

# Small Rental Repair Program

## Policy



DIVISION OF  
Disaster Recovery  
& Mitigation



# Contents

<b>1</b>	<b>OVERVIEW .....</b>	<b>1</b>
1.1	Introduction .....	1
1.2	Program Description.....	1
1.3	Funding Sources .....	1
1.3.1	Tropical Storm Ida CDBG-DR.....	1
1.3.2	Superstorm Sandy CDBG-DR .....	2
1.4	Program Administration .....	2
1.5	Uniform Relocation Act .....	3
1.6	Reimbursement .....	3
1.7	Property Owner Requirements – Affordability Period.....	4
1.8	Property Owner Requirements –Tenant-Related Parties .....	4
1.9	Affordability Period .....	4
1.10	Housing Counseling and Legal Services.....	5
<b>2</b>	<b>APPLICATIONS AND PRIORITIES .....</b>	<b>7</b>
2.1	Application Process Overview.....	7
2.2	Application Method .....	7
2.3	Application Period.....	7
2.4	Phased Approach.....	8
2.5	Small Rental Repair Program Application Phases .....	9
2.5.1	Phase I .....	9
2.5.2	Phase II .....	9
2.6	Application Waitlist .....	9
2.7	Withdrawn Applications .....	10
2.8	Voluntary Withdrawals.....	10
2.9	Administrative Withdrawals .....	10
2.10	Administrative Withdrawal Reinstatement Requests .....	10
<b>3</b>	<b>ELIGIBILITY .....</b>	<b>11</b>
3.1	National Objectives .....	11
3.2	Eligible Structures.....	11
3.3	Eligible Activities.....	11



3.4	<b>Ineligible Activities</b>	12
3.5	<b>Applicant Eligibility</b>	12
3.6	<b>For-Profit Participation</b>	13
3.7	<b>Nonprofit Participation</b>	13
3.8	<b>Ownership</b>	13
3.9	<b>Other Special Ownership Circumstances</b>	13
3.9.1	Death of Property Owner	14
3.9.2	Property Owners Who Have Sold Their Properties	14
3.9.3	Limited Liability Company and Limited Liability Partnership	14
3.10	<b>Financial Projections</b>	14
3.11	<b>Property Damage</b>	14
3.11.1	Property Damage Verification	14
3.11.2	Other Flood Insurance Requirements	15
3.11.3	Communities in the Special Flood Hazard Area	15
3.12	<b>Property Owner Responsibilities</b>	16
3.13	<b>Affirmative Fair Housing Marketing Requirements</b>	17
3.14	<b>Affordable Rents</b>	17
<b>4</b>	<b>CONSTRUCTION CONTRACT AND PATHWAYS</b>	<b>18</b>
4.1	<b>Initial Pathway Assessment</b>	18
4.1.1	Pathway 1: Property Owner with Existing Construction Contract	18
4.1.2	Pathway 2: Property Owner Selects Own Contractor	18
4.2	<b>Substantial Damage Determination</b>	19
4.2.1	Changing the Status of the Substantial Damage Selection	19
<b>5</b>	<b>INSPECTIONS AND ENVIRONMENTAL REVIEW</b>	<b>20</b>
5.1	<b>Initial Site Inspection</b>	20
5.2	<b>Environmental Review</b>	20
5.3	<b>Tiered Reviews</b>	21
5.4	<b>Blackout/Stop-Work Periods</b>	22
<b>6</b>	<b>SCOPING AND FEASIBILITY</b>	<b>23</b>
6.1	<b>Rehabilitation</b>	23
6.2	<b>Elevation</b>	23
6.3	<b>Site Condition Determination</b>	24
6.3.1	Unsafe Conditions	24
6.3.2	Unsafe conditions include, but are not limited to, the following:	24



- 6.4 Cost Estimation ..... 24**
  - 6.4.1 Cost Estimating Software ..... 24
- 6.5 Ineligible Costs ..... 24**
- 6.6 Estimated Cost of Repairs..... 25**
- 6.7 Work in Progress..... 26**
- 6.8 Contesting the ECR or Work in Progress Estimate..... 26**
- 6.9 Design Services..... 27**
- 6.10 Restrictions..... 28**
- 6.11 Construction Standards ..... 28**
- 6.12 Resilience and Mitigation ..... 28**
- 6.13 Broadband Infrastructure ..... 28**
- 6.14 Green Building Requirements ..... 29**
- 6.15 Substantial Improvement ..... 29**
- 6.16 Rehabilitation..... 29**
- 6.17 Accessibility ..... 29**
- 6.18 Finish Selection..... 30**
- 6.19 Upgrades ..... 30**
  
- 7 AWARDS ..... 32**
  - 7.1 Award Determination and Calculation ..... 32**
    - 7.1.1 Awards..... 32
    - 7.1.2 Maximum Assistance..... 32
    - 7.1.3 Duplication of Benefits (DOB)..... 32
    - 7.1.4 Small Business Administration Loans..... 33
    - 7.1.5 Responsibility of the Applicant to Provide Non-Program Funds ..... 34
  - 7.2 Property Owner Obligations..... 35**
    - 7.2.1 Required Agreements and Covenants..... 35
    - 7.2.2 Vacancy and Notification Requirements ..... 36
    - 7.2.3 Temporary Relocation ..... 36
    - 7.2.4 Lease Addendum/Model Lease Agreement..... 37
  - 7.3 Award Agreement Execution ..... 37**
    - 7.3.1 Approvals..... 37
    - 7.3.2 Award Agreement..... 37
    - 7.3.3 Affordability Period ..... 38
    - 7.3.4 Recapture of Funds ..... 39
  
- 8 PRE-CONSTRUCTION ..... 40**
  - 8.1 Contractor Selection and Performance ..... 40**



8.2	Contractor Requirements .....	40
8.3	Program Applicants Who Change Contractors .....	40
8.4	Preconstruction Conference and Cost Acceptance .....	41
8.5	Program-Approved Costs.....	41
8.6	Construction Agreements .....	41
	8.6.1 SRRP Construction Contract Addendum.....	41
	8.6.2 SRRP Construction Agreement.....	41
8.7	Section 3 .....	42
<b>9</b>	<b>CONSTRUCTION.....</b>	<b>43</b>
9.1	Notice to Proceed.....	43
9.2	Hazardous Materials .....	43
9.3	Lead-Based Paint .....	44
9.4	Construction Monitoring, Periodic, and Final Inspections .....	44
9.5	Inspection Types .....	45
	9.5.1 Progress Inspection.....	45
	9.5.2 Draw Inspections .....	45
	9.5.3 Final Inspection .....	45
	9.5.4 Failed Inspections.....	46
9.6	Draw Payment Requests .....	46
	9.6.1 Draw Schedules .....	46
	9.6.2 Payments.....	46
9.7	Change Orders .....	47
9.8	Retainage .....	47
9.9	Warranty.....	47
9.10	Rehabilitation.....	48
9.11	Construction Disputes.....	48
<b>10</b>	<b>CLOSEOUT.....</b>	<b>49</b>
10.1	Construction Closeout and Final Inspections .....	49
10.2	Tenant Income Verification .....	49
10.3	Property Compliance .....	50
10.4	Accessibility .....	50
10.5	Reasonable Accommodation.....	50
10.6	Affordability Period.....	51
10.7	Flood Insurance.....	51



**11 PROGRAM APPEALS, COMPLAINTS, AND GRIEVANCES..... 52**

11.1 Program Eligibility Appeals ..... 52

11.2 Complaints ..... 53

11.3 Section 504 Coordinator, Complaints and Grievances ..... 53

11.4 Fair Housing, Support to Non-English Speakers..... 53

11.5 Fraud, Waste, and Abuse ..... 54

**12 MONITORING, COMPLIANCE, AND RECORDS MANAGEMENT. 55**

12.1 Program Monitoring ..... 55

12.2 Compliance ..... 56

12.3 Conflict of Interest..... 57

12.4 Applicability ..... 57

12.5 Conflicts Prohibited ..... 57

12.6 Files, Records, and Reports..... 58

12.7 Procedures for the Performance of Key Tasks ..... 58

12.8 Record Retention Compliance ..... 58

12.9 Prepare Standard Operating Procedures ..... 59

12.10 Required Records ..... 59

12.11 Destruction of Records..... 61



# 1 OVERVIEW

## 1.1 Introduction

The Small Rental Repair Program (SRRP or Program) is funded through the U.S. 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 (DCA) will publish frequently asked questions, Program checklists, and other documents in order to assist with navigating Program participation.

## 1.2 Program Description

The New Jersey SRRP will provide zero interest forgivable loans to owners of rental properties with seven or fewer units to restore their Tropical Storm Ida-damaged properties. SRRP will provide these forgivable loans to property owners who rent the funded units which were improved with CDBG-DR funding to income-eligible tenants for activities necessary to restore their storm-damaged properties. 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. As defined in 24 Code of Federal Regulations (CFR) 55.2(b)(10) and described in [Section 4.2](#), substantial rehabilitation of properties with more than four rental units will include the installation of broadband infrastructure, where feasible. In cases where properties 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 affected unit, property owners may be eligible for alternative assistance. DCA will work with these 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 CDBG-DR Program, as appropriated by the United States Congress. Funding for 2021 disasters was appropriated by the Extending Government Funding and Delivering Emergency Assistance Act of 2021, Division B, and 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 for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed (MID) areas resulting from a major disaster.

On September 30, 2021, President Joe Biden signed Public Law 117-43, directing \$5 billion to HUD 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, which affected 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 the remaining funds from other disasters to address current disaster needs in the areas that were affected by both disasters. This means that 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

Superstorm Sandy Substantial Action Plan Amendment 48 reallocates Superstorm Sandy CDBG-DR funds to certain Ida recovery programs. This document includes the rules and requirements for both the Ida and Sandy funds. The use of Sandy funding is limited to assist with recovery from Tropical Storm Ida in counties that were determined by HUD to be most impacted both in the aftermath of Superstorm Sandy and Tropical Storm Ida. This document will indicate whether there are specific limitations around the use of Sandy funding for Ida recovery.

## 1.4 Program Administration

DCA's 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 and 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 the costs for the project, and authorize payments for construction activities. Provide construction-related guidance, including establishing timelines and progress benchmarks, ensuring that contractors are insured and registered, and reviewing existing scopes of work to help meet Program guidelines.
- ▶ Relocation Specialists: Provide support and guidance to property owners and tenants when Uniform Relocation Act (URA) compliance is required.



- ▶ Quality Assurance/Quality Control Staff: Perform operational reviews to ensure that Program processes are compliant with policy.

## 1.5 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, nonprofits, 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. 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 that 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 of 15-days' notice to vacate in an instance of temporary relocation, replacement housing payments, housing of last resort, and moving expense payments. Tenants of properties receiving assistance that results from the funding of a property under the Program may be either temporarily or permanently displaced. Relocation in the Program is anticipated to concern primarily temporary relocation activities, meaning that 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.

To receive URA assistance, tenants must be able to verify lawful presence. Exceptions will only be made in the event of extreme and 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 the 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 the following:

- ▶ 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 *low- to moderate-income (LMI)* households, defined as households earning at or below 80% of the area median income (AMI). Rents will be calculated upon income qualification of the tenants and upon tenant turnover. Rents will be based off of and not exceed 30% of 80% of the tenant's household income. Income-eligible tenants must occupy the unit(s) for the required Affordability Period detailed in Section 3.22. If a tenant leaves the property prior to 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 also will abide by the compliance requirements of maintaining the unit as safe and sanitary and provide annual certifications to DCA to ensure that 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 1, 3, or 5 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 in 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

## 1.10 Housing Counseling and Legal Services

Housing counseling and legal services are available at no cost to affected 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, or developmental], formerly incarcerated persons, victims of domestic violence, persons with alcohol or other substance-use disorders, 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 compliance requirements for meeting the affordable rental requirements. Applicants also will receive financial counseling to ensure that they can successfully cash-flow and maintain affordability of 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 with finding units to which they can temporarily relocate during this time.



- ▶ **Tenants who reside in units improved under this Program.** These tenants will receive training on fair housing requirements, rental limits, assistance with understanding their housing rights, and 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 DOB 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 that 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 Applications and Priorities

### 2.1 Application Process Overview

This section provides an overview of the application process. In this document, the terms *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 properties may submit applications through various methods, including the following:

- ▶ Online through <https://www.nj.gov/dca/ddrm/>, or
- ▶ Calling 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 the likelihood of award. Electronic signatures for submitting applications are acceptable. If the registrant has a power of attorney (POA), 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 for the order of processing. This ensures that all applicants are treated fairly, regardless of the application method. For more details on application phasing, 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 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 during 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 one to seven affordable housing units and at least 1 foot of flooding or \$8,000 in major/severe damages, as determined through the methods described in Section 3.11.1, Property Damage Verification, and there must be evidence of damage as a direct result of Tropical Storm Ida.

All assistance is subject to funding availability. Throughout all of the application phases, the State reserves the right to add additional priorities based on the number of affordable units, whether any tenants renting properties have a disability, the location, whether the property is considered substantially damaged (per Federal Emergency Management Agency [FEMA] definition and local jurisdictional determination), or whether the Program is oversubscribed. *Substantial damage* is defined as damage of more than 50% of the unit's pre-storm value.

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

- ▶ Properties 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 owns 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.

Properties with one to four units are prioritized in phase I, then five to seven units in phase II. The table below illustrates the Program's phased approach, and 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 on the 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:

- ▶ Number of Units: Property owners with 1–4 units will be prioritized.
- ▶ Original Owners: Owners who owned the property at the time of the disaster and still own the property at the time of 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:

Number of Units: Property owners with 5–7 units will be included in this phase.

- ▶ 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

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 about 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 the required documentation or information within the deadline described in the written request or otherwise becomes unresponsive. Applicants will receive a notice giving them 15 days to provide the required information.
- ▶ The Program confirms that an application is a duplication of another application to the same or a conflicting program, such as the Blue Acres Buyout Program or the Hazard Mitigation Grant Program.
- ▶ An applicant is determined to have provided false or misleading information.
- ▶ An applicant is aggressive and/or abusive, as described in the Definitions section, to a DCA employee or any other representative or affiliate of the Program, including, but not limited to, Program Representatives.

## 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 Federal Register (FR) 31636, HUD requires States to comply with the overall benefit requirements in the Housing and Community Development Act of 1974, 24 CFR 570.200(a)(3), and 24 CFR 570.484, and 24 CFR 1003.208, which require that 70% of funds be used for activities that benefit LMI persons. To meet that requirement, this Program will use the LMI Persons and Households national objective.

### 3.2 Eligible Structures

Eligible structures are rental properties 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 properties must be designated as being long-term rental housing. Second homes and/or vacation rental style properties are not eligible unless the applicant certifies that their intent is to convert the use to 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. All tenant and affordability requirements must be met, or all award funds must be returned to the Program. All properties must have access to water, sewer, and electricity.

The following structures are ineligible for the Program:

- ▶ RVs
- ▶ Houseboats
- ▶ Multifamily properties with eight or more units
- ▶ Properties located in a floodway

### 3.3 Eligible Activities

Eligible activities are the activities necessary to restore storm-damaged properties, 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 properties with more than four rental units will include the installation of broadband infrastructure where feasible. Displaced tenants are eligible for assistance under the URA as defined in Section 1.



### 3.4 Ineligible Activities

Ineligible activities include the following:

- ▶ New construction
- ▶ Forced mortgage payoffs
- ▶ Funding for second properties, unless they are converting to an eligible affordable rental property that follows the Program guidelines
- ▶ Assistance for properties that previously received federal disaster assistance and did not maintain flood insurance where required
- ▶ Compensation payments
- ▶ Assistance for properties located in communities that do not participate in the National Flood Insurance Program (NFIP) because they are prohibited from receiving federal assistance. Assistance for properties 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 the flow of flood waters during a flood and is typically the area of greatest risk to structures in the floodplain. HUD financial assistance for rehabilitation and reconstruction is prohibited in floodways.

### 3.5 Applicant Eligibility

Eligible structures and owners must meet the following criteria:

- ▶ 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.
- ▶ Properties must have seven or fewer units.
- ▶ Property must be in a HUD or State MID. HUD MIDs include the following counties: Bergen, Essex, Hudson, Middlesex, Passaic, Somerset, and Union. The State MIDs 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 POA for the property owner may complete the application on the property owner's behalf.

### 3.6 For-Profit Participation

For-profit landlords must agree to execute a lease that corresponds with the Program affordability requirements detailed in Section 1.9. Affordable rents will not exceed 30% of 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 still must abide by the SRRP requirements and select a new eligible tenant to fulfill any remaining time in the compliance period. For-profit property owners also will be required to follow all other compliance requirements, such as maintaining the property to a safe and sanitary standard.

### 3.7 Nonprofit Participation

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

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

### 3.8 Ownership

In order for the applicant to be placed in Phase I, the property owner must have owned the property on the date of the 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 the appropriate documents. Acceptable documents for original owners are the following:

- ▶ Tax records for the years 2020 and 2021 or 2022, which show that 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.

### 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. 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 the death of an applicant occur 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 Properties

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

### 3.9.3 Limited Liability Company and Limited Liability Partnership

In instances where a 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, an 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.

## 3.10 Financial Projections

Participating property owners will work with a HUD-approved housing counseling agency to review financial projection and pro forma. The purpose of conducting a financial projection and developing a pro forma is to verify that there is a sustainable cost projection to allow for the property to maintain affordability for the units improved with CDBG-DR funding. 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 that the property sustained the minimum level of damages as described below.

### 3.11.1 Property Damage Verification

If FEMA data do not confirm the minimum level of damage, inspection data from the Small Business Administration (SBA) will be reviewed to determine whether those records indicate an eligible level of damage. If data from these sources do not confirm the minimum level of damage, the applicant will have an opportunity to submit information from the acceptable third-party sources noted below. If not submitted, the applicant may be determined to be ineligible. Applicants will be notified in writing and offered an opportunity to appeal in accordance with the appeals policy.

If FEMA data or SBA data do not confirm a minimum level of damage, applicants must submit one of the following documents as proof of more than \$8,000 in damages or greater than 1 foot of flooding in the first floor living units:

- ▶ NFIP Proof of Loss Claim/Assessment
- ▶ Insurance adjuster's estimate from private insurance
- ▶ SBA damage assessment for \$8,000 or more
- ▶ Letter from a local municipality demonstrating \$8,000 or greater in damages, or more than 1 foot of flooding in the first floor living area of the dwelling unit

### 3.11.2 Other Flood Insurance Requirements

#### **Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance**

In accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance 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 an award that any applicant who has received prior disaster recovery assistance has maintained flood insurance, if required. As part of their eligibility verification, applicants will be asked the following:

- ▶ Whether the applicant or previous owners 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 NFIP regulations
- ▶ For which flood disaster event the applicant received federal funds
- ▶ The amount of federal assistance related to flooding that was received
- ▶ Whether the applicant carried flood insurance at the time of Tropical Storm Ida
- ▶ Whether 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.

### 3.11.3 Communities in the Special Flood Hazard Area

Assistance for the rehabilitation of a property in a Special Flood Hazard Area in communities that do not participate in NFIP are not eligible for this Program because they are prohibited from receiving federal assistance. Communities not eligible to participate in the Program are as follows:

- ▶ 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 SRRP:

- ▶ Unit(s) will be leased to an LMI household within 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. An existing lease may be used in conjunction with the SRRP lease addendum.
- ▶ Rents may not exceed 30% of 80% of the AMI or less.
- ▶ For a date-of-storm tenant, monthly rent and estimated average monthly utility costs cannot exceed the greater of (1) the tenant's old rent and the current average monthly utility costs, or (2) 30% of the tenant's gross household income.
- ▶ Must be registered with the New Jersey State Bureau of Housing Inspection (New Jersey Statute Annotated 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 or more units must develop an Affirmative Fair Housing Marketing Plan to affirmatively promote fair housing and comply with the Fair Housing Act.
- ▶ Compliance with the HUD Lead Safe Housing Rule.
- ▶ Compliance with the 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 owners must arrange with tenants reasonable and timely access to the property, and if the unit is occupied, provide reasonable notice to the tenants regarding 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 a person qualified to make such a determination must be removed from the property prior to the start of construction. Property owners also must remove dilapidated personal property.



### 3.13 Affirmative Fair Housing Marketing Requirements

Affirmative marketing is part of a larger affordable housing policy overseen by HUD. This policy requires that procedures be put in place for marketing practices that 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 assisted units. The affirmative marketing plan would meet the requirements to carry out an affirmative program to attract buyers or tenants regardless of sex, disability, or familial status. 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 that are available in the housing market area.

### 3.14 Affordable Rents

Rents payable by the household plus utilities may not exceed 30% of the tenant's household income for a household earning 80% and below of the AMI. 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's household income and will be considered affordable based on rents not exceeding 30% of 80% of the AMI as calculated for each county and as adjusted annually by HUD. The current HUD income limits are posted at [https://www.huduser.gov/portal/datasets/il/il2022/select\\_Geography.odn](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

### 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 a situation where 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 that 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 progress completed prior to the initial site inspection. Although reimbursement costs are not eligible, applicants who 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 choosing 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 the costs are necessary and reasonable compared with the estimated cost of repairs. If a 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 properties 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 progress completed prior to the initial site inspection. Although reimbursement costs are not eligible, applicants who 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 owners will be responsible for ensuring that the contractor provides any applicable warranties related to construction, and property owners will additionally be responsible for demonstrating that there is no debarment sanction on any individual, organization, and/or subcontractor and they are not excluded from conducting business with any federal agency.

For property owners who have a need for further assistance with the construction process, the Program will coordinate with entities such as the New Jersey Builders Association to curate a list of contractors from whom 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 compliance with all State, local, and federal requirements.

## 4.2 Substantial Damage Determination

*Substantial damage* is defined as damage of more than 50% of the home's pre-storm value.

All substantially damaged properties and substantially improved properties located in the Special Flood Hazard Area are required to elevate to the *design flood elevation* as defined by the New Jersey Department of Environmental Protection (NJDEP).

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 the Substantial Damage Selection

Applicants who stated on their application that 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 that 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, make property eligibility determinations, establish project feasibility and scope, and 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; the assessment of lead paint, asbestos, and mold hazards; and Program environmental reviews conducted on the property. The ISI and related work may be conducted over several site visits.

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 progress (WIP) completed by the applicant for use in the DOB determination, 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 the scope of work.

### 5.2 Environmental Review

#### **National Environmental Policy Act**

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 CDBG-DR funds awarded to the New Jersey DCA by 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.
- ▶ **Environmental Assessment:** The second level of analysis under NEPA is an EA, which is prepared to determine whether 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 that they are less than significant.
- ▶ **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 completion of an EA or, if a federal agency anticipates that an undertaking may significantly affect 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, which states the agency's decision and how the findings of the EIS, including the 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 Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities, 24 CFR 58, specifically 24 CFR 58.15 (Tiering) and 24 CFR 58.32 (Project Aggregation).

As the first step, or Tier I level of review, an EA will be completed for the Program for the HUD and State MID counties (Bergen, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Union, and Warren.). Tier 2 environmental reviews will be conducted for each property being evaluated under the Program. The Tier 2 reviews will be conducted by a contracted consultant who 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 (EOs), such as the National Historic Preservation Act, EO 11988 – Floodplain Management, EO 11990 – Protection of Wetlands, and EO 12898 – Environmental Justice. Relevant State regulations and permitting requirements also will be addressed, such as State EO 215. NJDEP also will 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, the Authorization to Use Grant Funds 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/Stop-Work Periods

Blackout or stop-work periods refer 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 the estimated cost of repairs 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 that 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 a stop-work order 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 who 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. The cost to facilitate all rehabilitation since the storm, including work in progress (WIP); the estimated cost of repairs (ECR); and work remaining to return the property to Program standards are used in calculating the program award, finalizing the project's feasibility, and ensuring that the property owner has been given the opportunity to discuss these factors with the Program.

### 6.1 Rehabilitation

Properties 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 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 a 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, Estimated Cost of Repairs.

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

If properties 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 this on a case-by-case basis.

### 6.2 Elevation

Substantially damaged and substantially improved properties 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.

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

All properties requiring elevation will be designed such that the lowest habitable floor is elevated to the design flood elevation determined by NJDEP, the minimum base flood elevation plus 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 on the 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

### 6.3.2 Unsafe conditions include, but are not limited to, the following:

- ▶ 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.
- ▶ 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 subject to review by additional field team damage assessors prior to being submitted to the damage assessment quality control 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 are 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 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 (e.g., sheds)
- ▶ Decorative landscaping and paving
- ▶ Outdoor sprinkler systems
- ▶ Pools and hot tubs
- ▶ Solar panels
- ▶ Fences
- ▶ Security systems
- ▶ Post-storm additions (e.g., rooms added to original pre-storm structure)
- ▶ Outdoor showers
- ▶ Outdoor fireplaces
- ▶ Purchase of tools and equipment
- ▶ Repair or replacement of detached structures (e.g., sheds, swimming pools, docks, 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 properties, such as solar panels, skylights, wainscoting and wood paneling, hot tubs, and 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 conditioners
- ▶ 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

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 repair. The ECR will include an estimate of the costs associated with the following:

- ▶ Repair of the residence that meets Program standards and applicable local, State, and/or federal building codes, including windstorm requirements.
- ▶ 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.

## 6.7 Work in Progress

WIP refers to repair activities already completed by the property owner at the time of the ISI. The WIP assessment will be completed using Program-accepted costing principles. Utilizing the completed Duplication of Benefits (DOB) Questionnaire from the intake process, the damage assessor will complete a WIP validation. The assessment will include the cost for completed repairs based on the same basic livability standards used for repairs that have not yet been completed.

The damage assessor will perform a site inspection of the property, recording any housing repair work that was initiated as a result of storm damage. The damage assessor will verify that the completed repairs match the list of eligible WIP activities provided by the applicant during the intake process and are consistent with storm damage. The damage assessor must determine, with reasonable assurance, that the repairs claimed by the applicant were made, the repairs were made after the date of the storm, and the expenditures were reasonable based on the Program's unit pricing index. Photographs of all property owner-reported repairs, as well as any identified by the assessor during the site visit, will be documented and included in the assessment report. The purpose of the WIP validation assessment will be to determine whether:

- ▶ Repairs made to the property were reasonable and necessary.
- ▶ Repairs have a lasting presence.
- ▶ Repairs can be reasonably determined as to having occurred after the storm event.

If there is an existing contract in place for construction, the Construction Manager will determine the remaining contract value at the time of the ISI. As part of the ISI, the Construction Manager will determine the value of the completed contract work and validate the funds paid to the contractor prior to execution of an award agreement. The value of the work completed will go toward reducing the impact on the award by any DOB. For the remaining work, a contract addendum will be required in order to receive Program funding.

## 6.8 Contesting the ECR or Work in Progress Estimate

The Construction Manager will review the scope with the applicant. Should an applicant believe that there were material errors in the ECR or WIP, they are advised not to execute their award agreement. Applicants will need to submit documentation and an ECR/WIP Contestation Worksheet documenting the contested amounts of the ECR or WIP, along with any documentation supporting the contested amounts. The Construction Manager will determine whether the documentation provided by the applicant is acceptable; if warranted, the ECR and/or WIP will be adjusted to reflect the new information and submit the documentation in the system of record. If they determine that the original estimates were accurate, the decision also will be recorded and submitted in the system of record. The Program Representative will be responsible for contacting the property owner to discuss the results of the review. A review of the contestation is limited to the scope of work only. The Program will not adjust the pricing of the scope through contestation by the applicant. If an adjustment to the ECR is made, the Construction Manager will request an amendment post-award





for any unforeseen construction changes in the system of record, reflecting the revised changes. No amendment will be triggered if the change in the award is less than \$2,500.

### 6.9 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 the 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 that is 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, and so forth. Each eligible design service may be invoiced with no standard allowance price up to a combined total of \$15,000, provided that 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 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 properties may ask for DCA feasibility and design support.



## 6.10 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.

## 6.11 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 details pertaining to construction standards may be found on the DCA website at <https://www.nj.gov/dca/ddrm/>.

## 6.12 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 Green Building Requirements](#), and [Section 6.2 Elevation](#)

## 6.13 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 properties 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.
- ▶ 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.
- ▶ 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:

- ▶ 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% of the cost of replacing the entire electrical system. In the case of housing units with multiple buildings with more than four units, entire system refers to the electrical system of the building undergoing rehabilitation.
- ▶ Rehabilitation of the housing units in which the pre-construction estimated cost of the rehabilitation is equal to or greater than 75% 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 four units, the replacement cost must be the replacement cost of the building undergoing rehabilitation.

### 6.14 Green Building Requirements

All Program-funded properties 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.

### 6.15 Substantial Improvement

For substantial improvement projects, the property must meet green and resilient building standards detailed at 87 FR 31636. The Program has adopted the ICC-700 National Green Building Standard® and ENERGY STAR® as the basis for meeting the green and resilient building standards. Should a different standard be chosen, it may be reviewed by the Program to determine whether it is allowable as a substitute.

### 6.16 Rehabilitation

All properties 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.

### 6.17 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 floodwaters will be assessed for replacement prior to award signing. Specialty

accessibility items that 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 cost 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 a person with disabilities.

### 6.18 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 in order to avoid delay.

The applicant will be allotted reasonable time to review the materials and make final selections. Applicants who fail to make a final plan and/or finish selection within a reasonable timeframe, based on DCA discretion, will be sent an administrative withdrawal letter with 15 days' notice.

### 6.19 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 Responsibility of Applicant to Provide Non-Program Funds. 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, 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 seasonal energy efficiency ratio rating, and appliances. Furthermore, 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 Awards

### 7.1 Award Determination and Calculation

#### 7.1.1 Awards

Awards will be determined based on the necessary and reasonable scope of work and the cost of materials using industry standard cost estimating software, comparative and market analysis of price per square foot, and/or a review of multiple construction bids. 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 properties 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 the 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 that 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 properties from third-party sources, such as flood and property owner's insurance, Increased Cost of Compliance (ICC) coverage, FEMA assistance, loans from SBA, and any assistance from other government or private nonprofit sources. For additional policies and procedures regarding DOB under the Program, refer to New Jersey DCA Section 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. Under 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 to be 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 SBA or other entity that is guaranteed and subsidized by the government. Subsidized property, personal property, and 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 down the approved SBA loan amounts into the different categories of assistance (e.g., real property, personal property, vehicles).

#### 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 that 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 verification from the 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 discussed 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 verification from the 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 that the funds were:

- ▶ Used properly for the same purpose.
- ▶ Provided for a different purpose.
- ▶ Provided for the same purpose as the program's activities but used for a different allowable use.

#### 7.1.5 Responsibility of the Applicant to Provide Non-Program Funds

Non-Program Funds (NPF) is a calculation of the property owner's 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 from which the funding will be provided. Examples of sufficient documentation include, but are not limited to, the following:

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



### 7.1.5.1 Additional Financing

Applicants who need 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 Needs

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 do the following:

- ▶ Permit authorized representatives of the Program, NJDEP, 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, within 1 year from the date of the award, unless granted an extension in writing by DCA.
- ▶ Sign a Declaration of Covenants, Conditions, and Restrictions for construction performance.
- ▶ Execute a mortgage agreement for the affordability and maintenance requirements.
- ▶ Schedule a meeting with DCA that includes the property owner and tenant.
- ▶ Units must be made available to income-qualified LMI tenants at affordable rents throughout the Affordability Period, as required by DCA.
- ▶ Property owners must have participated in housing counseling related to URA requirements, the 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 review the unit rental requirements.

### 7.2.1 Required Agreements and Covenants

Property owners will execute an award agreement with DCA detailing the terms of participation in SRRP. This includes the following requirements: property owners participating in SRRP will be required to sign a non-amortizing forgivable mortgage agreement, a Declaration of Covenants, Conditions, and Restrictions, and property flood insurance encumbrance that will be recorded in the land records within the appropriate county by the county clerk. These documents ensure that the rental units that are assisted maintain the 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 Affordability Period, 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 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 of 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 that become vacant, provided they notify 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 URA 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 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. 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.

### 7.2.4 Lease Addendum/Model Lease Agreement

Property owners 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 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 that 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 execution of the award agreement, 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 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 progress for any repairs completed and the estimated cost of repairs for repair costs required to complete the applicant's project.
2. Insurance Requirements, which inform 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 which 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, Conditions, and Restrictions, which indicates what is needed to complete the construction project and meet the national objective.
5. Deed Restriction, which 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 for the units.
7. Follow all applicable Fair Housing Act 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 1, 3, or 5 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 that 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 the applicant/owner(s).
- ▶ The applicant did not comply with the approved scope of work in a manner that made the property ineligible (e.g., the 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 assistance, FEMA nonprofit assistance, and/or any other funds received after a DOB analysis was conducted.
- ▶ Applicant failed to complete the rehabilitation requirements that were provided in the approved scope of work and according to DCA's program requirements.
- ▶ Applicant has failed to meet the LMI tenancy requirement throughout the Affordability Period.

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 that 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 of retaining their existing contractor through Pathway 1 or obtaining 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 the State of New Jersey.
- ▶ Must not be on HUD or State debarred lists.
- ▶ Must comply with all required State and federal regulations applicable to SRRP.
- ▶ 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 the following from the Program:
- ▶ An updated scope of work



▶ New contractor validation

The scope of work may be reevaluated 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 and Cost Acceptance

A preconstruction conference will be held with the applicant and the contractor to review the tasks 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 preexisting 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 types of agreements with the contractor, depending on the applicant-selected pathway. The agreement will be either of the following.

### 8.6.1 SRRP Construction Contract Addendum

The SRRP construction contract addendum is for property owners who 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, Change Orders.

### 8.6.2 SRRP Construction Agreement

The SRRP construction agreement is for property owners who *do not* currently have an existing construction contract. The property owner will enter into the construction 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, Change Orders.



## 8.7 Section 3

Section 3 of the Housing and Urban Development Act of 1968, 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 the following:

- ▶ Prepare and utilize a Section 3 Plan.
- ▶ Designate a Section 3 Coordinator.
- ▶ Take affirmative steps to follow the Section 3 Plan and document these efforts.
- ▶ Include the Section 3 clause and the Program Contractor Certification of Efforts to Fully Comply with Employment and Training Provision from Section 3 in any bid packets for contracts.

CDBG-DR awards for rehabilitation greater than or equal to \$200,000 or lead-based paint abatement projects greater than or equal to \$100,000 are required to comply.

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

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





## 9 Construction

### 9.1 Notice to Proceed

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

- ▶ Permits (e.g., building; mechanical, electrical, and plumbing engineering) or documentation supporting that no permit was required
- ▶ Prior approvals
- ▶ Insurance
- ▶ Environmental permits (lead hazard abatement)
- ▶ Required certifications

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

- ▶ 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 that meets URA requirements. Failure to vacate and allow construction activities to occur may result in the award being rescinded.

If the date of issuance and/or expected completion date changes, it will be documented for DCA records in a change order.

### 9.2 Hazardous Materials

The contractor is prohibited from disturbing any suspected hazardous materials that were previously unidentified and later discovered during the course of construction and/or demolition. Hazardous materials 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 U.S. Environmental Protection Agency (EPA) pamphlet, Protect Your Family From Lead in Your Home.

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

Contractors performing work on structures built prior to 1978 or performing work on properties with lead-based paint hazards must provide documentation of current EPA Renovation, Repair, and Painting (RRP) certification as required in 40 CFR Part 745, Subpart E. Contractors who are 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 New Jersey Administrative Code 5:17, Lead Hazard Evaluation and Abatement Code.

All firms performing, offering, or claiming to perform renovations, repairs, or rehabilitation for compensation on damaged properties constructed pre-January 1, 1978, must comply with EPA's RRP Rule and EPA's Lead Pre-Renovation Education Rule. This means that all general contractors performing rehabilitation on Program properties that are pre-1978 housing must be an EPA-certified 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, from DCA or its agent, will be provided to all occupants residing in the structure within 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 the timeliness of project progression.
- ▶ Verify scope completion.

- ▶ Verify the presence of required documentation, such as permits and municipal inspections.
- ▶ Monitor adherence to Green Building Standards 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 that 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 the 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. Furthermore, the Program may need to document any issues that arise which may jeopardize 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, the scope has been completed, and the property is in move-in condition. These documents may include, but are not 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 items that did not meet Program standards 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 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. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced and will pay their contractor within 10 days of receipt of Program funds. If the applicant does not pay the contractor within the 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 that 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
- ▶ Structure-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 cost 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 or the grant award, whichever is less. 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.

### 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 that detail the length and method of the 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 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 may contact the Program Construction Manager to facilitate discussions to resolve any disputes. The applicant may file a complaint as outlined in Section 11 Program Appeals and Grievances.

## 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 Housing Quality Standards, along with any required certificate of occupancy. 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 estimated cost of repairs, the general contractor will be required to submit a construction closeout packet to the Construction Manager. Upon final construction closeout and final award reconciliation, the Program will record the release of the Declaration of Covenants, Conditions, and Restrictions.

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 Affordability Period. 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 on 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 to be household members:

- ▶ All adult household members living in the unit except live-in aides and foster adults.
- ▶ All children living in the unit, except foster children. Children who are in the process of being adopted are included. Children who occupy the unit at least 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. If a copy of one of the federal tax returns is not available or if the tenant's projected 2023 income will exceed their 2022 income, income will need to be

determined by providing one or more documents for each of the following income determination inclusions. Note that this documentation is only required if known income for 2023 will exceed the income stated on the applicant's 2022 tax return or the applicant does not file a federal tax return. The tenant is required to complete and sign the income certification and provide supporting tax or other applicable documentation.

Upon verification, applications for applicants whose income category have changed from LMI to non-LMI will be reevaluated to determine whether 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 the 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 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 Affordability Period, 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 with 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. 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 SRRP 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 1, 3, or 5 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 that the property owner 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

## 10.7 Flood Insurance

Property owners who have been assisted with CDBG-DR funds and are in a Special Flood Hazard Area or a high-risk area, as defined by NJDEP, must obtain flood insurance to ensure that these properties are protected from future disasters. The applicant will be required to execute a deed restriction on the property at the time of 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 NFIP or issued by any property insurance company offering coverage under 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 the assistance provided by the Program.

### Application Archive

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

- ▶ Project meets the 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 special 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-person panel composed of 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 the Division of Disaster Recovery and Mitigation (DRM) who will make the final determination.

Appeal requests to DRM must be postmarked within 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:

New Jersey Department of Community Affairs  
Division of Disaster Recovery and Mitigation, Legal and Regulatory Affairs  
101 South Broad Street  
Trenton, NJ 08625

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

- ▶ Applicant's name
- ▶ Address of the damaged property
- ▶ Applicant's mailing address
- ▶ Applicant's telephone number
- ▶ Email address (if available)
- ▶ The reason(s) that the decision or action is being appealed
- ▶ Documentation that supports the request to overturn the decision
- ▶ 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 [DisasterRecoveryandMitigation@dca.nj.gov](mailto:DisasterRecoveryandMitigation@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 New Jersey State 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 DCA.

## 11.3 Section 504 Coordinator, Complaints and Grievances

Section 504 prohibits discrimination on the basis of disability in programs conducted by federal agencies, programs receiving federal financial assistance, federal employment, and 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 in 24 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](mailto: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 the following:

- ▶ 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
- ▶ 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 multimedia 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 whether 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 Tropical Storm Ida recovery 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 Office of Inspector General (OIG) Fraud Hotline (phone: 1-800-347-3735, email: [hotline@hudoig.gov](mailto: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 email address is [ComptrollerTips@osc.nj.gov](mailto:ComptrollerTips@osc.nj.gov). All communications will be kept confidential. The hotline and email addresses 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 the activities and expenditures of authorized federal funds. DCA will perform monitoring and provide technical assistance on all Program areas and files. The frequency of monitoring is dependent upon Program progress, policy manual changes, and the spending schedule.

The DRM Monitoring Unit conducts a risk analysis of programs and activities, and then uses 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, and 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 the 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 are not limited to, environmental reviews, procurement, fair housing, Section 3, the Davis-Bacon Act and other prevailing wage provisions, the Uniform Relocation Act, equal opportunity and civil rights requirements, the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called 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 the 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 the applicants. DCA will test the Program staff's adherence to the required procedures by testing applicant files using the appropriate sampling techniques. Furthermore, 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's key areas. Monitoring will be performed by the DRM Monitoring Unit. The policies and procedures written into this manual will meet the standards set out in State and federal laws, the HUD Fund Notice, 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 laws, the HUD Fund Notice, HUD CDBG Rules, and the Action Plan. At a minimum, the compliance plan should include the following:

- A. The system for monitoring 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 coming not later than 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)
  - ▶ CDBG financial requirements

Each program will cooperate fully with 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 DCA's Conflict of Interest Policy No. 2.10.9. For the Program, the following areas have been identified as potential areas of conflict:

- ▶ Program staff and property owner applicant or staff and general contractor relationships
- ▶ Property owner applicant and 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 for those with whom they have business or immediate family ties during their tenure or for 1 year thereafter.

## 12.4 Applicability

In the procurement of supplies, equipment, construction, and services by recipients and subrecipients, 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 subrecipients, or to individuals, businesses, or other private entities under eligible activities that authorize such assistance (e.g., rehabilitation, preservation, and other improvements of private properties or facilities pursuant to § 570.202, or grants, loans, and other assistance to businesses, individuals, and other private entities pursuant to § 570.203, § 570.204, or § 570.455).

## 12.5 Conflicts Prohibited

No person who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of subrecipients who 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 1 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 three key tasks:

- ▶ Maintain compliance with all applicable file retention guidelines, as described in 2.10.19, Policy for Record Retention, and audits in accordance with DCA's CDBG-DR Program.
- ▶ Define standard operating procedures (SOPs) to identify the specific steps, as well as customer and contractor interactions, for safeguarding personally identifiable information.
- ▶ Establish needed records, maintenance, and retention requirements.

DRM Housing Recovery Staff will comply with 24 CFR Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information by doing the following:

- ▶ Minimizing the use of personally identifiable information (PII) on Program documents and records.
- ▶ Providing access to PII only to those who require it for official business.
- ▶ Securing PII appropriately, whether on paper or in electronic form.

## 12.7 Procedures for the Performance of Key Tasks

The Sandy Integrated Recovery Operations and Management System (SIROMS) is the electronic records system. The Program will maintain reliability to ensure that 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 management information system (MIS) SOPs. Each applicant's files will reside in the system of record (SIROMS).

## 12.8 Record Retention Compliance

The Program, through the individual MIS, 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 in compliance with these codes, Program Representatives will work with the New Jersey Division of Revenue and Enterprise Services, Records Management Services, to submit and obtain electronic imaging system certification, if applicable. This will include documenting the retention schedule outlined by Program



policy, defining the system configuration, quality control, disaster prevention/recovery, scanning policy, and procedures and the 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, SOPs 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 email, disc format, and downloaded.
- ▶ Define file formats and meta-data for each electronic record.
- ▶ Provide clear indication 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 which ensure that 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, including remote access control only by authorized staff members and the 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 Representatives will provide support to DCA for meeting the reporting requirements, where applicable, to the Program, to the record-keeping sections which are identified in the DCA Policy of Management and Record Keeping. These topics include, but are not limited to, the following:

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, the Davis-Bacon Act prevailing wage requirements; the Uniform Relocation Act; Section 3; Lead-Based Safe Housing Rule; 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 (e.g., purchase orders, invoices, canceled checks)
16. Procurement files (e.g., bids, contracts)
17. Real property inventory
18. Bank account records (e.g., revolving loan fund records, if applicable)
19. Drawdown 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. Subrecipient 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
33. Income



## 12.11 Destruction of Records

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

