Introduction

The Department of Community Affairs (“DCA”) recognizes the need for additional funding for participants in the Reconstruction, Rehabilitation, Elevation, and Mitigation (“RREM”) and Low-to-Moderate Income (“LMI”) Homeowner Rebuilding Programs (hereinafter referred to as the “Programs”) who have not completed construction and require additional funds above the maximum grant award amount of $150,000 to complete their project. The purpose of this document is to provide the policy that will govern the Supplemental Fund for the Programs.¹

Eligibility

The Supplemental Fund is designed to eliminate financial barriers preventing participants from completing construction by supplementing their grant award with additional necessary and reasonable funding to complete their project. Participants may be eligible to supplement their grant award with additional funds if their project is in the construction phase with unfinished eligible scope work and their grant award is maxed out at the Program cap of $150,000 with a Program-calculated unmet need based on their Total Development Cost (“TDC”) and Duplication of Benefits (“DOB”) analysis.

¹ Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program Policies and Procedures (2.10.36) and Low-to-Moderate Income (LMI) Homeowner Rebuilding Program Policies and Procedures (2.10.79) remain in full effect regarding all Program, federal, and state requirements.
To account for any changes to an applicant’s TDC, the Programs will inspect the project prior to the Supplemental Fund application period and, thus, adjust the TDC as necessary. The Program-calculated unmet need will be revised, if applicable, inclusive of any TDC adjustments, unaccounted DOB changes, and elimination of contingency. Applicants must report all construction-related assistance they have received from third-party sources such as National Flood Insurance Program (“NFIP”), homeowners insurance, Increased Cost of Compliance (“ICC”), Federal Emergency Management Agency (“FEMA”) assistance, loans from the Small Business Administration (“SBA”), Gap Funding Initiative (“GFI”), and any assistance from other government or private non-profit sources. If an applicant is a NFIP policyholder and receives additional flood insurance proceeds in excess of $20,000 through either the FEMA insurance claim review process or a legal settlement with FEMA, each dollar over the $20,000 limit will be counted as DOB under the Supplemental Fund, but will continue to be excluded from DOB for the Programs and, thus, not impact the existing grant award calculation for the Programs. For example, if an applicant receives $25,000 in additional flood insurance proceeds, $5,000 would be considered DOB under the Supplemental Fund, and $0.00 would be considered DOB for the Programs.

Those applicants not maxed out at the Program cap of $150,000 and, thus, without a Program-calculated unmet need will be required to demonstrate the need for additional funds through an approved scope adjustment request and, thus, exhibit a Program-calculated unmet need before being considered for the Supplemental Fund.

Participants in possession of or found to be unnecessarily delaying the obtaining of their Certificate of Occupancy (“CO”) or Program-approved equivalent with construction complete will not be eligible for the Supplemental Fund. Additionally, those who do not schedule the inspection of their project prior to the Supplemental Fund application period in a timely manner may not be eligible for the Supplemental Fund.
In conjunction with the inspection of the project prior to the Supplemental Fund application period, the Programs will review Program disbursements. If it is determined that disbursed Program funds, inclusive of the construction advance payment, were misspent or not accounted for, applicants will not receive Supplemental Funds and subsequently may be administratively withdrawn from the Programs.

**Application**

Applicants may apply for the Supplemental Fund through an online application portal. Those applicants unable to apply online may visit a Housing Recovery Center to have a representative from the Programs assist them in completing their application.

As part of the application process, applicants will be requested to submit a copy of their most recent executed construction contract, inclusive of a contractor-developed payment schedule with dates, and documented changes in DOB not previously submitted to the Programs. DCA reserves the right to reject an application for the Supplemental Fund if the existing executed construction contract lacks detailed scope. If an applicant does not submit an executed construction contract with their application, DCA will provide a preliminary Supplemental Fund award amount, contingent upon the submittal of required documentation.

DCA recognizes that many applicants may have utilized available DOB funds to cover construction costs prior to the initial application for the Programs. In the event that the value of DOB is greater than the Program-calculated Work in Place (“WIP”), applicants will be required to submit proof of outstanding DOB funds.

In many instances, applicants may have executed contracts for total amounts greater than the Program-calculated value of eligible scope items. The difference is known as a “contract gap.” A contract gap is determined by subtracting the Program-calculated value of contract-listed eligible scope items from the actual contract price for the construction project. Applicants with a contract gap will be required to submit proof of available personal funds or proof of work already completed.
equaling their contract gap. Those applicants who are acting as their own general contractor will be required to submit all construction contracts with their subcontractors. The actual cumulative value of those subcontractor construction contracts will be used in lieu of the actual contract price for the construction project when calculating a contract gap.

Applicants who do not have an executed contract or are unable to provide proof of available funds will receive Conditional Approval for the Supplemental Fund pending submission of their contract and/or proof of funds, inclusive of outstanding DOB funds and the contract gap.

DCA recognizes that some applicants may not be able to submit proof of funds for all or part of their contract gap. In these instances, Project Managers will review the contract(s) to determine what, if any, scope may be removed to reduce or eliminate an applicant’s contract gap.

If an applicant is ultimately unable to submit proof of available funds or provide an executed construction contract within the required timeframe stipulated in the Conditional Approval, s/he may not be approved for Supplemental Funds and subsequently may be withdrawn from the Programs.

Terms and Conditions

To be accepted for the Supplemental Fund, applicants will be required to sign a grant amendment, inclusive of Supplemental Fund Exhibit 5. Heir(s) to the damaged property of the original applicant may be eligible for the Supplemental Fund if they have executed a “successor” amendment and are able to provide proof of primary residence at the damaged property address (“DPA”). The Supplemental Fund acts as a zero percent (0%) interest forgivable loan. Upon submission and Program-review of a CO or Program-approved equivalent and Program-required closeout documentation, applicants are required to maintain the DPA unit as their primary residence for five (5) years.
Rental of the DPA unit during the five (5) year residency period is expressly prohibited. If an applicant fails to maintain the DPA unit as their primary residence for the full five (5) years, partial repayment will be required. Repayment of Supplemental Funds will be based on a prorated residency requirement with twenty percent (20%) of the loan extinguished per each full year of residency. For example, if an applicant maintains primary residency at the DPA unit for only one (1) year, then they would be required to pay back eighty percent (80%) of the Supplemental Funds received within thirty (30) days of vacancy.

Applicants must submit a CO or Program-approved equivalent within six (6) months of the date of the execution of the mortgage lien and no later than the federal expenditure deadline. Extensions up to the federal expenditure deadline may be granted based on individual circumstances.

A mortgage lien will be placed on the DPA in addition to the Declaration of Covenants and Restrictions (“DOC”) previously filed by the Programs ensuring that the terms of the mortgage lien are fulfilled.

**Disbursements**

The amount of the Supplemental Funds awarded will be subject to review and approval by DCA. The Supplemental Fund may only fund eligible scope work not otherwise funded by the Programs not to exceed the value of the Program-calculated unmet need. All grant award funding must be fully disbursed, including retainage, which will be waived and released as a regular construction disbursement, and any required non-Program funding must be expended on the project before any Supplemental Fund disbursements can be made.

Supplemental Fund payments will be disbursed after work is completed with submission of an invoice. In addition to applicants submitting all required supporting documentation, as indicated on the Payment Request form, Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will occur as often as reasonably necessary.
to comply with the submitted contractor-developed payment schedule with dates. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the invoiced work and will pay their contractor within ten (10) days of receipt of Supplemental Funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn.

Applicants must provide DCA with any updates to their contract(s) within five (5) business days of being executed, or upon request to ensure the SF award continues to accurately represent the project’s funding and timeline.

**Appeals**

Applicants who believe that DCA’s decision to deny Supplemental Funds is incorrect or violates the Supplemental Fund Policy, may appeal in writing. Appeals must be submitted within thirty (30) calendar days of date of receipt of determination notice. Appeals regarding the Supplemental Fund shall be submitted to:

*Attn: Supplemental Fund Appeals*  
New Jersey Department of Community Affairs  
Sandy Recovery Division  
101 South Broad Street, P.O. Box 823  
Trenton, NJ 08625-0823