple construction bids, DCA anticipates that on average, most awards will be lower than the maximum award. When planning their recovery, applicants should not anticipate they will receive the maximum award. DCA will make exceptions to the maximum award amounts when necessary to comply with federal accessibility standards or to reasonably accommodate a person with disabilities.

7.1.3 Duplication of Benefits (DOB)

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

Funds used for a different but eligible purpose may be excluded from the final award calculation. In some instances, funds provided for the same general purpose as the CDBG-DR funds will have been used by the applicant for a different specific eligible purpose. In these circumstances, if the applicant can document that the funds received were used for a different, eligible purpose, then the funds are not duplicative. The property owner is obligated to dedicate DOB funds to this project. If those funds are not available, the property owner will still be responsible for contributing the amount of DOB funds credited in their DOB analysis.

Funds that an applicant does not have legal control over when they are received, and which are used for a non-duplicative purpose, are not considered a DOB. For example, if a property owner's mortgage agreement requires any insurance proceeds to be applied to reduce the lien balance, then the bank/mortgage holder (not the property owner) has legal control over those funds. If recovery funds were then used to reduce said lien balance consistent with/pursuant to the mortgage agreement, then the funds applied will not be counted as a DOB. In the case of funds being held by a bank, mortgage, or insurance company until rehabilitation begins, the funds will be considered in the DOB calculation. Applicants must agree to subrogate (commit to the State) any future payments they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement, included as an exhibit in the grant agreement, requires the property owner to notify the State if additional funds are received and to assist the State in collecting any amounts owed to the property owner from these sources.

7.1.4 Small Business Administration Loans

Applicants may have a loan from the Small Business Administration (SBA) or other entity that is guaranteed and subsidized by the government. Subsidized property, personal property, relocation and business loans may be obtained by those persons or businesses recovering from a disaster. The program will review the status of subsidized loans obtained by the applicant during the DOB analysis process.

The program will continue to collect subsidized loan information, including SBA information, provided by the applicant. In addition, the program has a data feed provided by SBA to verify all approved amounts for SBA loans. The program will

collect specific information from SBA that breaks out the approved SBA loan amounts into the different categories of assistance (e.g., real property, personal property, vehicles, etc.).

7.1.4.1 Declined Subsidized Loans

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

The program will request documentation for the declined loan only if the information received from the third party (SBA database) indicates that the applicant received an offer for the subsidized loan and the program is unable to determine from that available information that the applicant declined the loan.

7.1.4.2 Cancelled Loans

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

In cases of cancelled loans where partial disbursements were made prior to the cancellation of the loan, the disbursed funds will be treated as funds disbursed for active loans below. As with declined loans, incentive awards made to applicants with cancelled subsidized loans will have DOB re-verified at project closeout.

7.1.4.3 Active Loans with Disbursed and Undisbursed Funds

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

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

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

NPF is a calculation of the property owner funds required to complete the project as used in the award calculation. This calculation will include any and all ineligible upgrades to be funded with the property owner's own funds and DOB funds received but not used in the project as of the ISI.

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

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

7.1.5.1 Additional Financing

Applicants needing to obtain additional financing may seek assistance from other private sources. These funds, if identified and awarded after the SRRP award amount is determined, will be considered NPF and will not require subrogation to the Program

7.1.5.2 Applicants with No Unmet Need

Applicants with no unmet needs as discovered through the eligibility process will be ineligible for the program.

7.2 Property Owner Obligations

Recipients of funds must sign an agreement that requires the property owner to:

- ▶ Permit authorized representatives of the Program, Department of Environmental Protection (DEP), and authorized builders to access the site.
- ▶ Maintain flood insurance throughout the repair process and in perpetuity for the life of the property, including notifying subsequent owners of this requirement through the recording of an encumbrance in the county land records.
- ▶ Elevate the dwelling, where required.
- ▶ Complete all construction, including elevation where required, , unless granted an extension in writing by DCA.
- ▶ Sign a Declaration of Covenants and Restrictions for construction performance
- ▶ Execute a mortgage agreement for the affordability and maintenance requirements
- ▶ Schedule a meeting with DCA including the property owner and tenant
- ▶ Units must be made available to income qualified LMI tenants at affordable rents throughout the period of affordability as required by DCA
- ▶ Property owner must have participated in housing counseling related to Uniform Relocation Act requirements, affordability of the improved housing units, and operations and maintenance of these units.

DCA will require a meeting with the property owner, the tenant (if the unit is occupied) and DCA following the initial application to DCA and prior to award signing to go over the unit rental requirements.

7.2.1 Required Agreements and Covenants

Property owners will execute an Award Agreement with DCA detailing the terms of the participation in the SRRP program. That includes the following requirements: property owners participating in the SRRP program will be

required to sign a Non-Amortizing Forgivable Mortgage agreement, Declaration of Covenants and Restrictions, and property flood insurance encumbrance which will be recorded in the land records within the appropriate County by the County Clerk. These documents ensure that the rental units which are assisted maintain compliance requirements detailed in Section 3.22. If the property owner determines that they would like to sell the property or rent the units at market rate, during the period of affordability they will be required to pay back the unamortized amount of the award funds disclosed in the mortgage agreement.

7.2.2 Vacancy and Notification Requirements

Property owners who apply to SRRP with occupied units must notify tenants prior to award signing that they must be LMI income qualified if they choose to return or remain at the completion of the project.

DCA will provide a Move in Notice to the Property Owner at the time of application. If the unit is vacant at the time of application, then the notification process does not apply however if the unit is subsequently rented to a new tenant a Move in Notice must be provided by the property owner advising the new tenant of the pending federal funding to rehabilitate the unit and that no relocation assistance or URA displacement benefits are being made available. If the property owner cannot demonstrate that a Move in Notice was provided prior to occupancy of a vacant unit, that same unit may be ineligible for funding.

The process for notification is as follows:

- ▶ The property owner shall immediately notify DCA during the application process as to the occupancy status of all units contained within the property, regardless of whether SRRP funds are requested for repairs to that unit.
- ▶ The property owner must immediately notify DCA of any removal whether voluntary or evicted for date of application tenants.
- ▶ Notification to all tenants, including existing tenants in non-funded occupied units, of application to SRRP is required.
- ▶ The property owner will be required to comply with all federal and state policies and procedures including the URA. It should be noted that for recently vacated units, the provisions of the URA may be applicable.
- ▶ Relocation may be necessary in limited instances in which minor rehabilitation work or elevation of property has been deemed necessary by the DCA Construction Manager.
- ▶ After submitting an application to SRRP, the property owner may rent any units identified on the application as vacant or become vacant provided they notify the DCA and the new tenant with the required “Move in Notice”.

7.2.3 Temporary Relocation

Relocation specialists will work in coordination with the property owner and the tenants to ensure compliance with the Uniform Relocation Act provisions for temporary relocation assistance for persons with lawful presence who are temporarily relocated because of the CDBG-DR funded construction activities.

Relocation assistance includes, but is not limited to: Advisory services, payment for moving expenses, and temporary replacement housing assistance. Notices shall be provided to any tenant requiring temporary relocation at least fifteen (15) days prior to the date by which the property must be vacated. Relocation specialists will coordinate with the property owners and tenants in order to ensure that all URA notifications and procedures are followed and required documentation is provided. Please see URA Procedures 2.10.78 for more detailed information regarding temporary relocation. The Program will comply with the DCA policy on relocation and will minimize displacement, per the State's Residential Anti-Displacement and Relocation Assistance Plan (RARAP).

7.2.4 Lease Addendum/Model Lease Agreement

Property owner must utilize their existing lease in conjunction with the SRRP lease addendum. If a property owner does not have a lease, DCA will provide them with a model lease agreement. If a tenant moves out and a new tenant moves in who requires a new lease, the property owner must work with DCA to LMI income qualify the new tenant and either utilize the DCA model lease, or their existing lease with a lease addendum.

7.3 Award Agreement Execution

7.3.1 Approvals

Upon final determination of the award, the Program Representative will transfer all necessary documents for award signing, along with a closing checklist of what has been obtained and what is outstanding to DCA for review. DCA will verify completeness and compliance with program requirements.

7.3.2 Award Agreement

After completing the application process, and prior to executing the award as well as other auxiliary documents which require recording with the County Clerk, applicants must sign award agreements in the presence of an authorized Program representative and notary public. Applicants must sign the award agreement before any award funds are released to an applicant. At the award agreement execution, legal documents are signed that make award funds available to the property owner.

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

1. Award Calculation, which explains how other resources determined to be a DOB were handled and how the grant was calculated. The award is calculated using the Work in Place (WIP) for any repairs completed and the Estimated Cost to Repair (ECR) for repair costs required to complete the applicant's project;
2. Insurance Requirements, which informs the property owner of the requirement to obtain and maintain multi-peril and/or flood insurance encumbrance and pass that obligation on to the subsequent owners;

3. Subrogation and/or Assignment Agreement, in which the property owner agrees that any additional funds the property owner may receive from potential DOB sources may be required to be paid back to the Program and confirms their obligation to immediately notify the Program if they receive such funds;
4. Declaration of Covenants and Restrictions-performance to complete construction project and meet national objective;
5. Deed Restriction- notifies future owners of the requirement to maintain flood insurance on the property;
6. Mortgage Agreement- which defines the unit's affordability period, and outlines compliance with the safe and sanitary requirements of the units;
7. Follow all applicable Fair Housing and Section 504 requirements;
8. Confirmation that the property owner still owns the damaged property and they have not received notices of default or foreclosure that may affect the title of the damaged property and their obligation to immediately notify the Program if they receive such notices;
9. Hold Harmless Indemnification.

7.3.3 Affordability Period

The Affordability requirement is for a period of one, three or five years determined by the amount of funding provided to each unit wherein the property owner must rent the program funded units to LMI tenants. The affordability period will be documented by the non-amortized mortgage agreement. The mortgage agreement will remain on the county land records until the end of the affordability period or until the loan is paid in full. If the affordability period is not maintained, DCA will require the property owner to repay the unamortized amount of the mortgage as described in the Mortgage Agreement. The following affordability timeframes apply to all assisted units:

Rental Housing Activity	Minimum Period of Compliance in Years (after initial occupancy)
Rehabilitation or acquisition of existing housing per unit of CDBG-DR funds	
Under \$15,000	1
\$15,000-\$50,000	3
Over \$50,000	5

7.3.4 Recapture of Funds

During the course of implementation and ongoing monitoring of SRRP, applicant files will be made available for review by program staff and State and Federal auditors. In



some instances, the review may identify a situation which would require a recapture of funds. In the circumstances listed below applicants may be required to repay all or a portion of the assistance received from SRRP. The reasons for recapture include, but are not limited to, the following scenarios:

- ▶ An applicant is determined to have provided false or misleading information to the program.
- ▶ If an applicant is withdrawn from the program prior to completion of the project.
- ▶ Construction is not completed due to non-cooperation by applicant/owner(s).
- ▶ The applicant did not comply with the approved scope of work in a manner that made the property ineligible (i.e., applicant did not comply with the lead paint abatement or other environmental remediation requirements).
- ▶ Applicant failed to report the receipt of any additional insurance proceeds, SBA, FEMA non-profit assistance and/or any other funds received after a DOB analysis was conducted.
- ▶ Applicant has failed to meet the LMI tenancy requirement throughout the Affordability Period.
- ▶ In the event of a voluntary or involuntary sale during the affordability requirement, or at any point that the property owner converts the units to market rate, the award will be repaid at a prorated bases with a portion forgiven each year after the first year. If the affordability requirements can't be met during the first year 100% of the award will be repaid to DCA.

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

8 Pre-Construction

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

8.2 Contractor Requirements

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

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

8.3 Program Applicants who Change Contractors

Applicants who wish to terminate their contract with their contractor may do so, however, the Program will not be involved in the decision to terminate existing contracts.

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

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

In addition, applicants must seek from the Program:

- ▶ An updated scope of work and
- ▶ New contractor validation.

The scope of work may be re-evaluated and any additional costs that are incurred due to the decision to change contractors may be the responsibility of the property owner.

8.4 Preconstruction Conference & Cost Acceptance

A preconstruction conference will be held with the applicant and the contractor to review the items to be performed. The purpose of the preconstruction conference is to discuss the details of the project, including the scope of work, schedule, budget, and any potential issues or challenges that may arise. The contractor is encouraged to have any required subcontractors present. Should any legitimate program eligible additions or deletions be required, the applicant may request that the Program modify the scope of work.

8.5 Program Approved Costs

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

8.6 Construction Agreements

The property owner will enter into one of two different types of agreements with the contractor depending upon the applicant-selected pathway. The agreement will be either:

8.6.1 SRRP Construction Contract Addendum

The SRRP Construction Contract Addendum is for property owners that currently have an existing construction contract, referred to as Pathway 1. A contract

addendum will be provided to the applicant and must be executed with their builder to receive SRRP funding. Any changes to the scope of work or construction timeframes must be approved by the Program through the Change Order process as outlined in Section 9.7 **Error! Reference source not found.**

8.6.2 SRRP Construction Agreement

The SRRP Construction Agreement is for property owners that do NOT currently have an existing construction contract. The property owner will enter into the contract agreement with the contractor. The construction contract is provided by the Program and may not be amended to change the terms of performance or to expand the construction scope beyond that which has been authorized by the Program. Any changes to the scope of work or construction timeframes must be approved by the Program through the Change Order process as outlined in Section 9.7 **Error! Reference source not found.**

8.7 Section 3

Section 3 of the Housing and Urban Development Act of 1968 (Section 3), as amended, requires that economic opportunities generated by CDBG-DR funds be targeted toward Section 3 residents. Section 3 eligible residents are low- and very low- income persons, particularly those who live or reside in public, or government assisted housing. In accordance with Section 3, contractors using CDBG funding for housing rehabilitation 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.

CDBG-DR awards for rehabilitation, greater than or equal to two-hundred thousand dollars (\$200,000.00).

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

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

9 Construction

9.1 Notice to Proceed (NTP)

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

- ▶ Permits (Building, MEP, etc.) or documentation supporting no permit was required
- ▶ Prior Approvals
- ▶ Insurances
- ▶ Environmental Permits (Lead Hazard Abatement)
- ▶ Required Certifications

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

- ▶ Date of issuance
- ▶ Date to initiate construction.
- ▶ Expected completion date
- ▶ Program contact information
- ▶ Program scope of work

If required for construction, the applicant must vacate the property, and for all occupied units the applicant must secure the removal of any tenants in a manner which meets URA requirements. Failure to vacate and allow for construction activities to occur may result in the award being rescinded.

If date of issuance and/or expected completion date changes, it will be memorialized in a change order.

9.2 Hazardous Materials

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

9.3 Lead Based Paint

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

If the Risk Assessment identifies the presence of lead-based paint or lead-based hazards then the Construction Manager shall verify that the remediation of lead-based hazards are properly incorporated into the scope of work for the property. The applicant shall be provided with a Notice of Lead Hazard Evaluation or Presumption pertaining to

presence and location of lead-based paint hazards within fifteen (15) days of the evaluation.

Contractors performing work on structures built prior to 1978 or performing work on structures with lead-based paint hazards, must provide documentation of current EPA RRP certification as required in 40 CFR Part 745 Subpart E. Contractors unable to provide this documentation will not be eligible to perform work funded by this program. Additionally, contractors performing abatement activities or subcontractors retained to perform abatement activities must adhere to the requirements set forth in N.J.A.C. 5:17 Lead Hazard Evaluation and Abatement Code.

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

The applicant is responsible for providing a lead abatement contractor, to the Program for validation, prior to performing any required lead hazard abatement work. The Program will monitor the lead abatement process and provide for an interim clearance report as necessary or required. At the conclusion of the abatement, the abatement contractor/applicant will coordinate with the Program to schedule a lead clearance examination.

A copy of the final lead hazard clearance report conducted by DCA or its agent will be provided to all occupants residing in the structure within fifteen (15) days.

During the abatement process, no rehabilitation work should occur within, and no entry should be made into, the area for which clearance is requested until the clearance inspection occurs and clearance is achieved.

9.4 Construction Monitoring, Periodic, and Final Inspections

The Program will monitor the project during construction for adherence to any federal and state regulatory requirements in addition to Program approved processes. Monitoring and document collection will take place to:

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

The Program will perform site inspections at designated times and/or as the need arises. Construction monitoring and related inspections are performed to document eligible activities are being performed, timelines are being adhered to, and program guidelines are being followed.

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

9.5 Inspection Types

Contractors are responsible for contacting the Program to request an on-site inspection during construction. Applicants should be present for all Draw and Final inspections and are encouraged to be present for any site inspections.

9.5.1 Progress Inspection

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

9.5.2 Draw Inspections

Draw inspections occur at set milestones during a construction project, generally after a complete draw request is submitted. This inspection will take place after the Program receives notification from the applicant that the project has reached the next designated milestone. The Program Inspector will document the status of the project and note the condition of the project related to the specific milestone.

9.5.3 Final Inspection

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

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

9.5.4 Failed Inspections

Applicants will be made aware of the items that did not meet Program standard or were incomplete and will be advised to reschedule once the concerns noted are remedied.

9.6 Draw Payment Requests

Funds will be released to the applicant on a draw schedule as specified within the contract documents, with the final payment occurring after completion and issuance of a



certificate of completion/occupancy by a local code official. Construction progress and quality will be monitored throughout each project, and payment of each progress draw is contingent upon successful inspection by the Program.

Each rehabilitation, and elevation, project will be subject to a construction contract which will include performance measures and define progress payments. Each request for payment must contain all program required documents and supporting evidence.

9.6.1 Draw Schedules

Funds will be released to the applicant to the contractor on behalf of the applicant on a draw schedule specified within the contract documents, with the final payment occurring after completion and issuance of a certificate of completion by the Construction Manager.

9.6.2 Payments

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

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

General contractors will be paid on a draw schedule agreed to by the general contractor and construction manager as an advisor to the applicant, before the start of construction, with the final payment occurring after completion and issuance of a certificate of completion by the construction manager. Construction progress and quality will be monitored throughout each project, and payment of each progress draw is contingent upon successful inspection by the Program.

9.7 Change Orders

Change orders are issued when the initial agreed-upon scope of work to be completed requires modification for repairs not identified during the initial damage assessment. Each change order must have a cost analysis for any substantive scope of work modifications.

The request and supporting documentation must be submitted to the Program for review and the Program may not pay for any additional costs associated with the change order. The property owner will have to pay for any costs associated with a change order that is not funded by the Program.

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

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

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

9.8 Retainage

The program will develop a retainage which will be 10% of the total contract.. The amount withheld is to ensure that the contractor or subcontractor completes all of the work outlined in the contract and meets the specified quality standards. The release of retainage will be contingent upon the contractor or subcontractor providing all necessary documentation and certifications as required by the Program. DCA reserves the right to release any retainage amount early and will review this on a case-by-case basis.

9.9 Warranty

General contractors are responsible for providing a warranty. The Program does not provide warranty services. The contractor must present warranty documents to the applicant which detail the length and method of claim request.

9.10 Rehabilitation

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

9.11 Construction Disputes

As the applicant selects and engages with their contractor, it is their responsibility to resolve contract disputes. However, the property owner can contact the program construction manager to facilitate those discussions to resolve any disputes. The applicant may file a complaint as outlined in Section **Error! Reference source not found. Error! Reference source not found..**

10 Closeout

10.1 Construction Closeout and Final Inspections

Once construction is complete, the applicant will request a final site inspection to validate that all necessary work is completed according to the appropriate state and local codes and the property meets HQS, along with any required certificate of occupancy with municipal approval. The property owner, the general contractor, and the Program Construction Manager will complete and sign a final inspection form, which will be uploaded to the project file. In addition to the final



site visit to verify completion of the applicant's scope of work as outlined in the approved ECR, the general contractor will be required to submit a Construction Closeout packet to the construction manager. The Declaration of Covenants will be released once all funds awarded in accordance with the Award Agreement are expended, the rental units have met all construction requirements as evidenced by a certificate of occupancy or other program acceptable equivalent, and final inspection, the property units are elevated (as necessary), and the property rental units have met their affordability timeframe compliance.

Property owners will then be required to select their tenants, provide a model lease or lease addendum for DCA review and approval and rent the unit to an LMI certified tenant for the entire period of affordability. These requirements are listed below.

At the end of the compliance and affordability period, DCA will release the Mortgage Agreement for each participating property and send a letter to the Property owner stating that the requirements of the Program have been met and, if applicable, that the Property owner has no further obligations to the Program.

10.2 Tenant Income Verification

Tenant income will be verified in order for the units to be rented to these households at an affordable rate. Income is used to classify households as either LMI households or non-LMI households based upon the income limits published by HUD. This will be done at the time of the initial lease agreement.

Income will be based on the income of the household members. The following persons are considered household members:

- ▶ All adult household members live in the unit except live-in aides and foster adults.
- ▶ All children living in the unit, except foster children. Children who are in the process of being adopted are included. Children who occupy the unit at least (50%) of the time under a shared custody agreement are counted. Children who are away at school but live in the household during school recesses are included.

Guests or others staying in the unit on a temporary basis are not counted as household members.

The income definition used for the Program is the definition of annual income as defined by IRS Adjusted Gross Income. Applicants certify to total household income on the application. The tenant is required to complete and sign the Income Certification and provide supporting tax or other applicable documentation. For proof of household income, applicants must provide both of the following:

- ▶ Signed Income Certification Form (Appendix B) for your entire household and;
- ▶ Most recent Federal Tax Return for each household member who files taxes.

Upon verification, applications for applicants whose income category have changed from LMI to non-LMI will be reevaluated to determine whether or not they can

participate in the program. Non-LMI persons are not allowed to be beneficiaries of this program. Tenants whose household income exceeds 80% of AMI at the time of the application are ineligible for the Program and will not be able to rent one of the affordable housing units approved by the program. Applicants will be notified in writing of their ineligibility and offered an opportunity to appeal against the decision in accordance with the appeals policy.

10.3 Property Compliance

The Property owner will provide an annual self-certification that the housing units meet HUD established housing quality standards during the Affordability Period. If the property owner is unable to provide this certification to DCA during the period of affordability, they will be in violation of the program and subject to the recapture of funds.

10.4 Accessibility

Assistance for accessibility improvements for newly placed disabled tenants or their household members is available upon request by the new tenant, disabled household member, or family member or legal representative of a disabled family member to the property owner who is responsible for compliance and any costs associated with compliance.

10.5 Reasonable Accommodation

Tenants in this program have rights and property owners have obligations under federal law related to reasonable accommodations and reasonable modifications. Federal nondiscrimination laws that protect against disability discrimination cover not only tenants with disabilities, but also renters without disabilities who live or are associated with individuals with disabilities. These laws also prohibit housing providers from refusing residency to persons with disabilities, or placing conditions on their residency, because they require reasonable accommodations or modifications. The Fair Housing Act prohibited discrimination includes a refusal to permit, at the expense of the person with a disability, reasonable modifications of existing premises occupied or to be occupied by such person if such modifications may be necessary to afford that person full enjoyment of the premises. Property owners who participate in the Small Rental Repair Program will be required to follow the rules and requirements of the Fair Housing Act, the Americans with Disabilities Act, and Section 504.

10.6 Affordability Period

The Affordability requirement is for a period of one, three or five years determined by the amount of funding provided to each unit wherein the property owner must rent the program funded units to LMI tenants. The affordability period will be documented by the award agreement. The agreement will remain on the county land records until the end of the affordability period. If the affordability period is not maintained, DCA will require the property owner to repay a prorated amount of the award as described in the Award Agreement. The following affordability timeframes apply to all assisted units:

Rental Housing Activity	Minimum Period of Compliance in Years (after initial occupancy)
Rehabilitation or acquisition of existing housing per unit of CDBG-DR funds	
Under \$15,000	1
\$15,000-\$50,000	3
Over \$50,000	5

10.7 Flood Insurance

Property owners that have been assisted with CDBG-DR funds and in a Special Flood Hazard Area or a high-risk area defined by DEP must obtain flood insurance to ensure that these structures are protected from future disasters. The applicant will be required to execute a deed restriction on the property at the time of award 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.

Application Archive

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

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

11 Program Appeals, Complaints, and Grievances

11.1 Program Eligibility Appeals

All appeal requests related to program activities are processed and reviewed by DCA. Initial review of the appeal will be conducted by a three (3) person panel, lead by Legal and Regulatory Affairs staff. This staff is independent from the group that originally made the decision being appealed. Each appeal will be reviewed



against Program policies and requirements. The panel will make a recommendation to the Deputy Commissioner of DRM 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, Legal
101 South Broad Street
Trenton, NJ 08625

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

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

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

11.2 Complaints

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

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

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

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



11.3 Section 504 Coordination Complaints and Grievances

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

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

11.4 Fair Housing, Support to Non-English Speakers

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

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

To further fair housing goals and ensure that all potentially eligible applicants are aware of the opportunity to participate in the Program, DCA will engage in an outreach campaign prior to and during the application period. The multi-media outreach program includes special outreach to LMI households, minority households, and others identified as “least likely to apply” for assistance. In accordance with the requirements of Section 504 of the Rehabilitation Act of 1973, DCA will make reasonable accommodations to ensure access to the program for persons with disabilities. These accommodations may include providing alternative methods of compliance with program requirements, such as conducting property visits for individuals unable to travel and/or providing additional assistance in the completion of the application and program forms.

11.5 Fraud, Waste and Abuse

DCA describes the process for applicants to report fraud, waste, or abuse in DCA Policy No. 2.10.4 Investigation Protocol Policy (February 2023) specifically the “Avoid Property 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. This policy will be updated to include Ida programs once they are fully developed. DCA Policy No. 2.10.13 Internal Audits and Recipients Audits Policy discusses the process of the Office of Auditing to provide both programmatic and financial oversight of grantee activities. When the grantee has determined that instances of fraud, waste, and abuse have occurred, these will be referred to the HUD OIG Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov) by the Office of Auditing.

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

12 Monitoring, Compliance, and Records Management

12.1 Program Monitoring

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

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

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

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

Procedures for verification of the accuracy of information provided by applicants for assistance are provided in the individual program policies and procedures. DCA's oversight and monitoring shall include procedures to ensure that the respective

programs have sufficient documentation to verify the information being provided by applicants. DCA will test the program staff's adherence to the required procedures by testing applicant files using the appropriate sampling techniques. Further, DCA may embed quality assurance monitors into the intake process who will be charged with ensuring adherence to prescribed applicant verification procedures.

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

12.2 Compliance

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

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

Each program will cooperate fully with the DCA, HUD, or HUD OIG monitors/auditors and assist them by providing all necessary access to databases and documents

requested. Any compliance plan will include the frequency and distribution of any reporting of the ongoing activities.

12.3 Conflict of Interest

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

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

No persons who exercise or have exercised any functions or responsibilities with respect to CDBG-DR 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- DR assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-DR-assisted activity, or with respect to the proceeds of the CDBG-DR-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

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

12.5 Conflicts Prohibited

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



12.6 Files, Records, and Reports

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

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

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

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

12.7 Procedures for Performance Key Tasks

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

12.8 Record Retention Compliance

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

12.9 Prepare Standard Operating Procedures

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

- ▶ Provide a description of what must be inventoried so that proper quality

controls can be implemented. The inventory will consist of electronic records, such as scanned forms, electronic forms including signatures, internal and external reports, photographs, estimates, and drawings. These files shall be maintained such that they can be transferred via e-mail, disc format, and download.

- ▶ Define file formats and meta-data for each electronic record.
- ▶ Provide a clear description that appropriate State and Federal monitors/auditors will be allowed access to the records upon reasonable notice, unless fraud, waste, or abuse (See Policy 2.10.88) is the reason for the visit.
- ▶ Define specific procedures for the scanning of paper documents for the creation of an electronic file (paper forms are not anticipated).
- ▶ Implement quality controls that assure specific electronic records are being associated with the correct applicant ID and stored in the correct locations and format within the MIS.
- ▶ List the records retention schedule per Program policy.
- ▶ Define the methods of electronic records protection that include remote access control by only authorized staff members and physical security of the hardware.
- ▶ Define records disposition for program closeout, either by transfer of ownership or by destruction prior to the end of the required record retention period. This will include a plan to guard against technological obsolescence which will involve common file formats, interfaces, and communication.

12.10 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. 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.

12.11 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.