

STATE OF NEW JERSEY • DEPARTMENT OF COMMUNITY AFFAIRS

SUBJECT: Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program
Policies and Procedures

NUMBER: 2.10.36

EFFECTIVE: October 13, 2013

REVISED: November 2013

March 2014

July 2014

October 2014

May 2015

October 2015

January 2016

September 2016

April 2017

January 2019

May 2019

January 2020

SANDY CDBG-DR

PAGE 1 OF 222

APPROVAL:



Samuel R. Viavattine
Director, Sandy Recovery Division

PURPOSE:

This document sets forth the amendments to the policies and procedures by which the Reconstruction, Rehabilitation, Elevation, and Mitigation ("RREM") Program will be governed.

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PAGE 2 OF 222

This amendment includes changes to the following sections:

1/1/2020	<p>Section 1 – Program Overview</p> <p>1.7.1 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>1.11 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>Section 5 – Inspections and Environmental Review</p> <p>5.15 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>Section 10 – Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.3 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>10.4.1 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p>
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PAGE 3 OF 222

	<p>10.4.3 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>10.4.6 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p>
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Reconstruction, Rehabilitation, Elevation,
and Mitigation (RREM) Program
Policies & Procedures

New Jersey
Department of Community Affairs
Sandy Recovery Division

January 2020

REVISION HISTORY	
Date	Changes
10/22/13	Approval by DCA
11/13/13	<p>Section 2 – DCA Policies Clarification regarding management of accessibility requirements</p> <p>Section 3 – Application and Preliminary Eligibility Clarification of acceptable forms of ownership to include life estates Clarification of requirements for documentation of primary residence and income</p> <p>Section 4 – Duplication of Benefits, Reimbursement, and Award Calculations Clarification of requirements for documentation of Duplication of Benefits and reimbursable expenses Revised award calculator</p> <p>Section 5 – Inspections and Environmental Review Accommodation for those with Initial Site Inspection indicating “substantial damage” lacking confirmation by Floodplain Manager Clarification of Lead Based Paint Assessment, Remediation and Clearance Requirements</p> <p>Section 7 – Builder Selection and Assignment Clarification regarding contractor rating system and factors to be used Clarification of timetable for Applicant Decision and Notification to RREM Project Manager and Selected Homebuilder</p> <p>Section 8 – Closing: Funding Agreement and CG Agreement Edits to document required at grant signing</p> <p>Section 9 - Construction Clarification of draw process for design services payments</p>
3/11/14	<p>Section 1.0 – Program Overview</p> <p>1.2 Places program directly under DCA administration. Identifies Cohn Reznick as the internal monitoring agent</p> <p>1.4 Changes “lien” to “restrictive covenant”</p> <p>1.5 Feasibility selection Environmental review requirements if selection from rehab to reconstruction changes</p> <p>Other changes occurring after grant award</p> <p>1.7 General Contractor Selection Pathways</p>

	<p>Definitions: Pathway A – reimbursement only Pathway B – Owner-selected contractor Pathway C – RREM contractor</p> <p>Timing and changing pathways</p> <p>Pathway A: Delete HUD reference Pathway B: Conditions and “restrictive covenant” Pathway C: Escrow and role of RREM Project Manager</p> <p>1.9 Design review and approval – assignment of builder 1.10 Construction – pathway changes, draw approval</p> <p>Section 2.0 – DCA Policies</p> <p>2.1 Anti-Fraud Compliance – draw approval procedure 2.6 Appeals – add and clarify appealable actions</p> <p>Section 3.0 – Application and Preliminary Program Eligibility</p> <p>3.4 Documentation of primary residence – alternative documentation 3.7 Substantial Damage Determination – clarifications. 3.8 Updated the income definition as IRS Adjusted Gross Income 3.10 Withdrawn applications & Blue Acres Buyout Program</p> <p>Section 4.0 – Duplication of Benefits</p> <p>4.1 Duplication of benefits – homeowner escrow 4.3 Reimbursement – guidance to homeowner, policy clarification 4.4 RREM Award Calculation – feasibility determination 4.8 Applicant assignment to individual RREM contractors – geographic</p> <p>Section 5.0 – Inspections and Environmental Review</p> <p>Policy clarification regarding flood plain manager letter, feasibility determination</p> <p>5.1 Substantial Damage Data Collection - revisions to SDD procedures 5.2 RREM ISI – clarification of procedure 5.4 Feasibility Determination for Reconstruction or Rehabilitation – thresholds, applicant rejection of feasibility recommendation, total loss, feasibility recommendations rehab and reconstruction 5.6 Mold Assessment & Remediation – site inspection procedures and guidelines 5.7 Asbestos Survey Requirements 5.8 Completed ECR and Feasibility Package 5.9 Contesting Estimated Cost to Repair or Work in Place</p>
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	<p>5.10 DEP Environmental Inspection Request and Clearance</p> <p>5.11 Applicant Approval to Proceed with Grant Signing – revised process</p> <p>Section 6.0 – Pathway C – Planning and Zoning</p> <p>6.1 Applicant House Selection Process for Reconstruction – procedural changes</p> <p>6.2 Builder Provided Plans – new approval procedures</p> <p>6.4 Modular Housing – delete references to modular housing option on leased land – policy and procedural changes</p> <p>6.5 Upgrades in Housing Selection Process - procedural changes</p> <p>Section 7.0 – Builder Selection and Assignment</p> <p>7.2 Composite Pricing for Reconstruction – procedure to be used</p> <p>7.3 General Contractor Assignment – procedure to be used</p> <p>7.4 Builder Pricing Process for Rehab – procedure to be used</p> <p>7.5 Timetable for Applicant Decision and Notification – procedure to be used</p> <p>7.6 Builder Bidding Process for Rehab Projects – section deleted</p> <p>Section 8.0 – Closing Grant Agreement, Construction/Escrow Agreement</p> <p>8.1 Closing Event – procedure to be followed</p> <p style="padding-left: 20px;">Escrow Agreement – policy and procedure governing</p> <p style="padding-left: 20px;">Construction Agreement – policy and procedure</p> <p>8.3 DCA Approvals and Funding Reservation – deletes section regarding reservation of funds</p> <p style="padding-left: 20px;">Escrow Accounts – policy and procedure governing</p> <p>8.4 Notice to Proceed – policy and procedures governing</p> <p>Section 9.0 – Now Section 12.0</p> <p>Section 12.0 – Construction (Program Selected Contractor)</p> <p>12.3 Draw Request Process – modification of procedure</p> <p>12.4 Change Orders – escrow requirements</p> <p>12.6 Construction Closeout and Warranty – Pathway B procedural changes</p> <p>Pathway B – Homeowner Selected Contractor – new or modified policies and procedures</p> <p>Appendix A: Revised Income documentation</p> <p>Appendix F: Asbestos Survey – requirements, sampling</p>
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	Appendix G: Final Draw Request – remove ENERGY STAR Certification as program requirement
7/21/14	<p>Section 1.0 – Program Overview</p> <p>1.2 Deleted Exhibit 1-1</p> <p>1.3 “Flood Insurance Requirements for Prior Disaster Assistance” section added explaining policy for verifying applicants that previously received disaster assistance. Added section explaining policy for verifying applicants that previously received disaster assistance.</p> <p>1.4 Changes to this section include:</p> <ul style="list-style-type: none"> • Added language explaining Exhibit 4 to <i>Homeowner Grant Agreement</i>, titled the <i>Sufficient Funds Acknowledgment</i>. • Construction must be completed and a Certificate of Occupancy must be obtained within one (1) year from the date of grant award, including elevation where applicable for grants signed after July 1, 2014 and construction must be complete up to occupancy within one (1) year from date of grant award and elevation must be complete within four (4) years from date of loss for grants signed prior to July 1, 2014. <p>1.5 Revised funding priority levels to prioritize “substantial damage” above “severe/major damage,” and removes A/V zone distinctions. Now only two priority levels. Added that substantial damage can be verified by floodplain manager OR by DCA.</p> <p>1.7 Updates to this section include:</p> <ul style="list-style-type: none"> • As of July 1, 2014, all applicants with remaining work to complete at date of grant signing and have not yet selected a pathway must use their own general contractor (Pathway B). • If pathway selected prior to July 1, 2014 policy change, then: <ul style="list-style-type: none"> ○ Pathway selection must be determined by grant award signing or the Step 5 Meeting will be postponed. ○ The homeowner may not switch from Pathway B to C after the grant award signing, and may not switch from Pathway C to B after executing the Design/Build Agreement. All other pathway changes subject to DCA approval. • Added “nominal remaining work” standard to clarify Pathway A project definition. • Clarified Pathway A defined by work completed at date of initial site inspection as opposed to date of application. • Delete RREM Project Managers role for being responsible for completing design services. <p>1.10 Construction Extension language added, see section 1.4.</p> <p>Section 2.0 – DCA Policies</p> <p>2.3.2 Clarified record retention policy to include retention of electronic files.</p>

	<p>2.6 Appeals, Deleted reference to defining appealable vs. non-appealable actions.</p> <p>2.9 Fair Housing (Affirmative Fair Marketing), Support to Non-English Language Speakers, Management of Accessibility Requirements: Expanded on protocols for incorporating accessibility improvements into Estimated Cost of Repair.</p> <ul style="list-style-type: none"> Added section 2.9.2 Language Access Plan Procedures, referencing that the RREM Program will comply with the Language Access Plan. <p>Section 3.0 – Application and Preliminary Program Eligibility</p> <p>3.2 Revised definition of eligible structures to exclude mixed-use structures that are primarily used as a business and houseboats.</p> <p>3.3 Deleted language listing LLCs as ineligible and added “Limited Liability Company (LLC) and Limited Liability Partnerships (LLP)” as special ownership circumstances.</p> <p>3.4 Certification of Primary Residence is acceptable proof of primary residence under exceptional circumstances.</p> <p>3.6 Flood insurance requirements for prior disaster assistance added</p> <p>3.8.1 Flood plain manager is primary person to issue Substantial Damage Letter (SDL). If homeowner can demonstrate inability to obtain SDL, they may proceed past Initial Eligibility Requirements by completing Substantial Damage Acknowledgement Form.</p> <p>3.8.2 Applicants who fail to provide appropriate SD notice have 15 days to present notice or their project will be re-prioritized.</p> <p>3.8.3 Decision to elevate must be finalized at grant signing.</p> <p>3.8.4.1. - 3.8.4.4. Non-SD applicants required to elevate with SDL or RREM PM determines property to be substantially damaged.</p> <p>3.8 Deleted mention of Exhibit 3.2</p> <p>3.12 Changes to this section include:</p> <ul style="list-style-type: none"> Clarified that SD Determination may be made by completing attestation form. Applications can avoid hold by completing attestation form. Update to required documents for transfer to RREM Contractors for Initial Site Inspection to only require Right of Entry form and DOB Questionnaire. Include that Eligibility Appointment can be conducted in person or remotely. <p>3.13 Case deemed ready for transfer to RREM PM upon collection of Right of Entry and Duplication of Benefits Questionnaire</p> <p>Section 4.0 – DOB, Reimbursement and Award Calculation</p> <p>4.1 Added citations to signed off DOB policies</p> <p>4.2 Added language regarding the treatment of ICC funds, based on policy 2.10.65. Also, added language regarding treatment of new DOB funds post grant signing.</p> <p>4.3 Updates to this section include:</p>
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	<ul style="list-style-type: none"> • Reimbursement allowed for costs incurred after application if attributable to enforceable construction contract executed before date of application. • Lists (1) Modular Homes, and (2) Fully Signed and Executed Contracts as special situations the Program acknowledges are eligible for reimbursement, provided the homeowner submits adequate documentation. • Updating reimbursement language to allow for repayment on rehab work done for projects reclassified as full reconstruction. • Reimbursement only requirements updated to include change in elevation requirement of one year from date of grant award. • Reimbursement for “cost reasonable” rehabilitation work, that is later required to be torn down for reconstruction, is eligible for reimbursement. • Homeowner retention of proof of reimbursement costs from vendors includes both receipts for work completed prior to application and receipts for work clearly fixed and attributable to construction contract executed prior to application. <p>4.4 Award Calculation</p> <ul style="list-style-type: none"> • Added language to explain the difference between the Initial Grant Award Calculation (Step 5) and the Final Grant Award Calculation (Step 8). • Updated Step 5 Award Calculator to reflect current version. • Included that for Pathway B, contingency can serve to help cover design/engineering costs. <p>4.5 Responsibility of Applicant to Provide Funds Added language that effective July 2014, all applicants signing grants using an owner-selected contractor must sign the <i>Sufficient Funds Acknowledgment</i> in order to sign a Grant Award with the program.</p> <p>4.6 Funds Made Available to Provide Additional Gap Financing</p> <ul style="list-style-type: none"> • Clarified gap funds will only be excluded from duplication of benefit analysis should these funds cover an unmet need above and beyond the RREM grant and duplication of benefit funds the homeowner has received. <p>4.7 Applicants with No Need</p> <ul style="list-style-type: none"> • Clarified language that applicants whose duplication of benefits amount is equal to or exceeds their total development costs are not eligible for grant funds. Changed the term of this from “unmet need” to “need” to avoid confusion of unmet need as defined by a gap in excess of the \$150,000 grant award amount. <p>Section 5.0 – Inspections and Environmental Review</p>
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	<p>5.0 Updated policy statement to explain role of initial site inspection in collecting data needed for DCA to make a substantial damage determination when needed, and refining definition of purpose of initial site inspection.</p> <p>5.1 Substantial Damage Data Collection – explained difference between SD data collection performed at start of program to protocol for non-substantially damaged applicants. Clarified that substantial damage estimates for non-substantially damaged applicants will be derived from data collected at the Initial Site Inspection.</p> <p>5.4 Removed reference that WIP for rehabilitation work is ineligible if property is being reconstructed.</p> <p>5.9 Contesting ECR/WIP Estimate, included language for contesting ECR/WIP after grant signing.</p> <p>5.12 Reference to Special Dwelling Unit stand-alone policies.</p> <p>5.13 Added Exhibit 4, <i>Sufficient Funds Acknowledgment</i> to documentation for grant signing.</p> <p>5.14 – 5.15 Added language referencing Pathway C cutoff deadline; and updated elevation timeline.</p> <p>Section 6.0 – Planning and Zoning (Program-Selected Contractor Only)</p> <p>6.0. 6.4 MHUs are eligible for both reconstruction and rehabilitation.</p> <p>6.5.24 Reference to RREM Unit Pricing Policy</p> <p>6.7 Pathway C cutoff deadline added.</p> <p>Section 8.0 – Closing Grant Agreement, Construction/Escrow Agreement</p> <p>8.3.3 Added language regarding disbursement of funds from escrow accounts.</p> <p>Section 9.0 – Pathway C Construction</p> <p>9.4 Added “nominal remaining work” standard language for final inspection overview.</p> <p>Section 10.0 – Pathway B Construction</p> <p>10.0 Standing operating procedures for Pathway B Construction Closeout process, including the requirement to complete the RREM PM Closeout Checklist and upload the Certificate of Occupancy.</p> <p>10.3 Added elevation within 1-year language; two construction payments; pathway B closeout overview.</p> <p>Section 11.0 Program Closeout</p> <p>11.1 Grant amendments may be requested by appropriate staff via SGM.</p> <p>11.2 Final Inspections, added language detailing what documentation is required to be completed at final inspection.</p> <p>Updates to Appendices A, B, C, D, G</p>
10/27/2014	Section 1.0 – Program Overview

	<p>1.1 All documents, forms and letters available on RREM Document Library.</p> <p>1.2 Clarified RREM Project Manager responsibilities based on Path-B updates. Deleted legacy reference to “Contract Administrators.”</p> <p>1.5 Updated policy concerning funding priorities and randomization, “any non-LMI applicants still waitlisted will be served based on available funding.”</p> <p>1.6 Updated feasibility determination policy to include demolition. Added reference to ADU policy. Reimbursement allowed, less retainage if applicable.</p> <p>1.7.1 Retainage will not apply to Path-A applicants.</p> <ul style="list-style-type: none"> • Applicants may receive funds for design services by submitting bills and invoices. \$15,000 design allowance will be reserved, for total obligation of \$165,000. • Updated RREM Project Manager responsibilities based on Path-B updates. <p>1.9 Added new section explaining revised grant award calculation, including: retainage, advance payments, contingency, and design costs.</p> <p>1.10 Updated RREM Project Manager responsibilities based on Path-B updates.</p> <p>1.11 Applicant may not switch pathways after signing the Design Build Agreement, unless extenuating circumstances.</p> <p>Section 2.0 – DCA Policies</p> <p>2.6 Updated appeals section to reflect updates to DCA Appeals stand-alone policy.</p> <p>2.7 Updated section to reflect newly signed RREM policy governing procedures for URA compliance.</p> <p>2.10 Added section outlining the Program’s LBP notification requirements based on current process.</p> <p>2.12 Deleted HERS rater documentation requirement for Path-C applicants to conform with current practice. Clarified requirement concerning ENERGY STAR compliance, which is not required for projects completed, under construction or under contract prior to date of assistance is approved, or at grant signing.</p> <p>Section 3.0 – Application and Preliminary Program Eligibility</p> <p>3.2 Updated eligible structures to clarify that where property contains multiple detached residential structures, RREM funds may only be obligated for eligible work associated with primary residence.</p> <p>3.3 Added special ownership policy for MHUs, property eligible where MHU ownership forfeited because structure was deemed a total loss.</p> <p>3.8.3 NSD applicant may amend the Grant Award Agreement to reflect change in decision to elevate, subject to DCA approval.</p> <p>3.11 Added language explaining voluntary and administrative withdrawal reinstatement process, applicant may submit request subject to DCA approval.</p>
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	<p>Section 4.0 – DOB, Reimbursement and Award Calculation</p> <p>4.1 DCA Housing recovery staff will monitor the escrow management process, when escrow applies to RREM project.</p> <p>4.2 FEMA funds provided to a homeowner for eligible purpose other than those provided by RREM may be excluded from the final award calculation.</p> <p>4.3 Clarified reimbursement overview according to HUD Notice CPD-13-05.</p> <ul style="list-style-type: none"> • All applicants eligible for reimbursement, regardless of level of damage • Clarified that retainage will apply to partial reimbursement projects. <p>4.4 Added new subsection, 4.4.1 contains a sample initial grant award calculator, 4.4.2 is a new section containing a sample revised grant award calculator, and 4.4.3 contains the policy describing the line items within the grant award calculators.</p> <ul style="list-style-type: none"> • New section 4.4.3 explains October 13, 2014 updates, including retainage, the removal of contingency and new treatment of design costs. • As of October 13, 2014, all new RREM grant award calculations will retain the lesser of ten percent (10%) of the total grant award or the estimated cost to repair (ECR), to be released upon passing of the final inspection. • Effective <u>October 13, 2014</u>, contingency will no longer apply for new grant award signings. • Effective <u>October 13, 2014</u>, design services will be accounted for in all new grant award signings as a standard line item, in addition to the grant amount. Added language explaining the procedures for requesting and disbursing funds for design. <p>Section 5.0 – Inspections and Environmental Review</p> <p>5.2 Program will account for any additional rooms or space built after DOS by confirming with the applicant at ISI. RREM Project Manager may use Xactimate tool for estimating construction projects already under way at time at ISI.</p> <p>5.3 Added reference to updated Appendix I: Ineligible Costs.</p> <p>5.4.2 Added language discussing ADU exception for feasibility threshold policy. Added August 2014 ISI markup chart with updates.</p> <p>5.4.3 Feasibility calculation clarified to include demolition, if applicable. Deleted reference to HUD HQS and modified language that ECR will be based on cost to repair property to Program standards.</p> <p>5.9 ECR/WIP contestation only allowed if applicant receives less than the Program cap.</p> <p>Section 6.0 – Planning and Zoning (Program-Selected Contractor Only)</p> <p>Added language that applicants may present alternative plans that differentiate from prototypical plans.</p> <p>6.2.5 Removed specific timeline for Path-C homeowners to accept or reject design plans.</p>
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	<p>Section 7.0 – Builder Selection and Assignment (Program-Selected Contractor Only)</p> <p>7.4.2 Clarified that Path-C total development cost in scope of work will be based on Program’s Unit Pricing Policy.</p> <p>7.4.3 Builder may not exceed RREM PM estimated costs.</p> <p>7.5 General contractors tasked with preparing design drawings to comply with zoning/permitting. Deleted outdated delivery of design procedures. Path-C homeowners have the option to switch to Path-B.</p> <p>Section 8.0 – Closing Grant Agreement, Construction/Escrow Agreement</p> <p>8.1 Updated key steps for Step 8 “Closing Event” under Path-C procedures to reflect current process.</p> <p>8.1.1 Clarified process regarding the Construction Agreement and initiation of construction under Path-C to reflect current process.</p> <p>Section 9.0 – Pathway C Construction</p> <p>9.1.1 Deleted discussion concerning inspections of the foundation under Path-C; clarified RREM PM Responsibilities at the 50% inspection; and added language discussing final inspection.</p> <p>Section 10.0 – Pathway B Construction</p> <p>Updated Path-B construction key steps based on current policy and procedure.</p> <p>10.1 Updated list of Path-B documents to reflect current required and optional documents in use.</p> <p>10.3 Updated section regarding the Certification of Construction requirements to reflect current form in use.</p> <p>10.4.2 Updated discussion of Contractor Eligibility and validation process to reflect current forms and process.</p> <p>10.4.3 Added new section explaining policy and procedures for applicants directly managing multiple contractors.</p> <p>10.4.4 Added new section explaining policy for applicant self-performing work.</p> <p>10.4.5 Added key policy language regarding the Contractor Addendum.</p> <p>10.4.6 Applicant must submit photos of completed work for draw requests.</p> <p>10.4.7 Added new section outlining the scope adjustment framework</p> <p>10.5 General clarification revisions to reflect current procedure for Path-B construction.</p> <p>Updates to Glossary definition of “abatement.”</p> <p>Updates to Appendices A, C</p>
5/1/2015	<p>Section 1.0 – Program Overview</p> <p>1.6 Added new policy language referencing “substantial improvement.”</p>

	<p>1.9 Added language that funds will not be provided for design costs incurred in the “dead zone,” or after application and prior to environmental review.</p> <p>1.11 Program considers construction complete upon submission of CO, or equivalent.</p> <ul style="list-style-type: none"> Added policy language that a final conditional construction extension will be considered on a case-by-case basis. <p>Section 2.0 – DCA Policies</p> <p>2.12 Clarified ENERGY STAR requirements for Pathway B applicants.</p> <p>Section 3.0 – Application and Preliminary Program Eligibility</p> <p>3.2 Added clarification that multi-family structures with eight (8) units or more are not eligible for the RREM Program. Added reference for additional detail on multi-family or attached structures to standalone policy.</p> <ul style="list-style-type: none"> Multi-family structures that consist of five (5) to seven (7) units must develop and submit to DCA for review an Affirmative Fair Housing Marketing Plan (AFHMP). <p>3.4 Added clarification that applicant must present driver’s license dated prior to the date of the storm as proof of primary residence.</p> <p>Section 4.0 – DOB, Reimbursement and Award Calculation</p> <p>4.2 Updated SBA Funds section to allow applicant to submit a more detailed SBA loan breakdown to DCA review and reconsideration of the initial DOB analysis.</p> <ul style="list-style-type: none"> Updated language to clarify that “assistance in the form of grants and/or contribution from nonprofit organizations” counts as a DOB. <p>4.4.3 Added policy language clarifying that contingency payment requests must be paid out based on the actual incurred costs by homeowners for eligible scope items.</p> <ul style="list-style-type: none"> Clarified that retainage is withheld through final inspection or grant reconciliation, whichever is appropriate based on the applicant selected pathway. Added clarification the funds will not be provided for design work undertaken after application and prior to environmental clearance. <p>Section 5.0 – Inspections and Environmental Review</p> <p>5.2 Removed reference to HUD HQS inspection standards and replaced with RREM Rehabilitation Standards.</p> <p>5.4.2 Added new policy language defining “substantial improvement,” concerning non-substantially damaged projects.</p> <ul style="list-style-type: none"> Removed reference to HUD HQS inspection standards and replaced with RREM Rehabilitation Standards. <p>5.4.3 Added new policy language that establishes that an applicant’s grant award may be reduced to reflect the accurate standard model price, even if an applicant voluntarily elects to downsize their home.</p>
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	<p>5.4.5.3 Removed reference to HUD HQS inspection standards and replaced with RREM Rehabilitation Standards.</p> <p>5.4.10 Added new policy language clarifying that grant award funds will not be provided for design work costs completed after application and before environmental review.</p> <p>5.7 Added language that self-certification concerning asbestos disposal will be accepted only where applicant demonstrates a reasonable effort was made to obtain the required Asbestos Waste Disposal Manifest.</p> <p>5.12 Clarified references for special dwelling unit structure types, including the recent (i) multi-family and (ii) manufactured housing unit policy updates.</p> <ul style="list-style-type: none"> • Added policy clarification that MHUs are a recognized exception to the policy against reconstruction at a new address location, as stated in the MHU policy. <p>5.15 Clarified program definition of “construction complete.”</p> <p>Section 6.0 – Planning and Zoning (Program-Selected Contractor Only)</p> <p>6.4 Added policy clarification that MHUs are a recognized exception to the policy against reconstruction at a new address location, as stated in the MHU policy.</p> <p>6.5 Moved section to 5.12 Special/Attached Dwelling Unit section.</p> <p>Section 7.0 – Builder Selection and Assignment (Program-Selected Contractor Only)</p> <p>Section 8.0 – Closing Grant Agreement, Construction/Escrow Agreement</p> <p>Section 9.0 – Pathway C Construction</p> <p>9.5 Added new section with policy language concerning pathway c builder reassignment.</p> <p>Section 10.0 – Pathway B Construction</p> <p>10.1 Pathway B documents list update to allow Final Bills Paid Affidavit Waiver, only where applicant demonstrates FBP cannot be completed due to circumstances outside their control.</p> <p>10.4.7 Revised policy that scope adjustment requests for \$2,500.00 or less will be considered “de minimus” will not be considered by DCA.</p> <ul style="list-style-type: none"> • A scope adjustment request will not be considered for applicants with an unmet need and there is no impact to the RREM grant. <p>Section 11.0 – Program Closeout</p> <p>11.1 Added language concerning requirements to verify construction complete and prepare the project for final inspection.</p> <ul style="list-style-type: none"> • Removed reference to HUD HQS inspection standards and replaced with RREM Rehabilitation Standards. • Authorized adult must be present at final inspection.
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	<p>11.2 Update section to explain new closeout procedures, including what documentation RREM PMs are required to upload to applicant’s file prior to closeout.</p> <p>11.2.1 Added Pathway A iDone interface document list.</p> <p>11.2.2 Added Pathway B iDone interface document list.</p> <p>11.2.3 Added Pathway C iDone interface document list.</p> <p>11.3 Updated section to explain new closeout procedures, including DCA Housing QAQC review of the required construction documentation.</p> <p>11.4 Updated section to explain new closeout procedures, including general overview of final grant award reconciliation procedure.</p> <p>11.5 Updated section to explain new closeout procedures, including final grant award calculation review and the final closeout process.</p> <p>Updated definition of “code” in glossary to include “RREM Rehabilitation standards.”</p>
10/1/2015	<p>Section 1 – Program Overview</p> <p>1.4 Added update so that all amendments are now required to sign the Exhibit Sufficient Funds Acknowledgement even if the original grant award signing did not require one.</p> <p>1.6 If an applicant changes feasibility after grant award signing, then the “dead zone” applies to the date of the first DEP clearance; however, if the DEP clearance review does not meet or exceed the level of Scope of Work, then a re-evaluation is needed.</p> <p>1.7.1 Program removed the Program standard line-item maximums on design services submitted; all design services that are submitted to the Program, if eligible, cannot be higher than \$15,000.</p> <p>1.7.1 Policy updated so that, if applicants are paid for design services prior to an approved feasibility flip and the applicant then invoices the program for design services for the new feasibility, that the newly-submitted costs will not be paid.</p> <p>1.7.2 Program removed the Program standard line-item maximums on design services submitted; all design services that are submitted to the Program, if eligible, cannot be higher than \$15,000.</p> <p>1.7.2 Policy updated to reflect several decisions on Pathway C to B switches, including:</p> <ul style="list-style-type: none"> • Applicants that flip have new deadline of one (1) year after approved pathway switch; • Applicants no longer have design payments paid out in Pathway C deducted from the available grant award in Pathway B; • Applicants may proceed through construction with existing Pathway C builder. <p>1.8 Added language that any new National Flood Insurance Program funds received as a result of the FEMA claims review process or settlement will not be counted as a Duplication of Benefits.</p>

	<p>1.9 Program removed the Program standard line-item maximums on design services submitted; all design services that are submitted to the Program, if eligible, cannot be higher than \$15,000.</p> <p>1.9 Policy updated to reflect that, if design services were completed post-application and pre-DEP clearance, that these services are reimbursable by the Program so long as applicant receives DEP clearance.</p> <p>1.9 Policy updated so that, if applicants are paid for design services prior to an approved feasibility flip and the applicant then invoices the program for design services for the new feasibility, that the newly-submitted costs will not be paid.</p> <p>1.11 Program removed the Program standard line-item maximums on design services submitted; all design services that are submitted to the Program, if eligible, cannot be higher than \$15,000.</p> <p>1.11 Policy updated to reflect several decisions on Pathway C to B switches, including:</p> <ul style="list-style-type: none"> • Applicants that flip have new deadline of one (1) year after approved pathway switch; • Applicants no longer have design payments paid out in Pathway C deducted from the available grant award in Pathway B; • Applicants may proceed through construction with existing Pathway C builder. <p>Section 3 – Application and Preliminary Program Eligibility</p> <p>3.11 Added language that applicants may be administratively withdrawn if they are physically or verbally abusive to employees of the Program.</p> <p>Section 4 – Duplication of Benefits, Reimbursement, and Award Calculation</p> <p>4.1 Added language that any new National Flood Insurance Program funds received as a result of the FEMA claims review process or settlement will not be counted as a Duplication of Benefits.</p> <p>4.3 Policy updated so that, if applicants are paid for design services prior to an approved feasibility flip and the applicant then invoices the program for design services for the new feasibility, that the newly-submitted costs will not be paid.</p> <p>4.3 Policy updated to reflect that, if design services were completed post-application and pre-DEP clearance, that these services are reimbursable by the Program so long as applicant receives DEP clearance.</p> <p>4.2 Added language that any new National Flood Insurance Program funds received as a result of the FEMA claims review process or settlement will not be counted as a Duplication of Benefits.</p> <p>4.4.3 Program removed the Program standard line-item maximums on design services submitted; all design services that are submitted to the Program, if eligible, cannot be higher than \$15,000.</p> <p>4.4.3 Policy updated to reflect that, if design services were completed post-application and pre-DEP clearance, that these services are reimbursable by the Program so long as applicant receives DEP clearance.</p>
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	<p>4.4.3 Policy updated so that, if applicants are paid for design services prior to an approved feasibility flip and the applicant then invoices the program for design services for the new feasibility, that the newly-submitted costs will not be paid.</p> <p>4.5 Added update so that all amendments must include signing of the Sufficient Funds Acknowledgement even if the original grant award signing did not require one.</p> <p>Section 5 – Inspections and Environmental Review</p> <p>5.4.10 Policy updated to reflect that, if design services were completed post-application and pre-DEP clearance, that these services are reimbursable by the Program so long as applicant receives DEP clearance.</p> <p>Section 9 – Pathway C Construction (For Program-Selected Contractor Only)</p> <p>9.6 Added a new section incorporating Advisory Bulletin 15-RREM-10 regarding the offsetting of builder’s delays if they do not finish Pathway C construction within 90 days of the Notice to Proceed. Also, if deceased applicant was owed rental assistance under this policy, then the estate is owed the assistance up to the point of death.</p> <p>Section 10 – Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.6 New policy mirrors procedure in Pathway C if an applicant refuses to sign essential, required Program documents.</p> <p>Section 11 – Program Closeout</p> <p>11.1 Clarified the nominal work standard for Pathway A applicants; program does not require Pathway A files to submit invoices in order to closeout the file.</p> <p>Appendix I – Ineligible Costs</p> <p>This update encompasses many clarifications on how to process and allocate several ineligible items, including: trim, mobility modifications, and HVAC systems.</p>
1/1/16	<p>Section 1 - Program Review</p> <p>1.3 Added language that applicants who received funding from HMGP are ineligible for the RREM Program.</p> <p>1.6 Updated to clarify eligible costs incurred prior to application date are reimbursable.</p> <p>1.7.1 Clarified for Pathway B feasibility switches, applicants can still request design payments as long as total design payments, including from past feasibility, does not exceed maximum allowance of \$15,000. For Pathway A, removed language about feasibility switches.</p> <p>1.9 Changes to this section include:</p> <ul style="list-style-type: none"> • Clarified for feasibility switches, applicants can still request design payments as long as total design payments, including from past feasibility, does not exceed maximum allowance of \$15,000;

	<ul style="list-style-type: none"> • Updated to define blackout/dead zone period is on or after application date and prior to environmental clearance; and • Updated to allow one additional design service payment for Pathway A and B applicants for eligible design work done in the blackout/dead zone period, upon request. <p>Section 3 - Application and Preliminary Program Eligibility</p> <p>3.11 Updated language on abusive applicants to include different examples of what constitutes as abuse. Added language to include the process of submitting a warning letter for first incident of abuse and final withdrawal letter for second incident of abuse.</p> <p>Section 4 - Duplication of Benefits, Reimbursement, and Award Calculation</p> <p>4.3 Updated to reflect costs incurred by the applicant on or after application date are not reimbursable unless attributable to a construction contract executed pre-application. Eligible costs that occur on or after date of environmental clearance must comply with all RREM Program requirements.</p> <p>4.4.3 Changes to this section include:</p> <ul style="list-style-type: none"> • For Pathway B contingency files, there is no maximum allowance for design services, but invoices should be cost reasonable and applicants cannot receive funds for design payments exceeding the total contingency from the grant award; • Clarified for feasibility switches, applicants can still request design payments as long as total design payments, including from past feasibility, does not exceed maximum allowance of \$15,000; and • Updated to reflect design costs incurred by the applicant on or after application date and prior to environmental clearance are eligible for payment through grant funds once environmental clearance has been achieved. <p>Section 5 - Inspections and Environmental Review</p> <p>5.4.10 Updated to reflect design costs incurred by the applicant on or after application date and prior to environmental clearance are eligible for payment through grant funds once environmental clearance has been achieved.</p> <p>Section 9 - Pathway C Construction (For Program Selected Contractor Only)</p> <p>9.3 Included that the Final Grant Reconciliation can be administratively signed by the Program.</p> <p>9.5 Added language to include builder reassignment during construction and to reference its respective standard operating procedures. Provided additional reasons for builder reassignment including:</p> <ul style="list-style-type: none"> • Builder being non-responsive or uncooperative;
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	<ul style="list-style-type: none"> • The original builder’s scope of work was for rehabilitation and the feasibility changed to reconstruction, therefore the builder can no longer work on the project; and • Other inquiries that warrant changing the builder as determined by DCA. <p>9.6 Updated to state rental assistance ends on the date the home passes the RREM Program final inspection or the homeowner reoccupies the property, whichever occurs first.</p> <p>Section 10 - Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.4.5 Changes in this section include:</p> <ul style="list-style-type: none"> • Updated to state contractors agree to complete construction performed on or after environmental clearance in accordance with applicable Federal requirements and rules within the RREM Program; and • Updated to include contractors are responsible to follow insurance requirements per New Jersey Division of Consumer Affairs or the Program, whichever is more stringent, from the date the addendum is signed. This includes insurance requirements for elevation contractors, such as cargo and riggers insurance. <p>10.4.6 Updated to state construction payments are eligible for work done on or after date of Tier 2 environmental clearance.</p> <p>10.5 Updated to state Program will not reimburse applicant for any lead abatement costs if not done according to Program requirements.</p> <p>10.5 Updated to state Program will not reimburse applicants for non-energy efficiency materials in place of ECR prescribed energy efficiency line items.</p> <p>Section 11 - Program Closeout</p> <p>Pathway A</p> <ul style="list-style-type: none"> • Added language that Pathway A files will be held to its requirements at the time of closeout, even if under current Policy definition would be classified as Pathway B, unless on a case-by-case basis, DCA determines the scope of work is significant enough (greater than \$5,000) to warrant the file be reclassified as Pathway B. <p>Pathway B</p> <ul style="list-style-type: none"> • Files with an ECR less than \$5,000 that were classified as Pathway B, will now be processed through the Pathway A workflow to facilitate closeout. • Updated to show that files in “Construction” move to “Pathway B Pending Final Inspection” stage before being scheduled and moved to “Final Inspection in Process” stage. • Added language that failure to supply required documentation for final inspection can result in administrative withdrawal.
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	<ul style="list-style-type: none"> • Pass/fail notifications sent to applicant after final inspection. • If applicant fails final inspection, s/he will have sixty (60) days to correct deficiency(ies) and re-schedule final inspection. Failure to do so may result in administrative withdrawal of application. • ECR line items that meet or exceed Program Specifications are deemed “Pass.” • Failure of non-safety hazard line items will result in the cost of that repair being deducted at closeout through a negative Scope Adjustment. • Included examples of situations where final inspection will receive a “Fail” and require corrective action. <p>Pathway C</p> <ul style="list-style-type: none"> • Updated to include contractor can request for final payment after passing final inspection. Retainage payment would be released thirty (30) days after passing final inspection. • If the project does not pass the final inspection or certain line items, the Project Manager will work with the contractor to take corrective action as necessary. <p>File Checklist for RREM Project Manager</p> <ul style="list-style-type: none"> • Removed section 11.2 header and list of iDone Interface documents. • RREM Project Manager will move file forward to “Operations QA/QC” stage via the iDone Interface once all closeout documentation is verified for all Pathways. <p>11.2 Operations Quality Assurance/Quality Control (“QA/QC”) Review</p> <ul style="list-style-type: none"> • Changed from section 11.3 to 11.2 • Updated “DCA Operations Staff” to “QA/QC Operations Staff” to reflect the correct user group. • QA/QC Operations Staff will submit file to the “Final Grant Reconciliation” stage. • Updated the Operations QA/QC process to reflect current practices in the field. • For Pathway C applicants, file will not move forward if there is an overpayment of escrow. Any overpaid funds must first be returned to applicant and close the escrow account. <p>11.3 Final Grant Reconciliation</p> <ul style="list-style-type: none"> • Changed from section 11.4 to 11.3. • Designated responsible party as Grant Reconciliation Operations Staff. <p>11.4 Final Grant Reconciliation Review and Final Closeout Process</p> <ul style="list-style-type: none"> • Changed from section 11.5 to 11.4.
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	<ul style="list-style-type: none"> • Updated to reflect responsibility of Compliance and Monitoring to establish an Account Receivable for over-disbursements of grant funds and approval of final grant award calculation. • Letter will be sent to the applicant indicating either the applicant owes funds back to the Program or the applicant is owed grant funds or no change has been made to the grant award. Applicant will receive a side-by-side of last executed grant award calculation and final grant reconciliation to sign. • Updated to reflect that if funds are owed to the Program, file will not move forward in the closeout process until requested funds are paid back to the Program. • Updated to reflect that if funds are owed to the applicant, applicants will be paid upon Program receipt of the signed final grant award reconciliation. • If there is no response from the applicant, Program can administratively sign on behalf of the applicant after thirty (30) days. • Compliance and Monitoring will request the release of the Declaration of Restrictive Covenants and notification will be sent to the applicant. <p>Appendix I Ineligible Costs Removed language stating “major rehabilitations must comply with ENERGY STAR and all ECR items shall be scoped in accordance with ENERGY STAR Version 3.0 Plan review Checklist, based on Xactimate Program pricing.”</p>
9/1/16	<p>Section 1 — Program Review</p> <p>1.7.2 Removed language that applicants cannot switch pathways from C to B after execution of Design-Build Agreement and Step 5 meeting.</p> <p>1.11 Clarification that applicants are eligible to receive one (1) six (6) month project deadline extension as opposed to two (2) separate ninety (90) day extensions.</p> <p>Section 3 — Application and Preliminary Program Eligibility</p> <p>3.11 Pathway B and C applicants who have obtained their CO cannot voluntarily withdraw.</p> <p>Section 4 — Duplication of Benefits, Reimbursement, and award calculation</p> <p>4.1 Removed language that ICC will not count as DOB when part of FEMA NFIP claim review or legal settlement.</p> <p>4.3 Off-site construction costs done during blackout period will be eligible for payment even without executed contract prior to application submission.</p> <p>Section 5 — Inspections and Environmental Review</p> <p>5.6.1 Testing services for mold is an eligible expense for RREM Pathway B applicants with a rehabilitation feasibility.</p>

	<p>5.16 New section to include language that the RREM Program can use other industry accepted cost estimating tools (i.e. RS Means) for Pathway A, B, and C.</p> <p>Section 9 — Builder Selection and Assignment (For Program Selected Contractor Only)</p> <p>9.7 New section to describe Pathway C design allowance for rehabilitation and reconstruction feasibility and situations where this is a feasibility switch.</p> <p>Section 10 — Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.4.2 Changes to this section include:</p> <ul style="list-style-type: none"> • RREM Program has the right to not validate a contractor. • Contractors who are exempt licensure from the state will be reviewed on a case-by-case basis for validation requirements. <p>10.4.4 Certified payroll from a Certified Public Accountant (CPA) must be provided for homeowners requesting payment for self-performing work through own company.</p> <p>10.5 Changes to this section include:</p> <ul style="list-style-type: none"> • Accounted for RRP certified contractor under lead-based paint section and RREM Program will remove appropriate lead associated costs if not done by the right contractor and based on the work done. • Clarified asbestos requirements under Asbestos Containing Material Report section. <p>Section 11 — Program Closeout</p> <p>11.1 Added language that Pathway A applicants will have to provide CO or Program-approved equivalent. Self-certification of occupancy may be completed as an alternative.</p>
4/1/17	<p>Section 1 — Program Overview</p> <p>1.11 Added language that probationary extension requests are required after an applicant exceeds their conditional extension request.</p> <p>Section 3 — Application and Preliminary Program Eligibility</p> <p>3.11 Added language that withdrawn applicants must return all previously disbursed grant funds.</p> <p>Section 5 — Inspections and Environmental Review</p> <p>5.0 Updated the Mold Guidelines, Trade Firms, Consultants, and Remediation Firms links.</p>

	<p>5.3 Added language that if an applicant does not complete a specific line item the line item value will be reduced from the Scope of Work and may reduce the grant award.</p> <p>5.4.3 Corrected the standard model homes to their correct names.</p> <p>Section 6 — Planning and Zoning (Program-Selected Contractor Only)</p> <p>6.6 Standard Plan or Rehab Plan Site Adaptation and Zoning Approval was renumbered from section 6.7 to 6.6.</p> <p>6.7 Use of RREM Program by Applicants Who Change Contractors was renumbered from section 6.8 to 6.7.</p> <p>Section 10 — Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.4.2 Added language that the Program reserves the right to not validate a contractor if there is evidence of contractor fraud.</p> <p>10.4.7 Revised language on scope adjustments, the amount of the scope adjustment will be limited to the lesser of the scope adjustment subtotal of the applicant’s unforeseen eligible scope items, based on the appropriate required documentation, or the scope adjustment subtotal of the Program estimated costs for missed scope of work.</p> <p>10.5 The rehabilitation standards guide was renamed the Minimum Housing Rehabilitation Standards and was updated throughout the policy.</p> <p>Section 11 — Program Closeout</p> <p>11.3 After the final grant award calculation is prepared, applicants with a grant reduction can submit ineligible receipts and invoices for construction costs that were not previously captured by the Program.</p> <p>Appendix I — Revised to say see RREM and LMI Guideline on Ineligible Costs.</p> <p>Appendix J — Added to say see RREM and LMI DOB Offset on Ineligible Additional Scope.</p>
1/1/19	<p>Section 1 – Program Overview</p> <p>1.7.1 Applicants will no longer be limited to two (2) construction payments. Project Managers will confirm completed work during a site inspection.</p> <p>1.9 Applicants can receive no greater than the amount of down payment listed in their executed contract not to exceed fifty percent (50%) of the available construction award as a construction advance.</p> <p>1.11 Applicants will no longer be limited to two (2) construction payments. Project Managers will confirm completed work during a site inspection.</p> <p>Section 5 – Inspections and Environmental Review</p> <p>5.15 Applicants will no longer be limited to two (2) construction payments. Project Managers will confirm completed work during a site inspection.</p>

	<p>Section 10 – Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.3 Changes to this section include:</p> <ul style="list-style-type: none"> • Applicants will no longer be limited to two (2) construction payments. Project Managers will confirm completed work during a site inspection. • Applicants can receive no greater than the amount of down payment listed in their executed contract not to exceed fifty percent (50%) of the available construction award as a construction advance. <p>10.4.1 Changes to this section include:</p> <ul style="list-style-type: none"> • Applicants will no longer be limited to two (2) construction payments. Project Managers will confirm completed work during a site inspection. • Applicants can receive no greater than the amount of down payment listed in their executed contract not to exceed fifty percent (50%) of the available construction award as a construction advance. <p>10.4.3 Applicants acting as their own General Contractor will no longer be limited to two (2) construction payment requests. Project Managers will confirm the completed work during a site inspection.</p> <p>10.4.6 Applicants will no longer be limited to two (2) construction payments. Project Managers will confirm completed work during a site inspection.</p> <p>10.4.7 Scope adjustment requests for applicants who are applying for additional Program funding will be considered by DCA on a case-by-case basis, pending a full review of supporting documentation.</p>
5/1/19	<p>Section 1 — Program Overview</p> <p>1.9 Added language allowing retainage to be released prior to final grant reconciliation.</p> <p>Section 4 — Duplication of Benefits, Reimbursement, And Award Calculation</p> <p>4.4.3 Added language allowing retainage to be released prior to final grant reconciliation.</p>
1/1/2020	<p>Section 1 – Program Overview</p> <p>1.7.1 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>1.11 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>Section 5 – Inspections and Environmental Review</p> <p>5.15 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>Section 10 – Pathway B Construction (Homeowner-Selected Contractor)</p> <p>10.3 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p>

	<p>10.4.1 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>10.4.3 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p> <p>10.4.6 Removed the specification of “unpaid” invoices from the payment request process, allowing payments to be made based on paid or unpaid invoices.</p>
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Table of Contents

1	PROGRAM OVERVIEW	29
1.1	Program Description	29
1.2	Program Administration.....	29
1.3	Eligibility Overview.....	30
1.4	Homeowner Obligations	31
1.5	Funding Priorities	32
1.6	RREM Feasibility Determination: Rehabilitation or Reconstruction.....	33
1.7	General Contractor Selection Pathways (“Pathways A, B, & C”)	34
1.8	Duplication of Benefits.....	38
1.9	Revised Award Calculation (Effective October 13, 2014)	39
1.10	Design, Review, and Approval.....	40
1.11	Construction.....	41
1.12	Project Closeout.....	43
2	DCA Policies.....	43
2.1	Anti-Fraud and Compliance	44
2.2	Conflict of Interest	47
2.3	Files, Records, and Reports.....	48
2.4	Section 3 Compliance and Reporting.....	51
2.5	Citizen Complaint Procedure	53
2.6	Appeals.....	53
2.7	RREM Program Uniform Relocation Act (URA)	54
2.8	Davis-Bacon Act and New Jersey Prevailing Wage Act	55
2.9	Fair Housing (Affirmative Fair Marketing), Support to Non-English Language Speakers, Management of Accessibility Requirements	55
2.10	Lead-Based Paint.....	58
2.11	National Environmental Policy Act (NEPA) and Environmental Review	59
2.12	ENERGY STAR	61
3	APPLICATION AND PRELIMINARY PROGRAM ELIGIBILITY.....	63

3.1	Application Process	63
3.2	Eligible Structures	64
3.3	Ownership	64
3.4	Primary Residence	66
3.5	FEMA Registration.....	66
3.6	Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance.....	66
3.7	Minimum Property Damage	67
3.8	Substantial Damage Determination – Priority for Processing	68
3.9	Income Requirements and Verification	70
3.10	Notices to Applicants	72
3.11	Withdrawn Applications	72
3.12	Initial RREM Appointment	74
3.13	Transmittal to RREM Project Manager	75
4	DUPLICATION OF BENEFITS, REIMBURSEMENT, AND AWARD CALCULATION	76
4.1	Duplication of Benefits (DOB)	76
4.2	Verification of Funds for Duplication of Benefits.....	78
4.3	Reimbursement.....	80
4.4	RREM Award Calculation	86
4.5	Responsibility of the Applicant to Provide Funds	94
4.6	Funds Made Available to Provide Additional Gap Financing.....	95
4.7	Use of RREM by Applicants with No Need.....	95
4.8	Applicant Assignment to Individual RREM Contractors.....	95
5	INSPECTIONS AND ENVIRONMENTAL REVIEW	95
5.1	Substantial Damage Data Collection.....	97
5.2	RREM Initial Site Inspections (ISI)	98
5.3	Estimated Cost of Repairs (ECR).....	100
5.4	Feasibility Determination for Reconstruction or Rehabilitation.....	101
5.5	Lead-based Paint Risk Assessment	109
5.6	Mold Assessment and Remediation	109

5.7	Asbestos Survey Requirements.....	111
5.8	Completed ECR and Feasibility Package	112
5.9	Contesting Estimated Cost of Repair or Work in Place Estimate.....	112
5.10	DEP Environmental Inspection Request and Clearance.....	113
5.11	DEP Environmental Inspection Request and Non or Conditional Clearance	113
5.12	Special/Attached Dwelling Units.....	113
5.13	Applicant Approval to Proceed with Grant Signing	114
5.14	Review of Scope and Pathway Determination	115
5.15	Use of Homeowner Selected General Contractor (Pathway B).....	116
5.16	RREM Program Construction Pricing Estimates.....	116
6	PLANNING AND ZONING (For Program-Selected Contractor ONLY).....	118
6.1	Review of Scope and Pathway Determination	119
6.2	Applicant House Selection Process for Reconstruction	120
6.3	Builder Provided Plans -- Approval Procedure.....	122
6.4	Reconstruction at a New Address Location	123
6.5	Upgrades in Housing Selection Process	124
6.6	Standard Plan or Rehab Plan Site Adaptation and Zoning Approval	126
6.7	Use of RREM Program by Applicants Who Change Contractors.....	127
7	BUILDER SELECTION AND ASSIGNMENT (For Program Selected Contractor ONLY)	128
7.1	Development of Pre-Qualified Builder Pool.....	128
7.2	Composite Pricing – Reconstruction	128
7.3	General Contractor Assignment.....	129
7.4	Builder Pricing Process for Rehabilitation Projects.....	130
7.5	Timetable for Applicant Decision & Notification to DCA Operations	131
8	CLOSING: Grant Agreement AND Construction/escrow AGREEMENT (For Program Selected Contractor ONLY)	132
8.1	Closing Event.....	132
8.2	DCA Approvals and Funding Reservation.....	135
8.3	Escrow Accounts	135

8.4	Notice to Proceed	136
9	Pathway C CONSTRUCTION (For Program Selected Contractor ONLY).....	139
9.1	Inspection and Draw Requests	139
9.2	Change Orders	142
9.3	Administrative Signings.....	145
9.4	Construction Warranty	146
9.5	Pathway C Builder Reassignments.....	146
9.6	Offsetting Homeowner Costs for Construction Delays.....	148
9.7	Design Services.....	149
10	Pathway B Construction (Homeowner-Selected Contractor)	149
10.1	Step 5A Meeting Overview and Purpose	150
10.2	Pathway Step by Step (Homeowner Selected Contractor).....	152
10.3	Pathway B Certification of Construction Requirements Form.....	152
10.4	Homeowner-Selected General Contractor Payment Process Overview (Pathway B)	154
10.5	General Construction Considerations	162
10.6	Administrative Signings.....	164
11	PROGRAM CLOSEOUT	165
11.1	Final Inspections	165
11.2	Operations Quality Assurance/Quality Control (“QA/QC”) Review.....	168
11.3	Final Grant Reconciliation.....	168
11.4	Final Grant Reconciliation Review and Final Closeout Process	168
	GLOSSARY.....	170
	APPENDICES	181
	APPENDIX A: RREM Program Income Certification	181
	APPENDIX B: Duplication of Benefits Questionnaire.....	186
	APPENDIX C: RREM Selection Process	190
	APPENDIX D: Lead-Based Paint Notification Receipts.....	195
	APPENDIX E: Procedures for Complying with Lead-Based Paint Requirements	197
	APPENDIX F: Asbestos Survey Requirements	205

APPENDIX G: Construction Draw Request Process: For Use of a Program-Assigned Contractor.....	212
APPENDIX H: RREM Program Step-by-Step Diagram.....	218
APPENDIX I: Ineligible Costs.....	219
APPENDIX J: Ineligible Additional Scope.....	220

1 PROGRAM OVERVIEW

POLICY STATEMENT: This section is intended to provide a broad policy overview of key components of the Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program workflow, including:

- Program Description
- Program Administration
- Eligibility Overview
- Homeowner Obligations
- Funding Priorities
- RREM Feasibility Determination
- General Contractor Selection Pathways
- Duplication of Benefits
- Revised Award Calculation (Effective October 13, 2014)
- Design, Review, and Approval
- Construction
- Project Closeout

1.1 Program Description

The Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program assists eligible applicants whose homes were damaged by Superstorm Sandy to complete the necessary work to make their homes livable and compliant with flood plain, environmental, and other State and local requirements. The RREM Program is intended to supplement other funds the owner has received to repair or reconstruct the structure. The RREM Program provides grants to eligible applicants up to \$150,000.

This section highlights key RREM policies to provide an overview of the entire Program. Each of the policies identified in this section is explained in more detail in later sections. All documents, forms, or letters referenced in these policies and procedures can be located in the [RREM Document Library](#), located on the Sandy Integrated Recovery Operations and Management System (SIROMS) SharePoint.

1.2 Program Administration

The Department of Community Affairs (DCA) has engaged contractors to assist the State in implementing the program, under the administration of DCA. Such contractors include:

- DCA Operations is responsible for accepting applications, determining eligibility, calculating award amounts, ensuring that escrow accounts have been established and maintained, and providing advisory services to applicants throughout the RREM process. Direct client interaction is conducted via RREM Program Housing Recovery Centers (HRCs) under the oversight of DCA operations, located throughout the nine affected counties.
- RREM Project Manager administer:
 - For Pathway B applicants who use a homeowner-selected contractor, including but not limited to, construction-related guidance, including conducting inspections to determine whether the damaged dwelling can be repaired or must be reconstructed, developing the scope of work and costs for the project, and authoring payments for construction activities.
 - For Pathway C applicants who use a RREM Program-assigned Contractor, the general duties outlined above and, additionally, assigning a builder to complete the construction work and overseeing construction to ensure the quality of the work completed.
- In this document, the term “homeowner” and “applicant” will be used interchangeably when referring to homeowner participants within the RREM Program.

1.3 Eligibility Overview

Location

The damaged residence must be located in one of nine designated counties: Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, or Union.

No RREM funding can be provided to applicants whose homes are located in a Special Flood Hazard Area (100-year flood plain) in municipalities not participating in or suspended from participation in the National Flood Insurance Program including: Alpine, Cliffside Park, Englewood Cliffs, Union City, Freehold Boro, Shrewsbury, and Winfield.

Owner Occupancy

At the time of the storm (October 29, 2012) the damaged residence must have been owned and occupied by the applicant as the applicant’s primary residence. Second homes, vacation residences, and rental properties are not eligible for RREM assistance.

FEMA Registration

The applicant must have registered for FEMA assistance prior to May 1, 2013. Verification of FEMA registration will be obtained from FEMA records. If FEMA records do not confirm the registration,

applicants will be notified in writing and will have an opportunity to present documents that prove FEMA registration post-October 29, 2012. If no notification is presented, the applicant will be determined to be ineligible.

Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance

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

Level of Damage

The residence must have sustained damage as a result of Superstorm Sandy with a Full Verified Loss (FVL) of at least \$8,000 or at least one (1) foot of water on the first floor, as determined by FEMA, its sub-agencies, or affiliates. If FEMA records do not confirm the minimum level of damage, inspection data from the Small Business Administration (SBA) will be reviewed to determine if those records indicate an eligible level of damage. If data from these sources do not confirm the minimum level of damage, the applicant will be determined ineligible. The applicant will be notified in writing and offered an opportunity to submit acceptable third-party documentation as noted below to verify the damage level. This review will follow the process in accordance with the appeals policy. The third-party information that may be submitted as acceptable damage eligibility documentation included the following:

- National Flood Insurance Program (NFIP);
- Insurance Adjuster Estimate (IAE);
- Insurance documents demonstrating \$8,000 or greater in damage to the dwelling; and
- Damage Letter from local township demonstrating \$8,000 or greater in damage or excess of one (1) foot of flooding to the dwelling.

Income

Applicants must have verified total household income that does not exceed \$250,000.

Hazard Mitigation Grant Program (HMGP)

Applicants that received funds from HMGP are not eligible for the RREM Program.

1.4 Homeowner Obligations

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

- Occupy the damaged dwelling upon completion of rehabilitation or reconstruction.
- Permit authorized representatives of the RREM Project Manager, Department of Environmental Protection (DEP), and authorized builders to access the site.

- Maintain flood insurance throughout the repair/reconstruction process and perpetually for the life of the property, including notifying subsequent owners of this requirement.
- If elevation is required, the applicant will commit to elevate the dwelling. Effective July 1, 2014, any new applicants signing grant awards and elevating through the RREM Program must complete all construction, including elevation, within one (1) year from the date of the grant award, unless granted an extension in writing by DCA. All applicants signing grants prior to July 1, 2014, will have one (1) year to complete construction to occupancy, but have up to four (4) years from the date of storm (October 29, 2012) to elevate.
- A restrictive covenant will be required for all applicants who opt to complete construction, and/or elevation, without a RREM Program-assigned contractor (Pathway C). If they receive the full grant in reimbursement and/or opt to complete construction with the homeowner-selected contractor (Pathway B) and occupancy and elevation are not complete, a covenant will be filed until all Program requirements are met.
- If using a RREM Program-assigned Contractor, applicant will place in an escrow account their private sources of funds, including those received from potential duplication of benefits sources, as needed to fully fund the budget for the rehabilitation or reconstruction of the property. Applicants will authorize the RREM Project Manager to conduct inspections and authorize payments from RREM Program funds and privately escrowed funds to make payments directly to the general contractor.
- Effective July 2014, new applicants signing grant awards with the RREM Program must sign Exhibit 4 to the *Homeowner Grant Agreement*, titled the *Sufficient Funds Acknowledgment*, where the applicant acknowledges they have sufficient personal funds available to complete their construction activities. In addition, effective September 30, 2015, any applicant that signs an amendment to the original grant agreement must sign an *Amended Exhibit 4: Sufficient Funds Acknowledgement*. This requirement applies to all applicants at each Amendment Signing Meeting, including those applicants that never signed an Exhibit 4 at the original grant award signing meeting when the Exhibit 4 was not yet operationalized. The intention behind this requirement is to ensure that all applicants moving forward in the RREM Program acknowledge that they possess the requisite funds to be able to complete construction in a timely manner. All applicants who switch from Pathway C to B will require the execution of an Exhibit 4 at an Amendment Signing Meeting.

1.5 Funding Priorities

Recipients of RREM funds will be prioritized based on the following:

Priorities Based on Income

- Seventy percent (70%) of funds are reserved for low-to-moderate Income (LMI) applicants.

- Thirty percent (30%) are reserved to non-LMI applicants.
- Uncapped income limits will be used to determine LMI status, as approved by HUD.
- Once all LMI applicants have been funded who applied to the RREM Program, any non-LMI applicants still waitlisted will be served based on available funding, even if funding these applicants effects the distribution of funds between LMI and non-LMI applicants as described above.

Priorities Based on Level of Damage

Two priority levels have been established to enable the Program to serve households with the greatest needs:

- Priority 1: Homes with “substantial damage,” as determined by New Jersey floodplain managers or as determined by DCA, regardless of zone, and,
- Priority 2: (if demand and funds remain after Priority 1): Homes with severe/major damage.

The application process and randomization selection and prioritization processes are detailed in the [Appendix C: RREM Selection Process](#) (July 2013) approved by HUD.

1.6 RREM Feasibility Determination: Rehabilitation or Reconstruction

RREM funds can be used for either rehabilitation or reconstruction of damaged dwellings. RREM Project Manager will make a recommendation for reconstruction or rehabilitation based on the ratio of the cost of repair, including elevation if required, to the cost of the lowest composite price of a standard model house of equal number of bedrooms; including demolition if applicable.

Ratios greater than or equal to seventy-five (75%) will result in a reconstruction recommendation, while ratios less than seventy-five percent (75%) will result in a rehabilitation recommendation. Applicants are able to select reconstruction or rehabilitation for a home that has the ratio of a cost to repair to the cost of the lowest composite price standard model home of equal number of bedrooms between fifty percent (50%) and hundred percent (100%). This will be considered cost reasonable. For special procedures governing the initial site inspection policy for Attached Dwelling Units (ADU), please refer to DCA policy 2.10.74.

Applicants who choose an alternative construction type (either reconstruction or rehabilitation) that is opposite of the RREM Project Manager recommended feasibility determination, and therefore whose decision is not considered cost reasonable (i.e. below fifty percent (50%) ratio and choosing reconstruction or greater than hundred percent (100%) and choosing rehabilitation), will be capped in their award calculation at the cost reasonable total development cost of the project established by the RREM Project Manager (*see Section 4.4 RREM Award Calculation*). Other cost reasonable reasons for changing feasibility include; municipal requirements to reconstruct, substantial improvements, or further

analysis from the RREM Project Manager that the initial feasibility recommendation is no longer cost reasonable.

Final feasibility selection must be made by the applicant at the time of grant award signing. The Tier 2 Environmental Review scope of work (rehabilitation or reconstruction) must meet or exceed the level of review needed for the feasibility selected by the applicant. As further clarification, should an applicant choose after the date of grant award signing to switch the feasibility of the construction project, a new Tier 2 Environmental Review scope of work must meet or exceed the level of review needed for the newly-selected feasibility. As an example, if the RREM Project Manager recommended feasibility determination is rehabilitation and the applicant signs the grant award as a rehabilitation but chooses later to switch feasibility to reconstruction, a new Tier 2 Environmental Review for a reconstruction scope of work will need to be conducted, unless one had been previously completed and submitted to the Program.

If a property received a Tier 2 Environmental Review for a reconstruction scope of work, but the applicant has opted for rehabilitation, the project may proceed under the standing Tier 2. However, if a property received a Tier 2 Environmental Review for a rehabilitation scope of work, and the applicant has opted for a reconstruction, the property must be re-submitted to DEP for a Tier 2 Environmental Review re-assessment capturing the reconstruction scope of work.

Only feasibility change requests submitted after the time of grant award signing must be reviewed by and receive written approval by DCA prior to moving forward. This shall only occur in limited instances; including when the prescribed scope of work is no longer feasible as determined by the RREM Project Manager.

All changes to the RREM Project Manager prescribed feasibility determination must be documented and recorded in the program system of record, SIROMS.

Reimbursement

Eligible applicants who have received a preliminary award letter may elect to receive a reimbursement payment, less retainage if applicable, (up to the maximum award of \$150,000) for eligible costs incurred from the date of the storm (October 29, 2012) up to, but not including, the applicant's date of application. This is in accordance with HUD Policy Guidance on pre-award costs, issued on July 30, 2013 for Sandy Recovery Division activities.

1.7 General Contractor Selection Pathways (“Pathways A, B, & C”)

As of July 1, 2014, all applicants with remaining construction work to complete at date of grant signing who have not yet selected a pathway must use their own general contractor, in accordance with the procedures for Pathway B.

Prior to the July 1, 2014 cutoff, there were three RREM pathways for an applicant to select from based on the option that may best meet their individual needs.

1.7.1 Pathways Defined

Pathway A: Reimbursement

Applicants that have completed all reconstruction, rehabilitation, elevation, and/or mitigation prior to the date of initial site inspection and only seek reimbursement for completed work or eligible work incurred prior to the date of application. Applicants with “nominal remaining work” at the initial site inspection will be classified as Pathway A projects. Remaining work is considered “nominal” if the estimated cost to complete is less than \$5,000.00. Retainage will not apply to new Pathway A applicants because these applicants have completed all construction work and only seek reimbursement.

The RREM Program will reserve a maximum allowance of \$15,000 as a standard design services fund for Pathway A applicants who sign their grant award on or after October 13, 2014. For applicants whose grant award calculation reaches the maximum grant amount (\$150,000), funds for design may be obligated in excess of the Program cap based on a demonstrated need, for a total obligation of up to \$165,000. Applicants will be required to select design services from a list of eligible design services, as applicable to their individual project. Effective September 30, 2015, each eligible design service can be invoiced with no standard allowance price; however, the maximum allowance of \$15,000 remains as the standard design services funds for all design service costs accrued. For further guidance concerning payments for design services, please refer to Section 4.4.3.

Pathway B: Homeowner-Selected Contractor

Applicants with remaining construction work to complete may elect to use their own general contractor pending program validation, environmental clearance and agreement to meet RREM Program compliance standards.

Applicants who have an existing executed construction contract may opt to continue using their pre-existing builder in lieu of a RREM-assigned general contractor regardless of when the contract was signed. Applicants may also choose to seek and identify their own general contractor if one is not already engaged. The general contractor must be licensed, registered in New Jersey, must not be on HUD or State debarred lists, and must comply with all required State and Federal regulations applicable to the RREM Program.

The applicant may be reimbursed, less retainage if applicable, for eligible pre-award costs incurred prior to the date of RREM application submittal. Eligible pre-award costs will include rehabilitation/reconstruction costs completed after the RREM application submittal, only if such costs are incurred: (1) in anticipation of federal funds, and (2) attributable to an executed and

enforceable contractual commitment between the homeowner and eligible builder. For further guidance on reimbursement, please refer to Section 4.3.

The applicant is responsible for managing and covering the costs of: survey, engineering, design, zoning, and permits, although these costs are eligible to be charged toward an applicant's grant award by providing documentation via bills or invoices. Effective October 13, 2014, the Program will reserve a maximum allowance of \$15,000 as a standard design services fund. For applicants whose grant award calculation reaches the maximum grant amount (\$150,000), funds for design may be obligated in excess of the Program cap based on a demonstrated need, for a total obligation of up to \$165,000. Applicants will be required to select design services from a list of eligible design services, as applicable to their individual project. The total design services fund allocated for an applicant will remain at \$15,000 and will not increase due to an applicant requesting a change in feasibility from reconstruction to rehabilitation or vice versa. Applicants are still eligible to request design payments after the feasibility switch, but the total design payment, including design payments from the past feasibility, cannot exceed the \$15,000 design allowance set at the time of grant signing. Effective September 30, 2015, each eligible design service can be invoiced with no standard allowance price; however, the maximum allowance of \$15,000 remains as the standard design services funds for all design service costs accrued. For further guidance concerning payments for design services, please refer to Section 4.4.3. The applicant shall be responsible for making payments to their contractor throughout the construction process. In addition to any advance payments, the applicant will receive payment of grant funds through no more than two (2) installments, upon approval of invoices and receipts to the RREM Program. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their contractor within ten (10) days of receipt of Program funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance. The applicant will receive amount considered "reasonable and necessary" for repair costs. The RREM Program will file a restrictive covenant on the property to ensure homeowner completes occupancy and elevation requirements.

The RREM Project Manager's role includes, but is not limited to:

- Provide construction-related guidance throughout the construction process,

- Complete initial site inspection, determine project feasibility, calculate estimated cost to repair and project scope,

- Validate the homeowner-selected contractors,

Reviews and submits homeowner's funds requests to DCA for approval, and
Complete final site inspection to verify project meets Program requirements and standards.

Pathway C: RREM Program-Assigned Qualified Pool Contractor (QPC)

Applicants with remaining construction work to complete, prior to July 1, 2014, may elect to use a RREM-assigned Qualified Pool Contractor (QPC). The RREM Project Manager will assist applicants with construction management tasks, including developing the required scope of work, assigning a qualified builder, and managing the construction process. For applicants whose grant award calculation reaches the maximum grant amount (\$150,000), funds for design may be obligated in excess of the Program cap based on a demonstrated need.

Homeowner must bring personal funds for escrow account (if applicable) and funds are paid directly by the RREM Program to the RREM Contractor as work is completed. Repair or reconstruction must be completed by builders that have been selected by the RREM Program and assigned to the homeowner. The homeowner does not select the contractor for the project. The contractors have met the standards of the RREM-assigned QPC. The homeowner and the builder sign a *Design Build Agreement* that is monitored by the RREM Project Managers.

The RREM Project Manager Role:

- Reviews builder qualifications in advance and only permits those who are qualified to participate in the program who are part of the qualified pool,
- Acts as construction manager for project,
- Completes inspections at intervals in the construction,
- Approves installment payments to the builder (general contractor) at each of these completion stages, and
- Completes a final inspection to ensure the scope of work is complete and complies with the RREM Program requirements.

1.7.2 Pathway Determination

As of July 1, 2014, all applicants with remaining construction work to complete at date of grant signing who have not yet selected a pathway must use their own general contractor, in accordance with the procedures for Pathway B.

Any applicant who already elected to use a RREM-assigned QPC *before* the July 1, 2014 cutoff may continue to utilize a RREM-assigned contractor in accordance with the procedures for Pathway C. Applicants who selected a pathway prior to July 1, 2014, may not modify their pathway selection from Pathway B to C after the execution of the *Grant Award Agreement*.

Any changes in pathway beyond those instances identified above must be approved in writing by DCA.

Previously, upon approval of a switch from Pathway C to B after the execution of the *Design-Build Agreement*, an applicant was held to the one (1) year construction deadline as of the date of the original grant award signing execution. In addition, an applicant approved to switch from Pathway C to B was not permitted to keep their RREM-assigned contractor and would have accrued design-services costs deducted from the remaining grant award.

Effective September 30, 2015, upon the approval of a request to switch from Pathway C to B after the execution of the *Design-Build Agreement*, an applicant's deadline to complete construction is reset to one (1) year from the date of the approved pathway switch. In addition, the Program will not deduct any design services costs accrued under Pathway C from the remaining grant award upon switching from Pathway C to B. Lastly, applicants may choose to continue working with the RREM-assigned contractor after the DCA approves of the switch from Pathway C to B. These changes were implemented in order to better serve applicants and avoid the perception of penalty involved with switching from Pathway C to B. Upon approval of the switch, all applicants that signed a Pathway C grant award that included contingency will now sign a Pathway B grant award that also includes contingency.

1.8 Duplication of Benefits

Federal regulations require the State of New Jersey to conduct a duplication of benefits (DOB) analysis to ensure that (1) applicants do not receive more Federal funds than needed, and (2) RREM funds are used to meet a need the homeowner still has after considering other funds received.

RREM applicants must report all third-party assistance they have received towards repairing the damages to their homes. This includes proceeds from both flood and homeowners insurance, Increased Cost of Compliance (ICC), Federal Emergency Management (FEMA) assistance, loans from the Small Business Administration (SBA), Gap Funding Initiative (GFI), and any assistance from other government or private non-profit sources. Any funds applicants received from these sources for repairs to the damaged residence must be considered when the amount of the RREM grant is determined. If the applicant receives DOB funds after their grant award signing, another DOB analysis will be conducted and may result in funds being subrogated back to the RREM Program.

Effective June 2015, FEMA has opened to NFIP policyholders a limited period to submit a flood insurance claims review if the recipient was not paid the flood insurance policy limit and believes he or she was underpaid by the insurance carrier. If a RREM applicant is an NFIP policyholder and receives additional flood insurance proceeds through either a FEMA insurance claim review or a legal settlement with FEMA, the DCA will not pursue these funds as a DOB. This includes any ICC funds that are received as a result of the claim review or settlement, as well as attorney's fees, structural damage, debris removal, and

contents. The policy only applies to RREM applicants that are receiving additional benefits as a result of the special claim review or settlement process. All other third-party benefits that are not part of this FEMA insurance claim review or settlement will continue to be counted as a DOB.

1.9 Revised Award Calculation (Effective October 13, 2014)

All applicants who sign a grant agreement on or after October 13, 2014 will follow updated policies concerning:

1. Retainage,
2. Advance Payments,
3. Contingency, and
4. Design costs.

Retainage. Effective October 13, 2014, the RREM Program will withhold **the lesser of** ten percent (10%) of the applicant's grant award **or** the Estimated Cost to Repair (ECR) as retainage for all new grant award signings. Retainage will not be withheld for Pathway A applicants (seeking only reimbursement for work completed prior to the date of application). For projects where retainage is applicable, retainage will only be released upon a final grant reconciliation. Effective May 1, 2019, retainage may be released prior to final grant reconciliation if the Project Manager confirms that the project can be completed with the release of the remaining retainage funds or that a municipal and/or potential health and safety issue can be resolved with the release of the remaining retainage funds or on a case-by-case basis pending approval from the Director of the Sandy Recovery Division.

Advance Payments. Under DCA policy 2.10.67, effective May 2014, "RREM – Pathway B Construction Grant Advance," the applicant has the option to receive fifty percent (50%) of the available construction award as a *Construction Advance* upon selection of contractor and completion of the contractor validation process. Effective October 13, 2014, all new grant award signings must provide a copy of their executed construction contract in order to request a construction advance. If the homeowner is acting as their own general contractor, the homeowner must provide a copy of an executed construction contract with at least one of their subcontractors. Effective January 1, 2019, the applicant can receive no greater than the amount of down payment listed in their executed construction contract not to exceed fifty percent (50%) of the available construction award as a *Construction Advance*.

Contingency. Effective October 13, 2014, contingency will no longer apply to new grant award signings. This policy was updated to increase the equity, transparency and accuracy of calculating the ECR and WIP for the Program's grant award calculations. Further, this policy change was prompted by the Program's concurrent updates concerning design costs and scope adjustments, both discussed within this document.

Design Costs. The RREM Program will include in the total development cost calculation a maximum allowance of \$15,000 as a design services fund. This design services fund will assist applicants with

anticipated costs required for design and engineering services. Funds for design services will only be paid out based on a proven need established by the applicant supported by appropriate documentation, such as bills, invoices, or receipts. The total design services fund allocated for an applicant will remain at \$15,000 and will not increase due to an applicant requesting a change in feasibility from reconstruction to rehabilitation or vice versa. Applicants are still eligible to request design payments after the feasibility switch, but the total design payment, including design payments from the past feasibility, cannot exceed the \$15,000 design allowance set at the time of grant signing. Effective September 30, 2015, 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. Previously, the eligibility requirements of design costs mirrored those of construction costs; if completed on or after the date of application and prior to environmental clearance, these costs were not eligible for payment through grant funds. This policy change allows for greater flexibility in the invoicing of design services costs. Applicants will be required to select design services from a list of eligible design services, as applicable to their individual project. Effective September 30, 2015, each eligible design service can be invoiced with no standard allowance price; however, the maximum allowance of \$15,000 remains as the standard design services funds for all design service costs accrued. Previously, each eligible design service had a standard program allowance price. However, the Program identified a need to assist applicants charged above and beyond the Program maximum allowance for each line-item. Therefore, this policy change allows applicants easier access to the design services funds up to the maximum design funds of \$15,000 for all design services.

Previously applicants in Pathway A were allowed a maximum of one (1) design draw payment and Pathway B applicants were allowed up to two (2) design draw payments. Effective January 1, 2016, upon request, Pathway A applicants are eligible for a second design payment and Pathway B applicants are eligible for a third design payment if ALL of the following conditions are met:

- Pathway A applicants have submitted their single design payment request and Pathway B applicants have submitted both their design payment requests prior to September 30, 2015;
- Applicants have not exceeded the maximum \$15,000 allowance for design services through previously submitted payment request(s); and
- The additional design payment request is specifically 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. This time period is known as the “dead zone” or “blackout period.”

This policy is to account for those applicants who submitted their maximum allotted design payment requests prior to September 30, 2015, but did not submit for associated design costs in the dead zone period since at that time it was not eligible for payment.

1.10 Design, Review, and Approval

The RREM Project Managers will verify applicant's environmental clearance and provide assistance to determine scope requirements and house plans requirements (in reconstruction only).

For Pathway C applicants, who signed a grant award agreement before the July 1, 2014 cutoff, RREM Project Manager will coordinate a meeting with the applicant to review scope and assign him/her to a builder who will manage the design process and secure the homeowner's approval of final design. Once contractor selection and design process is complete, the RREM Project Manager will transmit the required information to determine escrow requirements, calculate final award, and conduct a grant closing.

For Pathway B applicants, Project Managers will review and ensure the homeowner-selected contractor and construction work meets Program requirements (homeowner-selected contractor). Once contractor selection, design, and approval are complete, RREM Project Managers receive and submit construction payments.

1.11 Construction

For applicants who elected to use a RREM-assigned QPC (Pathway C) before the July 1, 2014 cutoff, the decision is recorded in the system of record, SIROMS. The applicant may submit written request, by completing the *Pathway Change Request Form*, to switch pathways after the execution of the *Design-Build Agreement*, subject to DCA approval on a case-by-case basis. This safeguards the expenditure of the RREM Program delivery funds as reasonable and necessary.

Previously, upon approval of a switch from Pathway C to B after the execution of the *Design-Build Agreement*, an applicant was held to the one (1) year construction deadline as of the date of the original grant award signing execution. In addition, an applicant approved to switch from Pathway C to B was not permitted to keep their Program-Selected Builder and would have all accrued design-services costs deducted from the remaining grant award.

Effective September 30, 2015, upon the approval of a request to switch from Pathway C to B after the execution of the *Design-Build Agreement*, an applicant's one (1) year deadline to complete construction is reset to the date of the approved pathway switch. In addition, the Program will not deduct any design services costs accrued under Pathway C from the remaining grant award upon switching from Pathway C to B. Lastly, applicants may choose to continue working with the Program-Selected Builder after the DCA approves of the switch from Pathway C to B. Upon approval of the switch, all applicants that signed a Pathway C grant award that included contingency will now sign a Pathway B grant award that also includes contingency.

For the RREM-assigned QPC process (Pathway C), the RREM Project Managers will coordinate with the assigned general contractor to provide a notice to proceed for construction following closing. RREM Project Managers will supervise construction, completion, and draws. The homeowner will be required to place homeowner funds in an escrow account at the time of closing to complete the full scope of work

if the RREM grant does not cover the complete scope. RREM Project Managers in coordination with the DCA escrow agent will recommend the draws from escrow account and RREM grant.

For homeowner-selected contractors (Pathway B), following the contractor validation process, the RREM Project Managers will coordinate with the homeowners to evaluate the invoices for construction and other eligible costs. Applicants will submit the *Pathway B Request for Payment Form* with all required documentation (i.e., contracts, photographs, invoices, etc.) to their RREM Project Manager, as noted on the form. Once the review is completed, the RREM Project Manager will submit a *Pathway B Review Sheet* with all supporting documents into the fund request system of record, SIROMS, for DCA review and approval. DCA will then conduct the final review and approval of the individual draw requests, not to exceed a total of two (2) separate requests for funds. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their contractor within ten (10) days of receipt of Program funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance. Homeowners will be monitored to confirm compliance to occupancy, elevation, and all documented program requirements, as applicable.

Construction Timeline Extensions

Applicants who signed a grant prior to July 1, 2014 with the RREM Program have one (1) year from the date of grant signing to complete construction to occupancy, and four (4) years from the date of storm October 29, 2012, to meet the elevation standards, if applicable. For applicants who signed a grant on or after July 1, 2014, all construction, including elevation if applicable, must be completed within one (1) year from the date of grant signing.

Applicants who experience a construction delay may submit a total of one (1) project deadline extension of six (6) months from the initial one (1) year project deadline based on personal hardship or reasonable construction delays. Applicants who need more time beyond the initial six (6) month extension may submit a total of one (1) conditional extension request for a specific period approved by DCA. Applicants who exceed the conditional extension request will be required to submit a probationary extension request. Failure to submit the request may result in the termination of the grant award and a recapture of any funds previously disbursed. For additional information on extensions, please refer to standalone policy 2.10.75 “RREM and LMI Program: Policy and Procedure Governing Project Extensions.”

1.12 Project Closeout

RREM Project Managers will coordinate all required file documentation with homeowners and general contractors necessary for verification of completion of construction to program requirements and submit for DCA approval of completion and closeout and proper record keeping. In accordance with DCA approved policies and procedures, the RREM Project Managers will ensure compliance with program construction requirements. For further detail regarding the project closeout process, please refer to *Section 11.0 Program Closeout*.

2 DCA POLICIES

POLICY STATEMENT: The RREM Program is committed to helping applicants repair and rebuild their homes so that they can return to a pre-storm routine. However, the RREM Program must be operated in strict compliance with the appropriate laws and regulations governing State and Federal funds. These policies are intended to ensure that the programs will be compliant and in accordance with State and Federal fraud prevention requirements consistent with DCA Policy, Section 2.10.3.

Each RREM Project Manager shall maintain all records related to products, transactions or services under this contract for a period of five (5) years after the State grant is closed by HUD pursuant to 24 CFR 570.490(d).

The State of New Jersey is committed to running an effective and viable Section 3 Compliance and Reporting Plan as called for in the HUD Funds Notice and HUD CDBG Policies. For further detail on the Sandy Recovery Division policy for Section 3 compliance, please refer to policy 2.10.22 "Section 3," revised May 2014.

The RREM Program is committed to meeting or exceeding compliance with all laws related to State and Federal laws regarding prevailing wages and labor standards.

It is RREM Program policy that applicants who do not have sufficient English language proficiency to represent themselves through the RREM process will be provided support to allow their participation in the program.

RREM Program policies and operating procedures are designed to ensure that eligible elderly persons and persons with special needs are able to successfully participate in the program and that the rehabilitation or reconstruction of their homes include necessary physical adaptations.

The RREM Program will comply with the Federal and State requirements related to the prevention of lead-based paint poisoning and hazard mitigation and abatement. This includes educating applicants about the risks, conducting lead-based paint assessments as required and ensuring that all work under the RREM program is completed using methods that mitigate risk to applicants and workers.

The RREM Program will comply with HUD 24 CFR Part 35. See Appendix A for more details about compliance with this regulation.

The National Environmental Protection Act (NEPA) requires Federal agencies to integrate environmental values into their decision-making processes by considering the environmental impacts of their proposed actions and reasonable alternatives to those actions. To fully consider the environmental consequences of a proposed action, the Federal agency often prepares an Environmental Assessment (EA). For CDBG-DR funded actions, the primary purpose of the EA is to (1) assess the applicant property for environmental issues, and (2) propose mitigation measures to offset environmental impacts.

2.1 Anti-Fraud and Compliance

Purpose

The purpose of this section is to provide guidance and processes for ensuring that the RREM Program meets the State and Federal requirements (relevant OMB Circulars and State standards) designed to prevent fraud. DCA Operations and Housing Recovery staff has developed a program to implement the New Jersey Action Plan as allowed under the HUD Funds Notice and CDBG Rules. To ensure that the funds provided by the Act are well spent, the RREM Project Managers have determined that a series of preventative programs and affirmative reviews would accomplish this goal. It is important to note that each RREM Project Manager will have a slightly different approach to this process.

Other sections of these guidelines provide specific direction to accomplish the program goals. However, this section will discuss the general need for testing and monitoring of the other programs to ensure legal and programmatic controls.

Procedures for Performance of Key Tasks

2.1.1 Fraud Prevention. All RREM Project Managers shall put in place internal fraud prevention methods to protect the grant funds from improper payments, intentional or unintentional. This section identifies areas of potential risk areas for fraud and the approaches that will be taken to address them.

2.1.2 Public Website. The website will address the RREM Program and include the contact details for the Sandy Rebuilding and Reconstruction Fraud Prevention Hotline in applicant materials. The toll-free telephone number for the hotline is 1-855-OSC-TIPS (1-855-672-8477). The e-mail address is comptrollertips@osc.state.nj.us. All communications will be kept confidential. The hotline and e-mail address are maintained by the State of New Jersey, Office of the State Comptroller.

2.1.3 Cooperation with Federal and State Monitors and HUD Office of Inspector General. All RREM Program staff and administrators will provide full cooperation to State and Federal monitors and inspectors. This means allowing access to program related materials and providing support to the monitors or inspectors when requested. DCA has designated the Director of Auditing as the “Accountability Officer” as required under EO No. 125.

2.1.4 Referral of Suspected Fraud. It is the affirmative responsibility of any DCA employee and any RREM contract administrator 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. Contact details for the Office of State Comptroller’s fraud hotline are provided in Section 2.1.2 above. Referrals should be based on a reasonable belief that a fraud has been committed.

2.1.5 Independent Reviews for Fraud and Program Abuse. A primary technique for fraud prevention is to establish an independent review of key program decisions. The DCA Sandy Recovery Division includes staff, independent from operations, to conduct program oversight activities to identify areas of risk and potential instances of fraud, waste, or program abuse.

2.1.6 Fraud Prevention Program Eligibility and Award Determination. DCA is responsible for confirming the eligibility of each program applicant and that the award amount is determined correctly. This is accomplished through:

- Verification of key eligibility factors as described in Section 3;
- Documentation of the award determination; and
- Supervisory and quality control reviews of documentation and decisions help to prevent improper eligibility determinations.

2.1.7 Systemic Verification of Draw Process Approval. The payment process is one of the largest concerns for any program. On a regular basis as determined by the respective RREM Project Manager, a consistency team should review the draw approval procedure to determine if all safeguards in the Inspections and Draw Requests Policy and Procedures section have been followed. This could either be by testing the current ongoing system or by a forensic review. Actions such as failure to provide backup documentation or anticipatory signing of documents prior to work completion are not in and of themselves fraud but do open the door for system abuse. Each RREM Project Manager should document and maintain their internal draw request procedures, for pathway B and C.

2.1.8 In Process Verification. Periodically, the RREM Project Manager shall review an invoice, assignment system, or other funding and determine if they are operationally correct. The RREM Project Manager shall conduct on-site field monitoring and verify the signatures to ensure that

the complete process—along with timing—has been followed. This would include verifying the on-site requirements and reported work in place claimed to be complete.

2.1.9 Compliance Plan. Having a compliance plan in place that will detect and prevent fraud, waste, and abuse is not only good policy but is required by the State and Federal law, the HUD Funds Notice, and the Action Plan. DCA has adopted a policy that it will conduct a risk analysis of programs within the RREM Program. Periodically, based on the risk analysis, DCA will monitor the program for its key areas. Monitoring will be performed by DCA Compliance and Monitoring.

The policies and procedures written into this manual will meet the standards set out in State and Federal law, the HUD Fund Notice, the HUD CDBG Rules, and the action plan to effectively provide the required proficient financial controls and procurement processes.

Each RREM Project Manager will develop a written comprehensive compliance plan consistent with the requirements in State and Federal law, the HUD Fund Notice, the HUD CDBG Rules, and the action plan. At a minimum the compliance plan should include:

- a) The system for monitoring of a general contractor’s process for debarment verifications for subcontractors.
- b) The system for monitoring a general contractor’s process for verification of Section 3 status (for Pathway C files), 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 RREM Project Managers’ oversight inspection and monitoring functions.
- d) An internal review of the draw approval process with the first not coming later than sixty (60) days after the first draw approvals.
- e) A review of information system access and protections for program activities, including password protections by staff.
- f) Other functions where errors could create inappropriate payments.

Key Areas Identified:

- Section 3;
- Davis-Bacon Act and other labor standards (if applicable);
- Uniform Relocation Act;
- EEO Requirements;
- OMB Circular A-87;
- Accessibility requirements;
- Program Income (if any); and

- CDBG Financial Requirements.

2.1.10 Cooperation with Compliance Monitoring. Each RREM Project Manager will cooperate fully with the DCA, HUD, or HUD OIG monitors/auditors and assist them by providing all necessary access to databases and documents requested.

2.1.11 Compliance Reporting. Any Compliance Plan will include the frequency and distribution of any reporting of the ongoing activities. Each RREM contractor will report to DCA on a monthly basis or as defined by DCA. At a minimum, these reports should be made available to the DCA and its monitors.

2.2 Conflict of Interest

In accordance with federal requirements, the RREM Program will adhere to the following conflict of interest provisions established for the CDBG Program and as fully described in the DCA Conflict of Interest Policy. For the RREM Program, the following areas have been identified as potential areas of conflict:

- RREM Program Staff/Homeowner Applicant or Staff/General Contractor relationships
- Homeowner Applicant/General Contractor relationships
- Evaluation and approval process

(a) Applicability.

(1) In the procurement of supplies, equipment, construction, and services by recipients and by sub-recipients, the conflict of interest provisions in 24 CFR [85.36](#) and CFR [85.42](#), respectively, shall apply.

(2) In all cases not governed by 24 CFR [85.36](#) and [84.42](#), the provisions of this section shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient or by its sub-recipients to individuals, businesses, and 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](#), [570.455](#), or [570.703\(i\)](#).

(b) Conflicts prohibited. The general rule is that no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

(c) **Persons covered.** The conflict of interest provisions of paragraph (b) of this section apply to any 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 sub-recipients that are receiving funds under this part.

2.3 Files, Records, and Reports

Purpose

This document is intended to provide the protocols, guidance, and general framework for the files, records, and reports used and stored by DCA Operations, Housing Recovery, and all RREM Project Managers. The process is composed of **4 Key Tasks**:

1. Define and create a Management Information System (MIS) which will be used for electronic file records.
2. Maintain compliance with all applicable file retention guidelines and audits in accordance with DCA's CDBG Disaster Recovery Program.
3. Define a Standard Operating Procedure (SOP) to identify the specific steps, as well as customer and contractor interaction safeguarding personally identifiable information.
4. Establish needed records, maintenance, and retention requirements.

DCA Operations, Housing Recovery and RREM Project Managers will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information by:

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

Procedures for Performance of Key Tasks

2.3.1 Define and Create the MIS. The RREM Program MIS will be created and maintained separately by each RREM Project Manager. Therefore, each RREM Project Manager will be responsible for their system, for internal and external interfaces, and for adherence with RREM Program policy and procedures. The RREM MIS will be an electronic records system. The RREM MIS system will maintain reliability to ensure records are accurate and available, preserve authenticity to protect against unauthorized access, and provide usability to staff so that records can be easily found and updated. Information shall be transferred to the system of record, SIROMS, at key points throughout the RREM Program, as defined in the MIS Standard Operating Procedure. Each applicant's files will reside in the system of record, SIROMS.

2.3.2 Record Retention Compliance. The RREM Project Managers, through their individual management information systems, will retain all relevant RREM program files as electronic records for five (5) years after final closeout. As defined in the policy, records must be retained and audited after the end of the RREM Program. In order to assist with the compliance of these codes, the RREM Project Managers will work with the New Jersey Division of Revenue and Enterprise Services Records Management Services to submit and obtain an electronic Imaging System Certification, if applicable. This will include documenting the retention schedule outlined by the RREM Program policy, defining our system configuration, quality control, disaster prevention/recovery, scanning policy, and procedures and data migration plan.

2.3.3 Prepare Internal Standard Operating Procedures (SOP). These documents will be adjusted from time to time, as required to operate the program. At a minimum, the SOP will:

1. Provide a description of what must be inventoried so that proper quality controls can be implemented. The inventory will consist of electronic records, such as scanned forms, electronic forms including signatures, internal and external reports, photographs, estimates, and drawings. These files shall be maintained such that they can be transferred via e-mail, disc format, and download.
2. Define file formats and meta-data for each electronic record.
3. Provide a clear description that appropriate State and Federal monitors/auditors will be allowed access to the records upon reasonable notice, unless fraud, waste, or abuse (See Policy 2.1) is the reason for the visit.
4. Define specific procedures for the scanning of paper documents for the creation of an electronic file (paper forms are not anticipated).
5. Implement quality controls that assure specific electronic records are being associated with the correct applicant ID and stored in the correct locations and format within the MIS.
6. List the records retention schedule per RREM program policy.
7. Define the methods of electronic records protection that include remote access control by only authorized staff members and physical security of the hardware.
8. 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.

2.3.4 Required Records. RREM Project Managers will provide support to DCA to meet the reporting requirements, where applicable to the RREM program, to the recordkeeping areas

identified in the DCA Policy of Management and Record Keeping approved June 2013. These topics include but are not limited to:

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

24. Evidence of having met a national objective (see below);
25. Sub recipient agreement or Memorandum of Understanding, if applicable;
26. Procurement documentation, including any bids or contracts;
27. Characteristics and locations of the beneficiaries;
28. Compliance with special program requirements, including environmental review records;
29. Budget and expenditure information (including draw requests);
30. Status of the project/activity;
31. National objective; and
32. Income.

Destruction of Records

Each RREM Project Manager shall work with the Bureau of Records and the Department of Records Retention Coordinator to establish a records retention policy consistent with the State and HUD requirements. In no case shall the record destruction date be less than five (5) years from the time of final closeout.

Original Records

All original records become property of the State of New Jersey. These original records shall be transferred to DCA for storage consistent with the Plan. The RREM Program shall maintain copies for not less than five (5) years of relevant records.

2.4 Section 3 Compliance and Reporting

Purpose

The purpose of this section is to provide guidance and processes for meeting the goals established by the DCA for compliance with Section 3 goals for the CDBG-DR program. The RREM Project Managers realize that many of the goals of Section 3 are targeted directly to construction work in the RREM Program. Section 3 compliance and reporting pertains to Pathway C files only. Pathway A and B files are exempt from the Section 3 Compliance requirements as determined by HUD. For further detail on the Sandy Recovery Division policy for Section 3 compliance, please refer to policy 2.10.22 "Section 3," revised May 2014.

Procedures for Performance of Key Tasks

2.4.1 Training and Technical Assistance on Section 3. Many of the general contractors are familiar with Section 3, but for others it is a new concept. The RREM Project Managers will adopt the DCA Section 3 Plan and train the general contractors working in the RREM Program.

2.4.2 Meeting the “greatest extent feasible standard.” As part of the initial training period, the RREM contractors will develop a presentation to help the general contractors understand the process and what the phrase to the “greatest extent possible” means as this must be documented if the general contractors do not meet the target numbers.

2.4.3 Verification of the Section 3 Contractors. The RREM Project Managers will provide technical assistance on how to obtain verification of Section 3 contractors and individuals. This will include how to keep records for monitoring.

2.4.4 Reporting process and “roll up” reporting. The RREM Project Managers will assist the general contractors in completing the reports required by DCA and/or HUD.

Monitoring of Section 3 Use by General Contractors

2.4.5 Initial Reports on current staff of General Contractors. RREM Project Managers will request the full staff of all general contractors to be used in New Jersey for comparison purposes. The RREM Project Managers will require that the general contractor sign the employee listing as being complete. This will be the base line for the thirty percent (30%) of new hires.

2.4.6 Monthly Reports. The RREM Project Managers will require monthly reports from the general contractors. To prevent duplication of effort and multiple reporting of the same staff, DCA will assign each RREM-qualified general contractor to a specific RREM Project Manager for the purposes of Section 3 reporting. General contractors must submit employee rosters to the assigned RREM Project Manager on a monthly basis. All RREM Project Managers will use either the HUD reporting form or a monthly reporting form approved by DCA.

2.4.7 Eligible Section 3 Individuals or Businesses. RREM Project Managers will accept self-certifications from businesses and individuals that they are Section 3 eligible. The form must be substantially similar to the corresponding HUD form or one approved by DCA. For purposes of this program, Section 3 eligible households include persons making up to eighty percent (80%) of the AMI. In addition, the Federal Register Notice states that an individual is eligible to be considered a Section 3 resident if the annual wages or salary of the person are at or under the HUD-established income limit for a one-person family for the jurisdiction. The RREM Project Managers should maintain a copy of the Section 3 forms related to the general contractors assigned to them.

2.4.8 Narrative of Greatest Extent Feasible Efforts. When two consecutive months of less than thirty percent (30%) of new hires or less than ten percent (10%) of construction dollars

expended and the general contractors has hired staff or subcontractors, the RREM Project Manager will request a narrative of how his hiring meets or exceeds the greatest extent feasible standard. This narrative will be reviewed in comparison to HUD guidance. If the RREM Project Manager determines it is insufficient, they will work on a plan with the general contractors to determine how to meet the standard.

2.4.9 Failure to Meet Section 3 Goals for 90 days. If the general contractor fails to meet the Section 3 goals for 90 days, that may be factored into whether or not additional assignments are made to that general contractor.

RREM Project Manager

The RREM Project Managers will either adopt the DCA Section 3 plan or one that meets or exceeds the DCA Section 3 plan.

- Reporting. The RREM Project Managers will report Section 3 activity on a monthly basis.
- Plan to include greatest extent feasible strategy. The RREM Project Managers will, as part of their plan, discuss strategies for meeting the greatest extent feasible standard.
- Adoption of Plan. The RREM Project Managers will advise the contractors that they must adopt, at a minimum, the State of New Jersey Section 3 plan.

2.5 Citizen Complaint Procedure

The State will accept written RREM related citizen complaints received by RREM Program. Written complaints should be submitted via email to Sandy.Recovery@dca.state.nj.us or be mailed to:

New Jersey Department of Community Affairs
Post Office Box 800
Trenton, New Jersey 08625-0800
Attention: Commissioner

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

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

2.6 Appeals

All appeal requests related to RREM Program activity are processed and reviewed by DCA Compliance and Monitoring in accordance with the DCA appeals policy number 2.10.7. Applicants who believe that the Program decision is incorrect or not in compliance with Program policies may appeal in writing within thirty (30) days of notice of the determination that generated the appeal. Initial review of the appeal will be conducted by a three (3) person panel, made up of DCA Compliance and Monitoring staff. Each appeal will be reviewed against Program policies and requirements, and applicable local, State, and Federal law. The applicant shall be notified in writing and provided instructions regarding their rights to formally file an appeal. The intention to file a formal appeal must be filed within the prescribed period as set forth herein. Initial reviews of determination that are not overturned by the DCA Office of Compliance and Monitoring are appealable. If the facts of the case can be contested, the case will be referred to the Office of Administrative Law (OAL) for a hearing. In cases where the facts are non-contested, the Commissioner will issue a Final Decision which is appealable to the New Jersey Superior Court, Appellate Division. Please reference policy 2.10.7 entitled “DCA Appeals Process” or the RREM Program website www.renewjerseystronger.org for further guidance on the appeals process.

2.7 RREM Program Uniform Relocation Act (URA)

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

In the event a renter is occupying a RREM property, the property owner must comply with all URA requirements for notices and applicable services. These may include, but are not limited to, a minimum fifteen (15) day notice to vacate in an instance of temporary relocation, replacement housing payments, housing of last resort, and moving expense payments. Tenants of properties receiving assistance that results from the funding of a property under the RREM Program may be either temporarily or permanently displaced. Relocation in the RREM Program is anticipated to concern primarily temporary relocation activities. Designated DCA Housing Recovery staff members (hereinafter “Relocation Specialist”) will work with teach tenant-occupied property to assist property owners in complying with URA requirements. The RREM Program will comply with the DCA policy on acquisition and relocation.

2.8 Davis-Bacon Act and New Jersey Prevailing Wage Act

Prevailing wages have no direct application in the single-family housing RREM Program as the contract is signed between one homeowner and one general contractor. While wages should be consistent with community averages, there is no need to obtain established rates or meet the reporting requirements of the prevailing wage statutes.

Purpose

The purpose of this section is to provide guidance and processes for ensuring that the RREM Project Managers and the general contractors meet the State and Federal requirements for prevailing wages.

Procedures for Performance of Key Tasks

Determine if Prevailing Wage Applies. Each Project Manager should provide guidance to the RREM general contractors about the use of prevailing wages in the program.

- Prevailing wages have no direct application in the single-family housing RREM Program as the contract is signed between one homeowner and one contractor. While wages should be consistent with community averages, there is no need to obtain established rates or meet the reporting requirements of the prevailing wage statutes.
- RREM Project Managers will monitor general contractors to ensure there is no compliance requirement on individual projects.

2.9 Fair Housing (Affirmative Fair Marketing), Support to Non-English Language Speakers, Management of Accessibility Requirements

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

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

To further fair housing goals and ensure that all potentially eligible applicants are aware of the opportunity to participate in the RREM Program, DCA will engage in an aggressive outreach program. The multi-media outreach program includes special outreach to LMI households, minority households, and others identified as “least likely to apply” for assistance.

In accordance with the requirements of Section 504 of the Rehabilitation Act of 1973, the RREM contractor administrators will make reasonable accommodations to ensure access to the RREM program for persons with disabilities. These accommodations may include providing alternative methods of compliance with program requirements, such as conducting home visits for individuals unable to travel to a Housing Recovery Center and/or providing additional assistance in the completion of the application and program forms.

2.9.1 Support to Non-English Language Speakers

Program applicants who identify themselves as non-English language speakers may designate a person with sufficient English proficiency to represent them in the application and overall RREM process. Alternates may include, but are not limited to, family members or friends of the applicant.

If the applicant cannot identify a person whom they wish to designate as their representative, the RREM Program will work to provide translation services so that the applicant can understand and participate in the Program. Depending on the specific circumstances, translation services may take the form of in-person translation, translation of written documents, or consultation with a translator over the telephone or on-line. The determination of specific methods of translation will be made by the Housing Advisor, depending on the applicant’s circumstances and the translation resources available.

2.9.2 Language Access Plan (LAP) Procedures

Please refer to the Department of Community Affairs Language Access Plan (LAP). The LAP addresses the various languages and individuals covered by the LAP; language assistance measures; translation of vital documents; language bank resources as well as outreach. This plan may be amended from time to time.

2.9.3 Management of Accessibility Requirements and Section 504 Compliance

This section is intended to provide the protocols, guidance, and general framework for identification, evaluation, and implementation of accessibility requirements for a special needs applicant. Housing advisors will obtain necessary information from the homeowner.

During the initial intake interview consultation with the applicant, housing advisors will ask the applicant whether any household member requires special adaptations to the dwelling and record the results on the duplication of benefits questionnaire. The DOB questionnaire is then transmitted to the RREM Project Managers and enables inspectors to discuss needs with the applicant during the initial site inspection.

During the initial site inspection and feasibility analysis, the RREM contractor shall inquire whether any household members require substantial accessibility improvements. Examples of substantial accessibility improvements include a chair lift, wheel chair ramp or other major structural modification to a property. If the homeowner indicates they will be seeking these improvements, the RREM contractor shall provide them the *Form 7 Verification of Disability* with instructions to complete the form and submit to their Housing Advisor. The RREM Contractor will proceed to include the accessibility costs in their Estimated Cost of Repair for the property, but itemize the cost out separately from the general rehabilitation and elevation costs.

Once the initial site inspection and feasibility analysis have been completed and the determination is made whether the home will be rehabilitated or reconstructed, a subsequent conversation with the applicant will be held by the Housing Advisor to obtain the *Form 7 Verification of Disability*, documenting the justification for the accessibility improvements. The form must be completed prior to execution of a Grant Award with accessibility costs incorporated into the calculation. Should applicants request but not provide necessary supporting documentation for special needs and accessibility, DCA operations will provide a written notice of specific documentation required. Applicants' failure to provide supporting documentation and continue to request accessibility may either be referred to appeals or provided with a thirty (30) day notice to provide documentation or withdraw request.

Homeowners who sign a grant agreement with accessibility costs included in their award calculation but fail to complete the improvements will be required to re-pay those funds via subrogation.

2.9.3.1 For Reconstruction and Rehabilitation Projects.

Allowable modifications are packaged into different levels of accessibility as follows:

Universal Design (designed into all houses):

- Minimum hallway width of 42"
- 36" passage doors between kitchens, living areas, baths, and bedrooms
- Blocking and bracing in walls by toilet and shower
- Vinyl flooring
- Lever door handles
- Lever faucets
- Lowered air return registers
- Thermostat controls and light switches between 15" and 48" from finished floor
- Electric outlets between 15" and 48" from finished floor
- Top breakers in the panel not to exceed 48"
- Commode height is 15" to 19" measured from floor to top of the seat

By request only the following will be installed in one bathroom that the applicant will designate:

- Grab bars that meet UFAS code in bathroom (toilet and shower)
- Replace bathtub with roll-in shower including fold-down bench
- Handheld spray wand
- Roll under lavatory
- Wheelchair maneuvering space and bathtub and toilet placement that all meet UFAS code

By request only and upon validation by qualified healthcare provider, via the *Form 7: Verification of Disability*, or by documentation of a Federal benefit received for disability such as Social Security Disability (SSD), the following items may be installed:

- Dishwasher,
- Ramp for entrance/egress to elevated dwelling,
- Electrical upgrades for medical equipment,
- Visual and audible smoke alarms,
- Mechanized lift/elevator for entrance/egress to elevated dwelling, or
- Other (as determined necessary based on housing accommodations).

When a disabled individual who requires the use of a wheelchair is the owner or an occupant, the floor plan shall be modified to accommodate the additional space to comply with wheelchair maneuvering clearances and cabinet requirements in the UFAS code.

Any other requests other than those listed above will be evaluated by the RREM Project Manager.

For Rehabilitation Projects. Any special needs requests the homeowner may have will be presented to the RREM Project Manager for evaluation on how the request may be incorporated into the existing conditions of the rehabilitated dwelling. This will be based on the existing configuration of the home.

2.10 Lead-Based Paint

A Lead (Pb) Risk Assessment will be required for all applicant properties with pre-1978 construction dates. The primary purposes of the Lead (Pb) Risk Assessment are to (1) identify lead-based paint hazards and areas of deteriorated paint on presumed lead-based painted building components and (2) generate a set of interim controls and/or abatement methods to correct defective painted building components and control lead-based paint hazards. Recommendations provided from the Lead (Pb) Risk Assessment for lead-based paint hazard control along with deteriorated paint will be included into the Estimated Cost to Repair (ECR).

Purpose

The Lead (Pb) Risk Assessment and other associated lead-based paint activities will not be involved in every home in the RREM Program. However, every home should have an analysis completed as to whether or not the risk assessment, and subsequent mitigation, is necessary after the analysis is done.

The tasks are divided into three distinct areas. The first is to determine whether the homeowner's subject property was constructed prior to 1978 and is preliminarily determined eligible for rehabilitation assistance. Any home constructed prior to 1978 preliminarily determined eligible for rehabilitation assistance will then receive the second protocol which is a Lead (Pb) Risk Assessment of the homeowner's subject property. If the Lead (Pb) Risk Assessment identifies lead-based paint hazards (i.e. dust-lead and soil-lead) and areas of deteriorated paint on presumed lead-based painted building components, they will be corrected during the course of the rehabilitation project using appropriate lead-based paint hazard control options.

Rehabilitation projects may, through normal operations, create or expose additional lead-based paint hazards during the activity. Original painted walls and ceilings underneath new sheet materials such as drywall, for example, which were inaccessible during the risk assessment, may be disturbed during rehabilitation work. The RREM Program has therefore required the use of accredited firms employing properly trained individuals to complete all rehabilitation work including lead-based paint hazard control.

This protocol will comply with HUD's requirements for the treatment of Lead-based Paint Hazards, EPA's Renovation, Repair and Painting Rule, and the New Jersey Lead Hazard Evaluation and Abatement Code. See attached *Appendix D* for the procedures.

Lead-Based Paint Notifications

The RREM Program utilizes four (4) lead-based paint notification receipts to confirm that the applicant is aware, and/or complying with, the Program's lead-based paint hazard identification and removal requirements. The first and second notifications confirm applicant received the Program's lead-based paint informational material and understand the lead-based paint evaluation, if applicable. The third and fourth notifications confirm that lead-based paint hazards, if identified, are properly removed. Pathway B applicants are only required to complete the *Lead-Based Paint Notice (1)* and *Lead-Based Paint Evaluation Notice (2)*. Notices concerning hazard removal are not required for Pathway B applicants because such applicants are directly responsible to complete lead hazard reduction and obtain the lead clearance examination report, where applicable. The RREM Project Managers will confirm receipt of the lead clearance examination report by the applicant at final inspection, if applicable, and upload it into the system of record, SIROMS.

2.11 National Environmental Policy Act (NEPA) and Environmental Review

Purpose

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

Background

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

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

The RREM Program NEPA Process

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

As the first step, or Tier I level of review, an EA was completed for the RREM Program for the nine most damaged counties (Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union). The Tier I EAs were prepared by the New Jersey Department of Environmental Protection (NJDEP) on behalf of DCA, as the Responsible Entity for HUD. Each Tier 1 EA resulted in a Finding of No Significant Impacts (5/21/13).

Consistent with the tiered process, Tier 2 environmental reviews will be conducted for each property being evaluated under the RREM Program. The Tier 2 reviews will be conducted by the NJDEP Office of Permit Coordination and Environmental Review and will include a site-specific review, including a desktop review utilizing the NJDEP geographic information system (GIS).

The Tier 2 reviews will identify sites with specific environmental issues requiring a site visit or additional agency consultation and will be documented in an Environmental Review Record (ERR). The Tier 2 reviews will be conducted in a manner that satisfies the requirements of NEPA and HUD’s NEPA implementing regulations (24 CFR 58).

In addition, the reviews will address compliance with all other relevant Federal environmental laws, regulations, and Executive Orders (EO), such as the National Historic Preservation Act, EOs 11988 – Floodplain Management, EO 11990 – Protection of Wetlands, and EO 12898 – Environmental Justice. Relevant State regulations and permitting requirements will also be addressed, such as State Executive Order #215. NJDEP will also coordinate and facilitate any required environmental permitting.

The environmental review may identify the need for environmental mitigation measures to be incorporated into the scope of work for the proposed RREM action or for the action to be redesigned to avoid certain environmental impacts. No reconstruction, rehabilitation, elevation, or mitigation work, or reimbursement can begin until the Tier 2 environmental reviews have been completed, and the Tier 2 ERR has been completed for the subject property.

The RREM Project Managers will complete the asbestos survey and lead-based paint risk assessment. Following the Tier 2, the Project Managers may need to modify the SOW for a specific RREM action to incorporate environmental mitigation measures or to avoid specific environmental impacts or concerns. The RREM contractors must also ensure that construction activities are performed in a manner that fully complies with any requirements identified in the Tier 2.

2.12 ENERGY STAR

Purpose

Prototype Plans and other Reconstruction Plans shall be designed to include ENERGY STAR specifications and meet ENERGY STAR standards.

The RREM Program ENERGY STAR Process

- Pathway C: Reconstruction plans (prototypes and builder provided plans) shall be designed and constructed using energy specifications to meet ENERGY STAR certification standards. All plans must be designed to meet ENERGY STAR standards by a Home Energy Rating System (HERS) rater.

The homes will not require a pre-drywall inspection or final inspection by a HERS rater, or other EPA-approved verifier. Final ENERGY STAR certification is not a program requirement.

- Pathway B: RREM Project Manager shall provide homeowners with ENERGY STAR requirement documentation at Pathway B Step 5A meeting to be shared with the homeowner's builder. In accordance with federal register notice 5696-N-01, for construction projects completed, under construction, or under contract prior to the date that assistance is approved for the project (as defined by the grant agreement signing date), DCA will encourage applicants to apply ENERGY STAR standards to the extent feasible, but ENERGY STAR is not required. If construction is not yet complete, under construction or under contract prior to the grant agreement signing date, DCA will document compliance with ENERGY STAR requirements. If ENERGY STAR requirements apply to the project, all plans must be designed to meet ENERGY STAR standards and approved by a HERS rater. The homes will not require a pre-drywall inspection or final inspection by a HERS rater, or other EPA-approved verifier. Final ENERGY STAR certification is not a program requirement.

3 APPLICATION AND PRELIMINARY PROGRAM ELIGIBILITY

POLICY STATEMENT: This section is intended to outline the eligibility determination process, prioritization of applications, and the procedures to conduct intake processing. The specific verification methods for determining minimum eligibility and prioritization of eligible applicants are explained. In addition, this section outlines the transition of applicants once determined eligible and funded to the RREM Project Managers for field inspection.

3.1 Application Process

Application Methods

All applications are submitted electronically. Applicants may submit applications online; receive assistance to submit applications over the phone, or at designated Housing Recovery Centers. The method of application does not affect the applicant's status or likelihood of award.

- Online applications are available at reNewJerseystronger.org
- Call Center assistance to answer questions or help complete an application is available at 1-855-SANDYHM (726-3946)
- Application can be made in person at any of the following Housing Recovery Centers (HRCs): Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union. Addresses and hours for the centers are available at reNewJerseystronger.org

Initial Application Period

The initial application period was open from May 24, 2013 through June 30, 2013. Applications received from the designated nine (9) counties during the initial application period (Group 1) will be placed in an order for processing that is determined by an electronic random selection process. This ensures that all applicants are treated fairly, regardless of application method.

Selection for processing is not a determination of eligibility or a guarantee of funds. Rather it determines the order in which applications will be selected for initial eligibility processing. 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 periods.

Incomplete Applications at Time of Random Selection

Applications that have been started but not submitted will not be included in the randomization process. Any incomplete applications started during the initial application period and completed after June 30, 2013 will be processed along with post-June 30 applications in the order of application submission.

Second Application Period

The second application period began July 1, 2013 and continued through August 1, 2013. Applications received after the initial application period will be reviewed for eligibility in the order they are submitted and funded in accordance with the selection policy provided in [Appendix C \(RREM Selection Process\)](#).

3.2 Eligible Structures

Single family homes, owner-occupied units in single-use or mixed-use structures with seven (7) units or less and owned mobile/manufactured homes are eligible for the RREM Program. Multi-family structures that consist of five (5) to seven (7) units must develop and submit to DCA for review an Affirmative Fair Housing Marketing Plan (AFHMP), which is a marketing strategy designed to attract renters of all majority and minority groups, regardless of sex, handicap, familial status, etc. to federally assisted projects. Recreational Vehicles (RV), house boats, and campers are not eligible, even if the applicant occupied one of these as a primary residence. In circumstances where the property contains multiple detached residential structures, RREM Program funds may only be obligated for eligible work associated with the primary residence, as defined by the Program. Any owner-occupied single-use or mixed-used structure that contains eight (8) or more units or that is primarily used as a business, such as motels, inns or bed and breakfasts, is not eligible for the RREM Program, except where the structure qualifies under the special ownership circumstances outline below in Section 3.3. For further guidance on the policies governing multi-family or attached dwelling units (ADUs), please refer to policy 2.10.74, "Governing the Eligibility and Initial Site Inspections for Single Owner Multi-Family and Attached Dwelling Unit Structures."

3.3 Ownership

An owner who occupied the property as a primary residence at the time of the storm must be the applicant. An individual with Power of Attorney (POA) for the owner occupant may complete the application on the applicant's behalf. Allowable ownership arrangements include traditional fee simple ownership, cooperative and condominium, and ownership of a residence on leased land. Applicants with mortgages, including reverse mortgages, are eligible.

Ineligible Owners

Individuals with an ownership interest in the property who were not owner/occupants at the time of the storm are not eligible.

Owner Occupants with Attached Rental Properties

In the case of structures that contain an owner-occupied unit and rental units, the property owner may submit a RREM application for the owner-occupied unit and a Landlord Rental Repair Program (LRRP) application for the rental unit(s). If both the RREM application and the LRRP application for the structure are selected, the applications will be considered together by DCA operations and the RREM/LRRP

managers. URA requirements apply to the rental units including notice requirements to existing and prospective tenants and appropriate relocation assistance to displaced households.

Cooperative and Condominium Units

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

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:

- Foreclosures: Applicants whose homes have been foreclosed since the storm are not eligible for RREM.
- Death of Owner Occupant: If the owner of record at the time of the storm has died since the storm, another person who occupied the residence at the time of the storm who is now in legal possession of the property is eligible for RREM if they otherwise meet eligibility requirements.
- Owners Occupants who have Sold Homes: Applicants who have sold their homes are not eligible for RREM, and eligibility does not transfer to the new owner.
- Limited Liability Company (LLC) and Limited Liability Partnership (LLP): In those instances in which title to the damaged property may be held by a Limited Liability Company (LLC) or a Limited Liability Partnership (LLP), the applicant must establish that the LLC or LLP was formed for estate planning purposes or liability concerns. Ownership must be proven by providing all necessary information, including but not limited to, certificate of formation, tax returns for the company or partnership, operating agreement, and a certificate of good standing. Each LLC or LLP will be evaluated by DCA on a case-by-case basis for program compliance. If the sole purpose or reason for forming either a LLC or LLP is for a business purpose or venture, then the applicant would be deemed ineligible.
- Manufactured Housing Units: In those instances in which the owner of a manufactured housing unit (MHU) forfeited their ownership of the property after the storm and DCA can verify that the forfeiture occurred because the structure was deemed a total loss; the property will be considered eligible for the RREM Program as a special exception.

Verification of Ownership

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

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

3.4 Primary Residence

Applicants must have occupied the property as their primary residence on the date of the storm (October 29, 2012). Second homes, vacation homes, and rental properties are not eligible for a RREM grant award.

Verification of primary residence is determined through evaluation of multiple data sources and documents. The preferred verification requires all three of the following:

- Ownership of the property must be confirmed as described in Section 3.3.
- FEMA records must show that the applicant reported to FEMA that the property was the applicant's primary residence at the time of the storm.
- The applicant must present a New Jersey driver's license or New Jersey non-driver identification card dated prior to the date of the storm which shows the damaged residence as the applicant's address.

Alternative documentation will be considered if primary residence cannot be confirmed as above. If an applicant is unable to provide New Jersey identification (driver's license or non-driver identification card) or if FEMA records do not confirm primary residence, the applicant must present the following documents as verification of proof of primary residence:

- Federal tax return document indicating damaged residence is primary residence, and
- Voter registration card showing the damaged residence.

The applicant may complete the *Certification of Primary Residence* as evidence of primary residence under exceptional circumstances. Other documentation offered by the applicant may be considered on a case-by-case basis.

3.5 FEMA Registration

Applicants must have registered for FEMA assistance to be eligible for a RREM grant. Applicants whose registration cannot be confirmed through FEMA records will be given an opportunity to present additional documentation.

3.6 Flood Insurance Requirements for Applicants Receiving Prior Disaster Assistance

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

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

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

3.7 Minimum Property Damage

Verification that the damaged dwelling sustained a Full Verified Loss (FVL) of \$8,000 or more or at least one (1) foot of water on the first floor will be confirmed by FEMA, its sub-agencies, or affiliates. If FEMA records do not confirm the minimum level of damage, inspection data from the Small Business Administration (SBA) will be reviewed to determine if 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 acceptable third-party sources as noted below. If not submitted, the applicant will be determined ineligible. Applicants will be notified in writing and offered an opportunity to appeal in accordance with the appeals policy.

The following may be acceptable damage eligibility documentation:

- National Flood Insurance Program (NFIP);
- Insurance Adjuster Estimate (IAE);
- Insurance documents demonstrating \$8,000 or greater in damage to the dwelling; or
- Letter from local township demonstrating \$8,000 or greater in damage or excess of one (1) foot of flooding to the dwelling.

3.8 Substantial Damage Determination – Priority for Processing

“Substantial damage” is defined as damage of more than fifty percent (50%) of the home’s pre-storm value. The substantial damage classification establishes a priority for processing RREM applications as described in Section 1.5.

Applicants who stated on their application that their home was “substantially damaged” are prioritized and processed first for funding. Once substantially damaged properties have been addressed in either low-to-moderate income (LMI) or non-LMI categories, non-substantially-damaged properties will then be eligible in that category.

3.8.1 Proof of Substantial Damage.

The applicant is responsible for securing the appropriate letter from the local flood plain manager, who is the primary person presently authorized to issue a substantial damage letter. Applicants who indicated on their application their property was substantially damaged and demonstrate that they made every best effort to obtain the appropriate letter from the local flood plain manager but were unable to do so will not be required to provide a *Substantial Damage Letter* to satisfy eligibility requirements. The RREM Program will allow such applicants to proceed without the *Substantial Damage Letter* if applicant completes the *Substantial Damage Acknowledgment Form*, attesting that they:

- Have not received a *Substantial Damage Letter* from their local flood plain manager,
- Believe the property is “substantially damaged,” based on the RREM Program definition, and
- Agree that they will be required to elevate the damaged property.

3.8.2 Changing Status of Substantial Damage Selection.

Applicants who stated on their application their home was “substantially damaged,” but upon being funded, claim their home is “non-substantially damaged,” must provide a letter from their local floodplain manager verifying the structure is not substantially damaged. If the applicant is unable to obtain a letter from the floodplain manager demonstrating the structure is non-substantially damaged, they may appeal to DCA for a determination in lieu of a letter.

3.8.3 Requirements for Non-Substantially Damaged Properties.

Applicants who are funded and selected on their application they are not substantially damaged will not be required to provide a *Substantial Damage Letter* to satisfy eligibility requirements under the RREM Program. In order to proceed past the initial eligibility requirements, applicants must complete the *Non-Substantial Damage Acknowledgment Form*, attesting that they:

- Have not received a *Substantial Damage Letter* from their local floodplain manager to date,
- Agree to notify the RREM Program if a substantial damage determination is issued by the floodplain manager at a future date,
- Elect whether they wish to voluntarily elevate their structure under the RREM Program, and
- Agree that if the RREM Program conducts a damage review and the program determines the property does meet the definition of “substantially damaged,” the homeowner will be required to elevate.

While a substantial damage determination issued by a local floodplain manager triggers the requirement to elevate an applicant’s home, a property that may not have been substantially damaged is still eligible for optional elevation as an eligible cost under the RREM Program. Applicants who attest that they have not received a substantial damage determination may opt to elevate their house under the RREM Program and this will be considered an eligible cost for the Program. Non-substantially damaged applicants must finalize their decision to voluntarily elevate prior to signing a grant award. A non-substantially damaged applicant may request an amendment to their grant award agreement to reflect a change in their decision to elevate, subject to DCA approval on a case-by-case basis. For applicants who do not have a *Substantial Damage Letter* issued by a local floodplain manager and voluntarily elect to elevate, the Program will include in its grant award calculation funding for elevation. Failure to complete elevation will result in the need to subrogate all RREM funds paid for elevation.

3.8.4 RREM Determination of Substantial Damage

3.8.4.1 Change in Elevation Requirement for Non-Substantially Damaged Applicants. Applicants that 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 prior to date of grant award, or
- RREM Project Manager, through his/her own assessment, determines the property to be substantially damaged.

Should an applicant have a letter from their floodplain manager confirming the level of damage to the structure, the letter shall take precedence over a RREM Program-generated substantial damage assessment.

3.8.4.2 RREM Substantial Damage Estimate (SDE). During the initial site inspection, the RREM Project Managers will collect necessary information for DCA to make a substantial damage determination. DCA will utilize this data for applicants who have completed the *Non-Substantial Damage Acknowledgment* to make a determination confirming whether the structure is non-substantially damaged, or if the Program deems the structure substantially

damaged. The estimate will be conducted in accordance with the Substantial Damage Data Collection policy established in *Section 5.1* of the RREM Policies and Procedures. RREM Project Managers will record pertinent information for the Substantial Damage Estimate and transmit to DCA operations along with the feasibility package.

3.8.4.3 Change in Elevation Requirement. Applicants who completed the *Non-Substantial Damage Acknowledgment Form*, but whose property SDE exceeds fifty percent (50%) damage based on the Program-assessed calculation will be allowed to move past the initial site inspection stage but will be required to elevate. Applicants may avoid this elevation requirement if they have a letter from their floodplain manager stating the property was not substantially damaged. These applicants may not sign a grant with the RREM Program unless the applicant agrees to elevate the structure, obtains a letter from their floodplain manager, or appeals to DCA and has their SDE calculation overturned. Properties whose SDE is below fifty percent (50%) damage will be provided the option to elevate but will not be required to elevate.

3.8.4.4 Appeal. Applicants may appeal the determination of the SDE estimate, which will be submitted to DCA for review and decision. The request to appeal should be submitted to an applicant's Housing Advisor.

3.8.4.5 Grant Waiver of Elevation. Non-substantially damaged applicants who waive their option to elevate under the RREM Program will record the decision on the *Non-Substantial Damage Acknowledgment Form*.

3.9 Income Requirements and Verification

Overview

Income is used to classify households as either LMI households or non-LMI households based upon income limits published by HUD. Both applicants with incomes above and below the LMI limits are eligible for RREM Program grants. However, seventy percent (70%) of funds are reserved for eligible LMI applicants and thirty percent (30%) of funds are reserved for eligible applicants above the LMI limit. In addition, RREM grants are available only to applicants with total household income of \$250,000 or less.

Income Limits

Income limits are published by HUD and vary by county and household size. In clarification received from HUD in September 2013, HUD has allowed for uncapped income limits to apply retroactive to April 29,

2013 and be used to determine income levels of non-LMI and LMI. The RREM Program will apply the uncapped limits table as approved by HUD.

Income Definition and Certification

The income definition used for the RREM Program is the definition of annual income as defined by IRS Adjusted Gross Income. Applicants certify to total household income on the RREM application. This certification will be used initially to classify applicants as either LMI or non-LMI households.

In the event that a copy of one of the federal tax return is not available or if the homeowner's projected 2014 income will exceed their 2013 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 2014 will exceed the income stated on the applicant's 2013 tax return or the applicant does not file a federal tax return. *Appendix A* summarizes the required documentation of income.

Applicants certify to total household income on the RREM application. This certification will be used for purposes of prioritization to classify applicants as either LMI or non-LMI households. The homeowner is required to complete and sign the *RREM Income Certification* and provide supporting tax or other applicable documentation. (See *Appendix A* for the *Income Certification Form* and documentation job aide.) Upon verification, applications from applicants whose income category has changed from LMI to non-LMI will be reevaluated to determine when the application can be processed based upon non-LMI status.

Applicants whose household income exceeds \$250,000 are ineligible for the RREM Program. Applicants will be notified in writing of their ineligibility and offered an opportunity to appeal the decision in accordance with the appeals policy.

Note: LMI income limits are published annually by HUD. Please refer to *Appendix A: RREM Program Income Certification* for the most recent income limits. The State has received approval to apply Uncapped Income Limits.

Definition of Household

For the purpose of determining the applicable income limit, the following persons are household members:

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

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

3.10 Notices to Applicants

Notices of Preliminary Award

Based on the availability of funding, applicants who have been determined eligible will receive a *Notice of Preliminary Award* to notify them that their applications have been selected for processing. The notification will include instructions for documentation the applicant should collect and bring to the initial appointment.

No Funding Notice

If funds are not available to provide grants to all eligible applicants, eligible applicants who will not receive a RREM grant will be notified of their placement on a waiting list for processing if additional funding becomes available.

Notice of Ineligibility

Applicants who are determined to be ineligible for the Program will be notified in writing of the reason for ineligibility. Applicants who believe that the ineligibility determination has been made in error have thirty (30) calendar days to file a written appeal as described in the appeals policy.

If an applicant has a change in circumstance based on information reported in the application and when documentation is submitted, this may result in a determination of ineligibility or moved to the waitlist. For instance, if a household reported to be of the LMI range or having sustained substantial damage and documentation submitted conflicts with that determination, the homeowner will be moved to the waitlist in accordance with their determined order, in line with the program prioritization.

3.11 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 funds back to the Program.

Voluntary Withdrawals

Applications may be withdrawn by an applicant at any time with the exception of Pathway B and C applicants who have obtained their CO. In the above instance, the RREM Program will process those Pathway B and C applicants with a CO through the closeout workflow, unless it deems the applicant ineligible or has to administratively withdraw the applicant due to noncompliance. For all other applicants, they must clearly provide a written notice of their intent to voluntarily withdraw. DCA will send the applicant a written notice of acknowledgment of his/her voluntary withdrawal.

Voluntary Withdrawal Reinstatement Requests

Applicants who have voluntarily withdrawn from the RREM Program may submit a written request for reinstatement based on extenuating circumstances. The request will be reviewed and approved by DCA Housing Recovery staff, on a case-by-case basis.

Administrative Withdrawals

Applications may be administratively withdrawn for the following reasons:

- Any applications that are started but not completed and not submitted within sixty (60) days of the initial start of the application or by the end of the application period (August 1, 2013) will be withdrawn.
- The program confirms that an application is a duplication of another valid application or conflicting Program such as the Blue Acres Buyout Program or the Hazard Mitigation Grant Program (HMGP).
- Applicants that are being considered for buyouts from the state will be treated in accordance with the Blue Acres policy.
- An applicant fails to provide required documentation or information after receiving a written request. Applicants will receive a notice giving them fifteen (15) days to provide the required information.
- An applicant is aggressive and/or abusive to a DCA employee or any other representative or affiliate of the RREM Program, including, but not limited to, RREM Project Managers. Aggressive and/or abusive behavior includes language (verbal or written) that may cause staff to feel afraid, threatened or abused and may include threats, personal verbal abuse, and derogatory remarks. The RREM Program also considers inflammatory statements, remarks of a racial or discriminatory nature and unsubstantiated allegations, to be abusive behavior. Physical intimidation, including holding, impeding or blocking movement, following, stalking, touching or any other inappropriate physical contact or advances, is considered aggressive behavior. Following the first reported incident of aggressive and/or abusive behavior, DCA will send a warning letter to the applicant explaining that such conduct will not be tolerated. Any subsequent reported incident of aggressive and/or abusive behavior will result in termination of the applicant's grant and the administrative withdrawal of the applicant from the RREM Program. Incidents involving the threat or use of physical violence towards a DCA employee or any other representative or affiliate of the RREM Program will be reported to the state police and to the local police for non-Program affiliates.

Applicants whose applications have been administratively withdrawn will have thirty (30) days to file a written appeal.

Administrative Withdrawal Reinstatement Requests

Applicants who have been administratively withdrawn from the RREM Program will have thirty (30) days of receipt of the final *Administrative Withdrawal* certified letter to submit a written request for

reinstatement, based on extenuating circumstances. The request will be reviewed and approved by DCA Housing Recovery staff 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.

3.12 Initial RREM Appointment

The purpose of the initial interview is to confirm eligibility, provide the applicant with additional information about the RREM Program, and collect supporting information that will enable the application to be forwarded to the RREM Project Managers for Initial Site Inspection. Housing advisors use an initial appointment checklist to ensure all required topics are covered during the appointment. The initial RREM appointment may be performed in person or remotely.

Confirm Applicant Eligibility

Applicants received a preliminary eligibility determination at the time of selection. Additional eligibility factors must be confirmed at the time of the initial interview. Intake staff confirms the following as part of the initial interview:

- Funded List: Applicant's name is found on the funded list.
- Income Eligibility and Status: Applicant's income does not exceed \$250,000 and whether as a result of income verification, any applicant has changed income categories (LMI to non-LMI or non-LMI to LMI).
- Substantial Damage: Applicant has provided a substantial damage determination letter from the local flood plain manager or completed the required acknowledgement form.
- Primary Residence: A preliminary determination of primary residence was made at applicant selection; final documentation (generally a New Jersey driver's license or non-driver identification card) must be obtained at the initial interview.
- Legal Residency in the United States: Applicants must provide evidence of legal residency in the United States. A New Jersey driver's license or New Jersey non-driver identification card or a U.S. passport serve as evidence of legal residency. If the applicant cannot present one of the documents, the applicant must sign the legal residency in the United States certification form.
- Ownership: If any anomalies in the title search required applicants to present additional ownership documentation at the time of the initial interview, case notes in the system of record, SIROMS, will direct the housing advisor to collect the information/documentation at the interview.

Collect Duplication of Benefits Information

Applicants are instructed to bring to the interview the DOB that reports amounts the homeowner received from FEMA, SBA, insurance, other Federal, State, and local programs, and charitable or nonprofit organizations. The form also requests information about funds the homeowner has spent on repairs.

Applicants must collect receipts and proofs of payment for repairs eligible for reimbursement and hold them for five (5) years. Homeowner will sign a certification about the receipts held as proof of work completed prior to application. See *Section 4* for a full discussion of DOB.

Prepare for Initial Site Inspection

- Right of Entry and Release of Information (ROE): The ROE is the homeowner’s permission for inspectors from the RREM Program and the Department of Environmental Protection to enter the property to evaluate conditions. This form must be signed in order for the application to be referred for inspection. Signature by the co-applicant is not required. The housing advisor can serve as the witness.
- Lead-Based Paint Booklet and Lead- Based Paint Notification Receipt: Each applicant is given a HUD-provided lead-based paint brochure and asked to sign the notification receipt to confirm receipt.
- Escrow Notification (Pathway C Only): For Pathway C files, applicants must sign an acknowledgement that if the RREM grant and available DOB funds are not sufficient to complete the rehabilitation/reconstruction, the homeowner must place personal funds in the homeowner escrow account to fund the remainder of the work using a RREM-assigned contractor. Applicants seeking only reimbursement or using an existing contractor will not need to place funds into escrow.

Applicants may conduct the initial site inspection preparation telephonically by contacting their Housing Advisor and/or RREM Project Manager, where appropriate.

3.13 Transmittal to RREM Project Manager

When all required documents have been collected, cases are transferred to the RREM Project Manager for initial site inspections. A case is ready for transfer to RREM Project Manager when the Right of Entry form and DOB Questionnaire have been collected.

4 DUPLICATION OF BENEFITS, REIMBURSEMENT, AND AWARD CALCULATION

POLICY STATEMENT: This section is intended to provide an overview of the award calculation and to explain applicant obligations and escrow requirements to provide additional funds if needed.

It is RREM Program policy that applicants with no unmet need as discovered through the eligibility process during intake will no longer qualify for or progress through the RREM Program.

The Department of Community Affairs (DCA) has adopted policies permitted by HUD Notice CPD-13-138 that permits reimbursement up to the maximum award of \$150,000 for eligible work undertaken before the date the applicant submitted a RREM application. To exercise the reimbursement option owners must comply with all program requirements and commit to completion of the work remaining to be done.

APPLICABLE LAWS, REGULATIONS AND GUIDANCE:

- Notice from the Office of the Assistant Secretary for Community Planning and Development, HUD (<http://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-29634.pdf>)
- Robert T. Stafford Disaster Relief and Emergency Assistance Act, Section 312 Duplication of Benefits (42 U.S.C.5155)
- HUD 24 CFR 85.36

4.1 Duplication of Benefits (DOB)

Duplication of benefits (DOB) determinations will be made in accordance with the Federal Register Notice “Clarification of Duplication of Benefits under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees,” dated November 16, 2011. RREM applicants must report all assistance they have received to repair/reconstruct their homes from third-party sources such as flood and homeowners insurance, Increased Cost of Compliance (ICC), Federal Emergency Management (FEMA) assistance, loans from the Small Business Administration (SBA), Gap Funding Initiative (GFI), and any assistance from other government or private non-profit sources. For additional policy and procedures regarding the duplication of benefits under the RREM Program, please refer to Sandy Recovery Division policies 2.10.50 “Accounting for Third-Party Benefits Received Post Grant Signing,” 2.10.65 “Treatment of ICC Payments Received by RREM Awardees,” and 2.10.71 “Additional Duplication of Benefits Received After Grant Signing.”

Any funds received from these sources to repair or reconstruct the damaged dwelling must be considered when the amount of the RREM grant is determined. Funds received from these sources for other purposes such as temporary housing and replacement of household contents are not considered a DOB. Personal funds used to repair the damaged dwelling are not considered in the DOB calculation.

Effective June 2015, FEMA has opened to NFIP policyholders a limited period to submit a flood insurance claims review if the recipient was not paid the flood insurance policy limit and believes he or she was underpaid by the insurance carrier. If a RREM applicant is an NFIP policyholder and receives additional

flood insurance proceeds through either a FEMA insurance claim review or a legal settlement with FEMA, the DCA will not pursue these funds as a DOB. This includes attorney's fees, structural damage, debris removal, and contents. The policy only applies to RREM applicants who are receiving additional benefits as a result of the special claim review or settlement process. All other third-party benefits that are not part of this FEMA insurance claim review or legal settlement will continue to be counted as a DOB.

Funds Used for Eligible Purposes

Funds used for a different but eligible purpose may be excluded from the final award calculation if expenditure occurred prior to date of application. In some instances, funds provided for the same general purpose as the CDBG disaster recovery funds will have been used by the applicant for a different specific eligible purpose. In these circumstances, if the applicant can document that the funds received were used for a different, eligible purpose, then the funds are not duplicative. If funds are determined to have been expended after time of application, funding will still be required to satisfy owner's DOB sources for the RREM Program.

Funds Not Available to the Applicant

Funds an applicant does not have legal control of when they are received, and which are used for a non-duplicative purpose, are not considered a DOB. For example, if a homeowner's mortgage requires any insurance proceeds to be applied to reduce the lien balance, then the bank/mortgage holder (not the homeowner) has legal control over those funds.

In the case of funds being held by a bank, mortgage, or insurance company until rehabilitation or reconstruction begins, the funds will be considered in the DOB calculation. When a general contractor from the RREM contractor pool will be used, the homeowner will arrange, whenever possible, for these funds to be placed in the homeowner's escrow account. If the holder of the funds is unwilling to place the funds in the homeowner's escrow account, arrangements must be made for payments to be made from these funds at the same time as draws are made from the escrow account. DCA Housing Recovery staff will monitor the escrow management process, where applicable.

Subrogation Requirements

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

4.2 Verification of Funds for Duplication of Benefits

FEMA Funds

Funds for repairs received from FEMA are considered in the DOB analysis.

- FEMA funds that are provided to a homeowner for an eligible purpose other than those provided by RREM may be excluded from the final award calculation. If the applicant can document that the FEMA funds were provided for eligible interim housing costs (such as rent, in accordance with FEMA program eligibility) or other activities not related to construction, the RREM award will not be reduced by the amount of FEMA assistance used for interim housing.
- FEMA provides a data feed to DCA that reports the amounts applicants have received. The amount reported by FEMA will be used in the award calculation unless the applicant provides documentation that the FEMA funds were used for another eligible purpose or the applicant asserts that the FEMA report is incorrect.

Small Business Administration (SBA) Funds

The SBA provides assistance under four (4) broad categories: refinance, contents, mitigation, and real estate. The amount of any SBA loan accepted by the applicant, and designated specifically for “real estate, mitigation,” or other RREM-eligible construction purposes, is considered in the DOB analysis. However, within each of those four categories are subcategories, where such funds may not count as a DOB within the RREM Program. If the applicant believes that the full mitigation and/or real estate portions of their SBA loan should not be counted as a DOB, they must request an updated breakdown of your assistance from the SBA and submit it to the DCA for review and processing, where appropriate. If the applicant accepted a lesser amount than was awarded, the applicant must provide the reason(s) for declining the larger loan, through a form provided by RREM Program that must be completed prior to grant signing and approved by DCA. Permitted reasons for accepting a lower amount than SBA awarded include:

- The applicant reports that a higher SBA loan is not affordable by the household,
- A change in applicant circumstances has made it unnecessary to accept the entire award, or
- Other reasons offered by applicants will be evaluated on a case-by-case basis.

SBA provides a data feed to DCA that reports the amounts applicants have received. The amount reported by SBA will be used in the award calculation unless the applicant provides documentation the amount reported was not received or asserts that the amount SBA reported is incorrect. In such cases, housing advisors will review documentation from homeowner and adjust DOB for only that amount that was received by the homeowner. DCA will coordinate with SBA to confirm the amount received to ensure compliance or subrogation will be required.

Treatment of National Flood Insurance Program (NFIP) Proceeds

Funds received from NFIP insurance proceeds for rehabilitation or reconstruction of the damaged dwelling are considered in the DOB analysis. A data feed from the NFIP is provided to DCA and the amount reported will be used in the award calculation unless the applicant provides documentation that the amount reported is not correct. In such cases, DCA will request the NFIP reconfirm the amount received.

Effective June 2015, FEMA has opened to NFIP policyholders a limited period to submit a flood insurance claims review if the recipient was not paid the flood insurance policy limit and believes he or she was underpaid by the insurance carrier. If a RREM applicant is an NFIP policyholder and receives additional flood insurance proceeds through either a FEMA insurance claim review or a legal settlement with FEMA, DCA will not pursue these funds as a DOB. This includes any ICC funds that are received as a result of the claim review or settlement, as well as attorney's fees, structural damage, debris removal, and contents. The policy only applies to RREM applicants that are receiving additional benefits as a result of the special claim review or settlement process. All other third-party benefits that are not part of this FEMA insurance claim review or settlement will continue to be counted as a DOB.

Treatment of Increased Cost of Compliance (ICC) Funds

The NFIP includes ICC coverage for all new and renewed Standard Flood Insurance policies. This coverage provides up to \$30,000 to help homeowners bring their home into compliance with conditions imposed concerning their community's floodplain ordinance. Under ICC terms and conditions, homeowners eligible for ICC Coverage will receive final payment once the work is completed, a final inspection has occurred, and a Certificate of Occupancy has been issued. This reimbursement payment creates an obstacle within the established RREM procedures regarding: (1) when to count ICC funds in the DOB calculation, and (2) when to issue a notice to proceed with construction. For further guidance, please refer to Sandy Recovery Division policy 2.10.65 "Treatment of ICC Payments Received by RREM Awardees."

Treatment of Funds for Duplication of Benefits Received Post-Grant Award Signing

RREM applicants must report all assistance they receive for damage to their homes from third-party sources. Any funds the applicant receives from these sources for repairs to the damaged residence must be considered in the RREM grant award calculation as DOB, even after the grant award agreement is executed. The RREM Program requires all grant awardees to notify DCA of all assistance received after grant signing, upon receipt of the third-party assistance. Additionally, the RREM Program will conduct a DOB review at designated points within the Program, which include:

1. Step 5 Meeting, (the initial grant award signing),
2. Step 8 Meeting (Pathway C Only),
3. Execution of a Grant Amendment, and
4. Final Closeout Stage.

Upon notification, whether by the homeowner or at a designated review point, appropriate DCA staff will review the homeowner's grant award calculation and determine whether an amendment is required. Please refer to Sandy Recovery Division policy 2.10.71 for further guidance.

Treatment of Other Funds Received

Applicants must report and provide documentation for amounts received for rehabilitation or reconstruction and elevation of the dwelling from any of the following sources:

- Other Federal, State or local programs; and
- Assistance in the form of grants, donations, and/or contribution from nonprofit organizations. Specifically, donations of material, volunteer labor, and/or professional services provided for repairs of the damaged residence will count as DOB. Applicants will be required to obtain documentation from the nonprofit organization reporting the amounts received.

Although independent third-party validation of amounts reported from these sources is not undertaken for each applicant, the State may at any time initiate third-party reviews as part of its fraud prevention and program integrity activities.

Documentation of Amounts Received

The applicant must report expenditures on the *Duplication of Benefits Questionnaire* and provide documentation to support the expenditures including all receipts. Repairs reported on the *Duplication of Benefits Questionnaire* will be verified by the assigned RREM Project Manager and provided to DCA as the Work-in-Place report. The Work-in-Place report will be used to document eligible expenditures to be considered for reimbursement.

4.3 Reimbursement

Overview

The Department of Community Affairs (DCA) has adopted policies permitted by HUD Notice CPD-13-05 *Guidance for Charging Pre-Award Costs of Homeowners, Businesses and Other Qualifying Entities to CDBG Disaster Recovery Groups* that permits reimbursement for eligible costs incurred before the date the applicant submitted a RREM application. To exercise the reimbursement option, owners must comply with all Program requirements and commit to completion of any remaining work. Reimbursable costs must be "reasonable and necessary," for federal program funds, as determined by DCA.

Under HUD Notice CPD-13-05, issued July 30, 2013, the State of New Jersey is authorized to reimburse homeowners and businesses for costs incurred prior to application submission for reconstruction, rehabilitation, and mitigation of their homes or businesses in response to a Presidentially-declared disaster. This notice states that "pre-application costs are costs incurred by an applicant ... prior to the time of application." The use of the broad term "incurred" permits reimbursement of eligible costs fixed to a contractual obligation, provided that the contract was executed prior to the date of application.

Therefore, eligible costs that occur after submission of the RREM application but are fixed to an enforceable contractual obligation are eligible for reimbursement. Reimbursement is permitted for eligible costs fixed to an enforceable contractual obligation executed prior to the time of application, even if the costs are accrued on or after the date application is submitted. The homeowner must maintain receipts and other supporting documentation as proof that eligible costs are fixed and attributable to the contract executed prior to application submission. Before any CDBG-DR funds can be provided for reimbursement to the applicant, an environmental review must be completed, and the property must be cleared by the State. This is required to reimburse both past work completed and any work going forward. Eligible costs completed *prior to environmental clearance*, must comply with *HUD Notice CPD-13-05 Guidance for Charging Pre-Award Costs of Homeowners, Businesses and Other Qualifying Entities to CDBG Disaster Recovery Groups*. Any eligible cost that occurs on or after the date environmental clearance is complete must comply with all RREM Program requirements and guidelines for construction, unless such costs are fixed to a contract executed prior to application submission.

Work Initiated after Application. For construction contracts executed after the time of application, homeowners are advised that, while it is their choice, it is in their best interest to stop work after submission of the RREM application. DCA is still currently restricted by HUD on providing reimbursement for work undertaken on or after the date of application that is not attributable to a construction contract executed prior to application submission; therefore, initiating new work will make those improvements likely ineligible for the grant funds. However, a homeowner may choose to initiate new construction activities after application at his/her own risk. ***The State will not restrict the pace of recovery or work of the homeowner if the homeowner chooses to continue construction at risk of ineligibility for reimbursement.***

The following special policies have been adopted regarding allowable reimbursement costs incurred on or after the date of application submission:

- Off-Site Construction: In cases where construction is done at an off-site location such as with modular homes but during the blackout period, such work will be eligible for payment under the RREM Program even if not attributable to a construction contract executed prior to application submission. In the case of a modular home, the full cost of the home, as described in the modular construction contract, is eligible for reimbursement.
- Eligible Work Fixed to Fully Signed and Executed Construction Contract: Eligible work completed on or after the RREM Program application date is reimbursable only if the homeowner provides adequate documentation to prove such work is fixed to a full signed and enforceable construction contract executed prior to the RREM Program application date.
- Effective September 30, 2015, if an applicant has requested a switch in the feasibility of his or her construction project (from rehabilitation to reconstruction, or vice-versa), then the date of the original environmental clearance date dictates the cutoff of reimbursable construction costs. However, if the level of environmental clearance does not meet or exceed the selected feasibility

scope of work, then a new environmental clearance must be conducted in order to meet or exceed the newly-selected feasibility.

- In addition, effective September 30, 2015, if an applicant has completed design services on or after the date of application and prior to the date of environmental clearance and this work was not completed as part of a contractual obligation entered into prior to the date of application, then these design service costs are eligible for reimbursement. Prior to this policy change, design service costs were treated the same as construction costs completed on or after application date and before the date of environmental clearance; those costs would be deemed ineligible for reimbursement unless they were completed as part of a contractual obligation entered into prior to the date of application submission.

Homeowners may elect to initiate new repairs or reconstruction with their existing contractor and/or select their own general contractor (Pathway B) whose qualifications are validated in writing by the RREM Program. Homeowners who sign a grant award prior to July 1, 2014, can choose to go with a RREM-assigned builder from the RREM pre-approved general contractor pool (Pathway C). In the latter case, the RREM Program assigns a builder; it is not the homeowner's choice. Homeowners are eligible for reimbursement of eligible costs incurred prior to application submission regardless of option for general contractor selection pathway.

Applicants Eligible for Reimbursement

All eligible applicants of the RREM Program may seek reimbursement for eligible activities regardless of the level of damage. Applicants must have received a preliminary award notification and be otherwise eligible for assistance. Reimbursement is limited to properties that are in the same footprint as before the storm. Before approval for reimbursement can be given, the dwelling must have passed the required environmental review, signed a Grant Award and the homeowner must have submitted the required documentation described in the section below. All applicants accepting reimbursement shall attest to the amount of the work completed that was incurred prior to application submission and agree to maintain receipts and records of work performed for a minimum of five (5) years. In addition, effective September 15, 2015, if an applicant has completed design services on or after the date of application and prior to the date of environmental clearance and this work was not completed as part of a contractual obligation entered into prior to the date of application, then these design service costs are eligible for reimbursement. The applicant may accept in reimbursement up to the lesser of the grant award amount, the RREM Project Manager estimate of work completed, or the applicant-attested amount of work incurred prior to the submission of his/her RREM application. The four different reimbursement options are described briefly below.

- Reimbursement Only – Full (all work completed): Applicants who have completed all repairs or reconstruction, including elevation if required, are eligible for reimbursement upon confirmation by the RREM Project Manager that the work has been completed. These applicants sign a grant agreement that includes the requirements to maintain flood insurance on the property and agree to the subrogation of any subsequent funds received from insurance or other sources counted in the DOB analysis.

- Reimbursement Only – Partial (work remaining to be completed): Applicants with work remaining who have completed eligible reimbursement amounts equal to or exceeding their grant award may request reimbursement only, less retainage if applicable, and commit to the completion of the work. The applicant signs a grant agreement. These owners also sign a restrictive covenant which includes a requirement to complete the repairs within and to commit to elevation, if required, within the required construction time period. For applicants who sign grants after July 1, 2014, all work, including elevation (if required) must be completed within one (1) year of the date of grant award. Applicants who sign grants prior to July 1, 2014 must complete construction up to occupancy within one (1) year of the date of grant award and elevate within four (4) years from date of storm. A restrictive covenant will be placed on the property until the homeowner complies with these requirements.
- Reimbursement and Completion of Work by Homeowner-Selected Contractor: Applicants who accept reimbursement for eligible costs but have grant funds left to apply towards their remaining construction using a homeowner-selected contractor may be reimbursed for work completed and obtain approval and payment through a construction award, less retainage if applicable, for the remaining work to be completed by a homeowner-selected contractor who meets the minimum eligibility standards and is notified to follow federal and state requirements. These applicants sign a grant agreement. These applicants also sign a restrictive covenant that requires applicants to complete the repairs and to commit to elevation, if required, within the required construction time period. For applicants who sign grants after July 1, 2014, all work, including elevation (if required) must be completed within one (1) year of the date of grant award. Applicants who sign grants prior to July 1, 2014 must complete construction up to occupancy within one (1) year of the date of grant award and elevate within four (4) years from date of storm. A restrictive covenant will be placed on the property until the homeowner complies with these requirements. These applicants may also accept no more than half of their remaining grant funds via the Construction Advance Payment, provided they meet all Program requirements for the advance payment.
- Reimbursement and Completion of Remaining Work by RREM-Assigned General Contractor: Applicants who accept reimbursement for eligible costs but have grant funds left to apply towards their remaining construction using a Program-assigned contractor may be reimbursed for work incurred prior to the application date and agree to have remaining work completed by a builder assigned from the RREM prequalified pool of builders. Note, in the case of a RREM-assigned general contractor, the homeowner is required to ensure the amount of personal funds to complete the full project in addition to grant funds is committed to the escrow account. This may mean resubmitting some of the reimbursed grant, if needed when final scope is determined. Only applicants who signed a grant award prior to July 1, 2014 may choose a RREM-assigned contractor.

Reimbursable Expenses

Under HUD Notice CPD-13-05, issued July 30, 2013, only work required as a result of Superstorm Sandy damage and incurred, or fixed to a construction contract executed, before the date of the homeowner's RREM application is eligible for reimbursement. The work incurred must be for items that are "reasonable and necessary," for federal program funding, as determined by DCA. In addition, effective September 30, 2015, if an applicant has completed design services on or after the date of application and prior to the

date of environmental clearance and this work was not completed as part of a contractual obligation entered into prior to the date of application, then these design service costs are eligible for reimbursement.

The allowable amount to be considered for reimbursement is the lesser of the grant award amount, the cost estimate provided by the Work in Place report prepared by the RREM Project Manager, or the amount of work for which the homeowner can attest to having incurred prior to the submission of his/her RREM application, less retainage if applicable. All reimbursement will need to be supported by receipts held by the homeowner, should DCA or HUD request further verification as articulated in the *Homeowner Certification for Reimbursement of Pre-Application Construction Costs*.

- RREM applicants whose homes have been identified for reconstruction may be reimbursed for demolition and debris removal that occurred prior to beginning any rehabilitation. RREM applicants may be reimbursed for cost reasonable amounts spent on eligible rehabilitation work incurred prior to application submission that must be torn down in order to reconstruct the home. This is necessary for many applicants who had to make critical health and safety repairs needed to re-occupy the property while waiting to receive RREM funding.
- Costs for architectural, engineering, planning, and zoning approvals are reimbursable in the cases of reimbursement only and when remaining work is to be completed by a homeowner-selected general contractor. When a RREM-assigned contractor is designated from the RREM pool, those costs may be reimbursable to the extent that additional costs for these items are not required in order to complete the work. The grant funds are not eligible to pay for the same work twice.

Required Documentation

The required documentation includes all of the following:

- A RREM Work in Place report that confirms the work was completed and provides a certified cost estimate applying Xactimate calculations and certified inspector's report. Ineligible items identified in the Work in Place report must be excluded for the purpose of reimbursement.
- A *Homeowner Certification for Reimbursement of Pre-Application Construction Costs* that specifies the cost of the work, date of completion, and attests to possession of supporting receipts and other source documentation that proves amount and timing of work completed and/or payment for the work. The certification attests that proof of payment as per 24 CFR 85.20(6) will be held for five (5) years that reasonably matches or exceeds the RREM Work in Place estimate or amount reimbursed.
- A *Contractor Certification* was supplied as a working tool for homeowners to complete their calculation of reimbursable work completed by a contractor prior to the application date. This does not need to be submitted to the RREM Program but can be retained by the homeowner as source documentation for proof of work for reimbursement.

Homeowner Retention of Proof of Work Completed by Contractors

Acceptable proof of payment for work completed by a contractor or service provider must (1) relate the payment to specific work completed, (2) prove payment was actually made, and (3) demonstrate that the timing of the payment supports the certifications of the timing of the work. For example, an invoice that clearly identifies the contractor/service provider, lists or includes a specific scope of work and a cancelled check, credit card statement, or bank card debit record that clearly identifies the payee is acceptable documentation.

A payment may occur after the date of the RREM application if: (1) it is reasonably related to period before the date of application and when the work was completed, or (2) it is fixed to a contractual obligation executed before the date of application, even for work completed post-application. Payments within thirty (30) days of the certified completion date of the work can be considered acceptable proof of payment.

Confirmation of work may occur through DCA or HUD random audits as noted by the *Homeowner Certification for Reimbursement of Pre-Application Construction Costs*. Such audits may confirm the certified award and disbursement.

Homeowner Retention of Proof of Reimbursement Costs from Vendors

Receipts from vendors (e.g., hardware, home improvement and supply stores; equipment rental vendors) are acceptable proof of homeowner purchases made outside of contracts with contractors/service providers. Only receipts from the following time periods are considered:

- Receipts that are dated from October 29, 2012 through the date of the homeowner's application submission, or
- Receipts dated after the date of homeowner's application submission for work clearly fixed and attributable to a construction contract executed prior to the date of homeowner's application.

Completion of Work Using an Existing or Homeowner-Selected General Contractor

A homeowner may elect to continue to use an existing general contractor or general contractor of their choice if the following criteria are met:

- The general contractor must be properly registered in the State of New Jersey and not be on any Federal or State debarment list.
- The homeowner attests to comply with federal requirements of the program and agrees to complete the work within an acceptable timeframe.
- The homeowner and the contractor of their choice signs and submits the *Contractor Addendum*, which includes Program construction requirements. Effective October 13, 2014, homeowners must complete and submit the *Contractor Addendum* to their RREM Project Manager. Homeowners acting as their own general contractor are exempt from the *Contractor Addendum* requirement.

4.4 RREM Award Calculation

Purpose and Timing

The RREM award calculator:

- Records total amounts for work completed and work remaining to be completed (Step 1);
- Records the results of the DOB analysis (Step 2);
- Calculates the total award amount (Step 3); and
- Determines how much of the award will be used for reimbursement and the amount of award to be used as a construction award for work that still remains to be completed (Step 4).

For those applicants that are following Pathway C, the final section of the calculator determines the funds required from the homeowner to be placed in an escrow account (Step 5).

Updates to the calculation may be completed at several points in the process, including after the RREM Project Managers complete the feasibility analysis, when final construction costs are known in Pathway C (following DEP review and RREM Project Manager development of the final scope of work), if a Grant Amendment is required, and upon project closeout. A final calculation may be required upon project closeout, if costs have changed during construction.

Section 4.4.1 contains an annotated sample calculator reflecting the Initial RREM Award Calculator used from Program inception until October 12, 2014.

Section 4.4.2 contains an annotated sample calculator reflecting updates to the RREM award calculator going into effect October 13, 2014.

Section 4.4.3 contains an explanation of certain line items within the grant award calculation.

4.4.1 Initial RREM Award Calculator

EXHIBIT 1: HOMEOWNER AWARD CALCULATION

Applicant Name:		Application ID Number:
Applicant Phone #:		Applicant Mailing Address:
Address of Damaged Residence: (Include Lot & Block #)		FEMA Registration ID:
Household Income:		LMI: YES <input type="checkbox"/> NO <input type="checkbox"/>
STEP I. AWARD CALCULATION		
1. TOTAL DEVELOPMENT COST		
a. Total Completed Repairs (from RREM Work in Place Report) / WIP		\$0.00
b. Reconstruction Estimate		\$0.00
c. Demolition Cost		
d. Estimated Cost to Complete (from RREM ECR Report)		
e. Estimated Elevation Cost		
f. TOTAL DEVELOPMENT COST [sum of 1a through 1d]		\$0.00
g. Construction Contingency (15% of Total Development Cost)		\$0.00
h. Total Not-to-Exceed Development Cost		\$0.00
2. DOB: FUNDS AVAILABLE FROM OTHER SOURCES CONSIDERED A DUPLICATION OF BENEFITS		
a. FEMA		\$0.00
b. SBA Loan		\$0.00
c. Homeowner Insurance		\$0.00
d. National Flood Insurance Program		\$0.00
e. ICC		\$0.00
f. Private non-profit sources / Other:		\$0.00
g. Other (NOT personal) funds		\$0.00
h. TOTAL FUNDS AVAILABLE FROM OTHER SOURCES		\$0.00

3. AWARD CALCULATION		
a.	Maximum (Total Development Cost minus other sources) (1g - 2h)	Award \$0.00
b.	Program Cap	\$150,000
c.	GRANT AWARD (Lesser of 3a or 3b)	\$0.00
STEP II. GRANT DISBURSEMENT CALCULATION		
4. Calculations		
a.	Maximum eligible repairs (lesser of Eligible WIP or Owner-reported work pre-application)	\$0.00
b.	Ineligible repairs	\$0.00
c.	Grant Award from 3c	\$0.00
d.	Reimbursement Award (Lesser of 4a or 4c or applicant-requested reimbursement amount)	\$0.00
e.	Remaining Construction Award (4c - 4d)	\$0.00
STEP III: HOMEOWNER FUNDS REQUIRED		
a.	Estimated Cost to Complete + Contingency [(1b + 1f) or (1c+ 1d +1f)]	\$0.00
b.	Remaining Construction Award (4e)	\$0.00
c.	Additional Funds Required from Owner (5a minus 5b)	\$0.00

Unmet Need: Maximum Award (3a) – Grant Award (3c): \$ _____

I certify that to the best of my knowledge the information contained in this document is neither false nor misleading.

Homeowner Signature:

Date:

Housing Advisor Signature:

Date:

Initial Grant Award Calculation and Final Grant Award Calculation

For Pathway B applicants, when a homeowner signs the *Grant Award Agreement*, the homeowner understands and agrees that the amount of the award shown in Exhibit 1 is subject to change. This grant award calculation that occurs at the grant award signing is an initial grant award calculation based off estimated construction costs. At this point, the contingency calculation is fixed at fifteen percent (15%), regardless of whether the homeowner selected rehabilitation or reconstruction for the project feasibility. Effective October 13, 2014, the contingency calculation will no longer apply to the grant award calculation up front and any unforeseen or unknown costs will be captured as a project scope adjustment request (see Contingency section below).

Alternatively, for Pathway C projects, after the homeowner has received their final construction costs, the homeowner receives the final grant award calculation. At this point, the contingency calculation may vary depending on whether the homeowner selected rehabilitation or reconstruction for the project feasibility. Since a true and final construction cost has been calculated at this point, the contingency budget serves the primary purpose of covering any unanticipated costs that must be addressed via change order once construction commences. For reconstruction projects, the contingency adjustment is fixed at ten percent (10%) of the remaining cost to complete (excluding Work in Place). For rehabilitation projects, the contingency adjustment is fixed at fifteen percent (15%) of the remaining cost to complete.

The Program will cap the contingency amount at the final grant award calculation so that the contingency does not increase the contribution of homeowner funds needed for escrow. For instance, if prior to adding contingency into the award calculation, a homeowner already has a \$150,000 grant award amount, the contingency would be zeroed out because at the final award calculation any increase in contingency would contribute towards higher homeowner escrow. Should a change order be required in this type of scenario, a grant amendment will be executed, and the applicant shall deposit the required additional funds at that time.

4.4.2 Revised RREM Award Calculator (Effective October 13, 2014)

STEP I. AWARD CALCULATION	
1. TOTAL DEVELOPMENT COST	
1a. Total Completed Repairs (from RREM Work-in-Place Report- WIP)	\$ -
1b. Reconstruction Cost	\$ -
1c. Demolition Cost	\$ -
1d. Cost to Repair	\$ -
1e. Elevation Cost	\$ -
1g. TOTAL DEVELOPMENT COST [sum of 1a through 1e]	\$ -
2. DOB: FUNDS AVAILABLE FROM OTHER SOURCES CONSIDERED A DUPLICATION OF BENEFITS	
2a. FEMA	\$ -
2b. SBA Loan	\$ -
2c. Homeowner Insurance	\$ -
2d. National Flood Insurance Program	\$ -
2e. ICC	\$ -
2f. Private non-profit sources	\$ -
2g. Other (NOT personal) funds	\$ -
2h. TOTAL FUNDS AVAILABLE FROM OTHER SOURCES	\$ -
3. AWARD CALCULATION	
3a. Maximum Award	\$ -
3b. Program Cap	\$ -
3c. GRANT AWARD (Lesser of 3a or 3b)	\$ -
STEP II. GRANT DISBURSEMENT CALCULATION	
4. Calculations	
4a. Maximum eligible repairs	\$ -
4b. Ineligible repairs	\$ -
4c. Grant Award Less Retainage	\$ -
4d. Reimbursement Award	\$ -
4e. Remaining Construction Award	\$ -
4f. Retainage	\$ -
STEP III: Estimated Homeowner Funds to Complete Construction	
5. Only an Estimate	
5a. Cost to Complete [(1b + 1c) or (1d + 1e)]	\$ -
5b. Remaining Construction Award + Retainage (4e + 4f)	\$ -

5c. Estimated Funds Required from Owner (5a minus 5b)	\$ -
Step IV: DESIGN SERVICES	
6. Amount Allocated for Design	
6a. Grant Award Amount	\$ -
6b. Design Services Allowance	\$ -
6c. Total Grant Funds Obligated	\$ -
Unmet Need: Maximum Award (3a)- Grant Award (3c):	\$ -

I certify that to the best of my knowledge the information contained in this document is neither false nor misleading.

Homeowner Signature:

Date:

NAME (Print)

Housing Advisor Signature:

Date:

NAME (Print)

4.4.3 Grant Award Calculation Details

The purpose of this section is to explain the grant award calculation line items and outline all related policy updates.

Effective October 13, 2014, the grant award calculation was updated to incorporate the following policy updates for all new grant award signings:

1. Withhold retainage amount,
2. Remove contingency line item from grant award calculation, and
3. Allow payment of design costs up to \$15,000, above and beyond the grant award.

These policy updates concerning the grant award calculation were necessary to ensure Program construction requirements are met and improve transparency throughout the grant calculation process. By withholding a portion of the grant award as retainage until final inspection or after the final grant award reconciliation, as required by the applicant's selected pathway, the Program can ensure the Program funded construction completed by homeowner-selected contractors (Pathway B) complies with Program requirements. Further, the Program determined that including contingency as a line item for Pathway B applicants was no longer necessary because homeowners can request additional funds for eligible unforeseen costs through a Program established scope adjustment process, and design cost funds up to \$15,000, above and beyond the Program cap will be appropriated in all new grant award calculations.

Feasibility Determination Award Cap

Applicants, who select a feasibility determination of reconstruction or rehabilitation that is opposite the recommended feasibility choice determined by the RREM Project Manager and is outside the defined RREM standard of cost reasonableness, will be capped in their award calculation at the total development cost of the cost reasonable feasibility as determined by the RREM Project Manager.

Retainage

The purpose of this section is to define the retainage stipulation for all RREM Pathway B applicants who have signed a Grant Award Agreement. As of October 13, 2014, all new RREM grant award calculations will retain **the lesser of** ten percent (10%) of the total grant award **or** the estimated cost to repair (ECR), to be released upon passing of the final inspection. Then the applicant will request construction draws from the remaining construction award, which equals the grant award less reimbursement and retainage. The retainage stipulation is not retroactive and will not apply to applicants who signed a grant agreement before this policy took effect.

Retainage will not apply to Pathway A applicants because these applicants have completed all construction work and only seek reimbursement. Retainage will be released only upon a final DOB analysis and upon passing a final inspection.

Effective May 1, 2019, retainage may be released prior to final grant reconciliation if the Project Manager confirms that the project can be completed with the release of the remaining retainage funds or that a municipal and/or potential health and safety issue can be resolved with the release of the remaining retainage funds or on a case-by-case basis pending approval from the Director of the Sandy Recovery Division.

Contingency Adjustment Budget

Effective October 13, 2014, contingency will no longer apply for new grant award signings.

DCA will conduct a final award calculation reconciliation at project closeout to validate and confirm an applicant's need for contingency funds, if appropriated.

For grant award agreements executed prior to the October 13, 2014 cutoff, DCA will include in the total development cost calculation a fifteen percent (15%) contingency/construction adjustment line-item applied to the total development cost. This contingency is standard for HUD programs such as Neighborhood Stabilization Program (NSP) and is a construction industry standard to account for unanticipated, unforeseen or under-calculated costs related to construction. The contingency also serves to assist applicants using a homeowner-selected contractor (Pathway B) with anticipated funds required for design and engineering services. For these Pathway B contingency files, there is no maximum allowance for design services, but invoices should be cost reasonable and applicants cannot receive funds for design payments exceeding the total contingency from the grant award. In Pathway C, should any funds for contingency remain upon completion of construction and file closeout; the remaining balance of contingency will be returned to the Program.

DCA presumes that contingency funds will be reasonable and necessary for the majority of homeowners to finish their construction, therefore it is imperative that the RREM Program's payment procedures do not unfairly restrict the pace of construction. Based on this presumption, payments must be paid out based upon the actual incurred costs by homeowners for eligible scope items, as demonstrated in the homeowner's payment request or scope adjustment. Furthermore, all payment requests concerning contingency funds must consider the following policies:

1. Scope adjustments less than \$2,500 will be considered "de minimus" and will not be considered by DCA, and
2. Scope adjustments less than the contingency funds available will not initiate an amendment to the applicant's grant award calculation because contingency funds were included in the grant award calculation to cover unforeseen costs.

Escrow Requirement for RREM-Assigned Contractor Pathway

When a homeowner is assigned a builder from the RREM contractor pool, progress payments are made by DCA directly to the builder. In such cases, the homeowner must provide the funds needed for the complete project scope that are not covered by the RREM grant. At initial closing, before construction begins, all homeowner-provided funds must be placed in an escrow account administered by DCA. Applicants will sign an escrow agreement authorizing the escrow agent to make payments from the escrow account on their behalf.

Design Services

Effective October 13, 2014, design services will be accounted for in all new grant award signings as a standard line item, in addition to the grant amount. The Program will reserve \$15,000 as a standard design services fund. Applicants will only be disbursed funds from the design reserve upon request and upon confirmation of the applicant's need by reviewing bills and invoices. The total design services fund allocated for an applicant will remain at \$15,000 and will not increase due to an applicant requesting a change in feasibility from reconstruction to rehabilitation or vice versa. Applicants are still eligible to request design payments after the feasibility switch, but the total design payment, including design payments from the past feasibility, cannot exceed the \$15,000 design allowance set at the time of grant signing. Effective September 30, 2015, 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. Previously, the eligibility requirements of design costs mirrored those of construction costs; if completed on or after the date of application and prior to environmental clearance, these costs were not eligible for payment through grant funds. For applicants whose grant award calculation reaches the maximum grant amount (\$150,000), funds for design may be obligated in excess of the Program cap based on a demonstrated need, for a total obligation of up to \$165,000.

The procedures for requesting and disbursing funds for design are outline in the *Homeowner's Request for Payment for Use of Own Contractor* form. Applicants will be required to select design services from a list of eligible design services, as applicable to their individual project. Effective September 30, 2015, each eligible design service can be invoiced with no standard allowance price; however, the maximum allowance of \$15,000 remains as the standard design services funds for all design service costs accrued. Previously, each eligible design service had a standard program allowance price. However, the Program identified a need to assist applicants charged above and beyond the program maximum allowance for each line-item. Therefore, this policy change allows applicants easier access to the design services funds up to the maximum design funds of \$15,000 for all design services.

4.5 Responsibility of the Applicant to Provide Funds

Effective July 2014, new applicants signing grants that are utilizing a homeowner-selected contractor must sign the *Exhibit 4: Sufficient Funds Acknowledgment*, acknowledging they have sufficient personal funds available to complete construction. Applicable homeowners must sign this document verifying available funding in order to sign a Grant Award under the RREM Program. An estimate of the homeowner funds required to complete the project will be provided in the grant award calculation. This estimate will include any and all eligible upgrades to be funded with the homeowner's own funds. In addition, effective September 30, 2015, any applicant that signs an amendment to the original grant agreement must sign an *Amended Exhibit 4: Sufficient Funds Acknowledgment*. This requirement applies to all applicants at each Amendment Signing Meeting, including those applicants that never signed an Exhibit 4 at the original grant award signing meeting when the Exhibit 4 was not yet operationalized. The intention behind this

requirement is to ensure that all applicants moving forward in the RREM Program acknowledge that they possess the requisite funds to be able to complete construction in a timely manner. All applicants that switch from Pathway C to B will require the execution of an Exhibit 4 at an Amendment Signing Meeting.

For Pathway C (Program-assigned contractor option) after the amount of the RREM award is determined, applicants may request Program eligible upgrades to be funded with homeowner's private funds -- not part of the DOB and not paid through the RREM award. Funds for these upgrades must also be placed in escrow when the homeowner has selected the RREM-assigned general contractor pathway and a builder from the RREM builder pool will complete the work.

4.6 Funds Made Available to Provide Additional Gap Financing

Applicants needing to obtain gap financing may seek assistance from other sources. These funds, if identified and awarded after the RREM award amount is determined, will be considered owner funds and will not require subrogation to the Program, so long as those funds are covering an unmet need above and beyond the RREM grant award and other DOB funds received. DCA will establish procedures for organizations to directly place gap funding contributions into escrow for homeowners who have selected to go with the RREM-assigned contractor.

4.7 Use of RREM by Applicants with No Need

It is RREM Program policy that applicants with no needs as discovered through the eligibility process during the intake will no longer qualify for or progress through the RREM Program.

No need is defined as if the homeowner-received funds that count as DOB under the Robert T. Stafford Act equal to or in excess to the applicants total development costs.

4.8 Applicant Assignment to Individual RREM Contractors

Applicants will be assigned to RREM Project Managers based on geographical distribution determined by DCA.

5 INSPECTIONS AND ENVIRONMENTAL REVIEW

POLICY STATEMENT: The purpose of the Initial Site Inspection (ISI) is to confirm existing site conditions and to collect information about the project site to be utilized in making property eligibility determinations. Data collected will be used to recommend a preliminary feasibility determination if the proposed project will follow a rehabilitation or reconstruction process. Additionally, the RREM Project Manager will perform an ISI for applicants only seeking reimbursement through the RREM Program. For applicants who have attested to being non-substantially damaged in lieu of a letter from their floodplain manager, RREM Project Managers will collect necessary data for DCA to make a determination whether the Program considers the property to be substantially damaged.

This information, and other identifying information, will be recorded in the applicant's file and shared with the RREM databases and, thus, made available to the inspection personnel performing the site visit.

This section outlines the policy and procedures that the RREM Project Managers use when performing an initial site inspection, including Substantial Damage Data Collection, development of cost estimates for work incurred prior to application and work remaining, assessment of lead paint, asbestos, and mold hazards in the property. In addition, this section outlines the policies and procedures for environmental reviews conducted within the RREM Program.

APPLICABLE LAWS, REGULATIONS AND GUIDANCE:

- 44 CFR Part 59.2 NFIP Definitions
- 44 CFR Part 60.3 Flood plain management criteria for flood prone areas
- FEMA P-758, Substantial Improvement/Substantial Damage Desk Reference (May 2010)
- FEMA P-784, Substantial Damage Estimator (SDE) User Manual and Workbook, Using the SDE Tool to Perform Substantial Damage Determinations, Tool Version 2.0 (April 2013)
- New Jersey Uniform Construction Code (UCC)
- 2009 International Residential Code (IRC)
- International Energy Code and EPA's ENERGY STAR Program
- HUD Community Planning and Development Green Building Retrofit Checklist
- HUD Green Building Standards
- Minimum Housing Rehabilitation Standards
- Uniform Federal Accessibility Standards (UFAS)
- ICC/ANSI A117.1-2003 Accessible and Usable Buildings and Facilities
- HUD Guidelines for the evaluation and control of lead-based paint hazards in housing
- Americans with Disabilities Act (ADA)
- The Fair Housing Act
- Section 504 of the Rehabilitation Act of 1973
- The Architectural Barriers Act
- 42 U.S.C. 5155 Robert T. Stafford Disaster Relief and Emergency Assistance Act
- 24 CFR Part 570 and OMB Circulars for Necessary and Reasonable Requirements Cost Principles
- HUD's Lead Safe Housing Rule (24 CFR Part 35) Subparts A, B, J, K, R
- HUD's Guidelines for the Evaluation and Control of Lead-based Paint Hazards in Housing, July 2012
- EPA's Lead-based Paint Activities Rule (40 CFR Part 745, Subpart L)
- EPA's Residential Property Renovation Rule (40 CFR Part 745, Subpart E)
- EPA's Lead-based Paint Hazards Rule (40 CFR Part 745, Subpart D)
- Title X of the 1992 Housing and Community Development Act
- New Jersey N.J.A.C. 5:17 Lead Hazard Evaluation and Abatement Code 76 FR 71060 Duplication of Benefits Federal Register Guidance
- Sec. 800. [42 U.S.C. 3601]

- [Mold Guidelines for New Jersey Residents April, 2013, NJDOH](#)
- NJ DOH Trade Firms, Consultants and Remediation Firms:
<http://www.nj.gov/health/ceohs/environmental-occupational/mold/>
- NJ DOH Related Mold Links: <http://www.nj.gov/health/ceohs/environmental-occupational/mold/>
- FTC, Bureau of Consumer Protection: <https://www.ftccomplaintassistant.gov/>
- Better Business Bureau: <http://www.bbb.org/us/Contact-BBB/>
- U.S. Environmental Protection Agency: <http://epa.gov/mold/>
- NJ Department of Community Affairs, Local Building Code Offices:
http://www.state.nj.us/dca/divisions/codes/publications/pdf_ora/muniroster.pdf
- Mold Remediation in Schools and Public Buildings, USEPA-Office of Air & Radiation, Indoor Environments Division, EPA 402-K-01-001, March 2001.
- United States Environmental Protection Agency (USEPA)
- AHERA (40 CFR Part 763.83 Subpart E)
- NESHAPS (40 CFR Part 61 Subpart M)
- New Jersey Department of Environmental Protection (NJDEP)
- Generator Requirements for disposal of asbestos containing waste (N.J.A.C. 7:26-2, N.J.A.C. 7:26-3)
- New Jersey Department of Labor (NJDOL)
- N.J.S.A. 34:11
- N.J.A.C. 12:60
- N.J.A.C. 12:120
- New Jersey Department of Health (NJDOH)
- Asbestos Training and Certification Activities (N.J.A.C. 8:60)
- Occupational Safety and Health Administration (OSHA)
- 29 CFR 1910.1001
- 29 CFR 1915.1001

5.1 Substantial Damage Data Collection

Purpose

This section is intended to provide the protocols, guidance, and general framework for performing the RREM Program Substantial Damage Data Collection (SDDC). The RREM Program relies on the Substantial Damage determination to prioritize applicants for funding that were the most impacted. A Substantial Damage determination is made by the flood plain manager in the applicant's locality. If an applicant is unable to obtain a substantial damage determination letter through their floodplain manager, for the purposes of processing their RREM application, DCA may make a damage estimate for the structure.

DCA has utilized SDDC for two purposes. At the onset of the RREM Program, due to the overwhelming volume of requests, some local flood plain managers were unable to issue determinations for RREM applicants. To assist flood plain managers, DCA has utilized the RREM Project Managers to conduct substantial damage assessments to estimate the percentage of damage to certain RREM properties. The RREM Project Managers used a standard FEMA tool that calculates the percentage of damage; however, it is noted that local flood plain managers were left to their discretion to make their own determinations as to whether to make a Substantial Damage determination.

RREM Project Managers will also conduct substantial damage determinations for applicants that have certified that their damaged property is not substantially damaged. This effort will validate level of damage and ensure appropriate mitigation procedures are implemented including voluntary elevation of non-substantially damaged dwellings and mandatory elevation for properties determined by the Program to be substantially damaged. Applicants who are funded as “Not Substantially Damaged” but are identified through the RREM Program SDDC efforts to have greater than fifty percent (50%) damage will be required to elevate in order to participate in the RREM Program. DCA will utilize data collected at the ISI pertaining to the Work in Place and Estimated Cost of Repair to estimate the level of damage to the structure and baseline this number against a FEMA-approved tool to estimate pre-storm value of the property by structure type, condition and square footage.

5.2 RREM Initial Site Inspections (ISI)

This section is intended to provide the policies, protocols, and general framework for performing the RREM Program Initial Site Inspection (ISI). The initial site inspection is composed of **3 Key Tasks** (these tasks may be completed in one site visit or may involve multiple site visits as determined necessary):

1. Perform an inspection to determine the Estimated Cost of Repair (ECR) in accordance with RREM inspection protocols and program specifications. This inspection will result in a recommendation for:
 - a. **Reconstruction** for homes that have been destroyed, are structurally unsafe to enter, or that existing conditions are such that the building cannot be rehabilitated, or
 - b. **Rehabilitation** for homes that are determined to be feasible for habitation after repairs are completed – the ECR will identify quantities and scopes of work required to repair or replace storm-damaged items and to bring the remainder of the structure/site to compliance with Program standards and will produce a high-level cost estimate for obvious repairs and determine elevation costs.
2. Determine the scope and quality of any repairs (Work in Place or WIP) completed by the applicant for use in the Duplication of Benefits determination.
3. Perform assessments for deteriorated paint, lead-based paint hazards (i.e. dust-lead and soil-lead) and asbestos-containing materials (presumed or confirmed).

Appointment and Site Visit:

The RREM Project Managers will be provided with the property address along with a Right of Entry letter, Duplication of Benefits Questionnaire and homeowner contact information. RREM Project Manager will contact the applicant to schedule an appointment for an onsite initial site inspection (generally within three days).

In cases where the applicant has been unresponsive to five (5) attempts to contact them via their preferred communication method (phone/e-mail/mail) over a three-day period, the RREM Project Manager will notify the housing advisors and the applicant will be put on hold until the housing advisors can reestablish contact with them. These attempts to schedule the on-site inspection will be fully documented. If contact is successful, an appointment is scheduled for the initial site inspection.

The damage assessor will confirm with the homeowner the scheduled inspection date and time and the assessor will then travel to the address provided for the applicant to perform the assigned tasks. Upon arrival, the assessor will verify that the address provided for the applicant is correct. The applicant will be encouraged to accompany the damage assessor during the inspection visit.

The role of the damage assessor is to collect sufficient data from a damaged property to determine the feasibility for rehabilitation and the other key tasks identified above. The damage assessor should be prepared to collect information from the homeowner, conduct a room by room inspection to document storm damage, and identify any repairs needed to bring the home compliant with the NJRREM construction specifications. If the housing advisors indicate to the RREM Project Managers that the homeowner is only seeking reimbursement, the damage assessor will follow the same procedures as the verification of Work in Place.

The damage assessor will interview the homeowner to collect information about storm damage the dwelling received and any repairs that have been initiated or completed. If the homeowner produces receipts for various repairs that have been made, the assessor will not collect these. The assessor will add notes in the field tablet and may collect a photo of the receipt. The homeowner will be instructed to retain copies of receipts.

The damage assessor will observe and document damages to the home and validate the site with photos. The following photos will be provided at a minimum:

- Front elevation;
- All other exterior elevations;
- Interior photos of storm damage;
- Interior photos of Minimum Housing Rehabilitation Standards violations;
- Adjacent exposures (backyard, side yards, proximity of dwellings, and any outbuildings); and
- Obvious environmental issues.

Special Considerations for Rehabilitation Projects

Room Additions and Additional Space. The Program will account for any additional rooms or additional space built after the date of storm by confirming with the applicant at the ISI.

Special Considerations for Reconstruction Projects

The RREM Project Managers may use the Xactimate reconstruction estimating tool when preparing ECRs and WIPs for reconstruction projects that are currently under construction at the time of the ISI. This valuation process is appropriate when all three of the following conditions are met:

1. The original structure is completely demolished,
2. The new structure has been designed, and
3. Construction has begun on the new structure (any ground breaking is considered start of construction).

5.3 Estimated Cost of Repairs (ECR)

The ECR will be developed using established construction estimating software with pricing adapted for typical New Jersey regional construction costs and will contain costs for items that are readily observed as in need of repairs (some items may not be readily apparent due to occupant belongings or hidden from detection, such as termite damage).

Destructive testing methods will not be used during the ECR 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 scopes of work.

The ECR will include the estimate of the funds necessary for (1) the repair and/or rehabilitation of the residence (in order to meet program standards and applicable local, State, and/or Federal building codes, including windstorm requirements), (2) mitigation and elevation efforts to reduce the impact of future storms on the home, and/or (3) to repair the storm damage to the home. The ECR will contain a detailed listing of needed repairs, unit of measures as well as quantities. Eligible construction activities, necessary environmental mitigation (as required), elevation costs (as required), eligible accessibility features, and Program-required minimum 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. The total of each value in the Scope of Work creates an applicant's Total Development Cost (TDC). If an applicant does not complete a specific line item, the Xactimate line item value will be removed from the Scope of Work and the grant award may be reduced.

The following items will NOT be included in the development of the ECR (non-exhaustive list):

- Purchase of tools and equipment;
- Repair or replacement of detached structures such as sheds, garages, swimming pools, decks, docks, or boat ramps (garages or bulkheads will only be included when required by local codes);
- Replacement of special features, trims, and designer features that exceed basic livability requirements and features of standard grade homes such as solar panels, sky lights, wainscoting and wood paneling, Jacuzzis, copper gutters and roofs (these items may be repaired if they present a health or safety hazard or replaced with the Program standard quality of material);
- Repair or replacement of fencing or security systems;
- Replacement of clothes washer and/or dryer;
- Replacement of window air conditioner units; and
- Any product upgrades or repairs in excess of the Minimum Housing Rehabilitation Standards.

Dwellings inhabited by disabled or elderly persons (as verified by the housing advisors) will be analyzed as to the special needs of such persons. Improvements such as widened doorways, ramps, level entry and doorways, and grab bars in bath areas will be included in the scopes of work, if appropriate.

For additional information on the processing of potentially ineligible costs, please refer to *Appendix I: Ineligible Costs*.

5.4 Feasibility Determination for Reconstruction or Rehabilitation

The completion of the ECR will result in a recommendation of feasibility for rehabilitation or reconstruction:

5.4.1 Reconstruction Thresholds

For homes that have been destroyed or that existing conditions are such that the building cannot be rehabilitated to RREM Program standards, or where the total ECR amount exceeds seventy-five (75%) of the ratio of the total cost of the ECR repairs to the lowest composite priced standard model house of equal number of bedrooms.

5.4.2 Rehabilitation Thresholds

For homes that appear feasible for habitation after repairs are completed and where repair costs are less than seventy-five percent (75%) of the ratio of the total cost of the ECR repairs to the lowest composite priced standard model house of equal number of bedrooms. To comply with FEMA and local floodplain management regulations, building elevation will be required for homes located in floodplains and are below the base flood elevation and where the ECR exceeds fifty percent (50%) of the pre-storm market value (excluding lot value). The ECR will identify quantities and scopes of work required to repair or replace storm-damaged items and to bring the remainder of the structure/site

to compliance with Minimum Housing Rehabilitation Standards and will produce a high-level cost estimate for obvious repairs.

Disbursement of funding for non-substantially damaged homes, or homes where elevation is optional, where the homeowner elects to pursue optional storm resiliency measures is subject to the “substantial improvement” regulation. “Substantial improvement” means any reconstruction, rehabilitation, addition or other improvement to a structure, the total cost of which equals or exceeds fifty percent (50%) of the pre-storm value of the existing structure. For further detail, please refer to policy 2.10.82, “Policy and Procedure Governing Program Eligible Mitigation Scope Measures for Non-Substantially Damaged Structures.”

Exception: For attached dwelling units required to come into compliance with base flood elevation requirements, the feasibility thresholds discussed above are waived because ISIs for attached dwelling units will be completed as rehabilitations by default. ISIs for attached dwelling units must be completed as rehabilitations because traditional reconstruction techniques are not applicable for these units to meet base flood elevation requirements.

Initial Site Inspection Mark Ups

Effective Dates:	Amount:
Initial Program Total Mark Up:	40.5%
August 2014 – November 10, 2014 Total Mark Up:	35.7%
November 10, 2014 – Current Total Mark Up:	32%

5.4.3 Calculation of Benefit for Applicant Rejection of Feasibility Recommendation

The RREM Project Manager will make a recommendation of feasibility based on the aforementioned criteria, applicants whose homes that are between fifty percent (50%) and hundred percent (100%) of the ratio of the total cost of the ECR repairs to the lowest composite priced standard model house of equal number of bedrooms will be given the option to select reconstruction or rehabilitation and be credited the selected determination towards the total development cost in their award calculation. This selection will be determined cost reasonable. The housing advisor will contact the homeowner to present the recommended project feasibility. The applicant will need to confirm or reject the recommendation, subject to the criteria listed above. Applicants whose homes are below fifty percent (50%) of the ratio and choose to reconstruct their homes or who are over hundred percent (100%) of the ratio and choose to rehabilitate their homes will be permitted to select that approach; however, they will only be credited the total development cost of the RREM-recommended feasibility approach in their award calculation. Applicants will only be credited the total development cost of the RREM-recommended feasibility because it is cost reasonable. Further, if an applicant elects to downsize their structure to a lower number of bedrooms than their structure had prior to the storm, then their grant award will be reduced to reflect the accurate standard model price based on the applicant selected number of bedrooms. The housing advisors will determine the homeowner's choice and communicate this to the RREM Project Managers using *Form 6: Preliminary Determination of Rehabilitation or Reconstruction*. The applicant will have until their grant signing to accept the RREM-recommended feasibility approach.

The full hundred percent (100%) Program-established, estimated construction costs of the standard model homes selected for comparison are:

- 2 bedroom (Absecon Victorian): \$199,925
- 3 bedroom (Belmar Craftsman): \$231,941
- 4 bedroom (Crest Craftsman): \$259,758

The seventy-five percent (75%) threshold costs for the representative standard model homes are:

- 2 bedroom (Absecon Victorian): \$149,944 ($\$199,925 * .75$)
- 3 bedroom (Belmar Craftsman): \$173,956 ($\$231,941 * .75$)
- 4 bedroom (Crest Craftsman): \$194,819 ($\$259,758 * .75$)

The fifty percent (50%) threshold costs for the representative standard model homes are:

- 2 bedroom (Absecon Victorian): \$99,963 ($\$199,925 * .5$)
- 3 bedroom (Belmar Craftsman): \$115,971 ($\$231,941 * .5$)
- 4 bedroom (Crest Craftsman): \$129,879 ($\$259,758 * .5$)

If demolition has already occurred at the time of ISI, the recommended feasibility determination will incorporate demolition costs as WIP. If demolition has yet to occur, but is required, the demolition costs will be added to the feasibility calculation.

5.4.4 Total Loss

The damage assessor shall complete *Form 1: Initial Site Inspection/Total Loss Form*, if the structure appears to be a total loss. This form will recommend the property be assigned to the reconstruction feasibility and will document that the home is eligible for reconstruction if it is immediately apparent that the home meets any of the following conditions:

- A structure is not present on the site where the home was previously constructed (the home was destroyed or removed by the storm or was subsequently demolished after the storm),
- The structure has been tagged for future demolition due to hazardous conditions,
- The structure is a Manufactured Housing Unit (MHU) with apparent Sandy damage, or
- Deterioration of the structural infrastructure has occurred and severe or unmitigatable moisture damage, mold, or toxicity is observed.

5.4.5 Feasibility Recommendation (Form 6)

For homes that are determined feasible for rehabilitation, *Form 6: Preliminary Determination of Rehabilitation or Reconstruction* will be completed. This form will be accompanied with a detailed list (including location and quantities) of repairs needed to bring the property in compliance with the applicable construction standards, as well as a cost estimate for the identified repairs. The ECR value incorporates costs necessary to repair the property to Program standards. The ECR does not provide an evaluation that takes into account an exact replacement of the applicant's original home. In contrast to insurance estimates that may be based on replacement costs, the ECR evaluation is based on State standards for basic livability standards developed for the Program and on costs developed by the construction industry for New Jersey for those items. The methodology used to prepare the ECR is to account for those scope items that can be counted, measured, or observed. Additional repair estimates for proposed work may be provided for review by a contractor, architect, engineer, or cost engineer licensed in the State of New Jersey.

The final decision on whether a home is rehabilitated or reconstructed must be in concurrence with the program policies and guidelines. The applicant will be made aware of and counseled on this requirement.

5.4.5.1 Feasibility Reconsiderations

The homeowner may reconsider a feasibility decision up until grant signing. After grant signing, only upon a determination of the RREM Project Manager, and approval by DCA, will an applicant

be able to adjust the feasibility determination, based on the current feasibility approach no longer being feasible or cost reasonable.

5.4.5.2 Exceptions to Feasibility Reconsiderations

Exceptions to the above limitation include:

1. The municipality or local building authority requires the home be demolished for whatever reason.
2. The RREM Project Manager makes an updated determination that the house cannot be elevated.

5.4.5.3 Feasibility Reconsiderations and Environmental Review

If the project is adjusted from its original feasibility determination for rehabilitation to reconstruction, the DEP must complete a revised environmental review if the property has not been cleared for reconstruction.

The damage assessor will be required to collect damage and completed work data observed on the site. This data will be entered, along with supporting photographs, in the Xactimate software package. The damage assessor will complete the documentation of the assessment, including the Minimum Housing Rehabilitation Standards, WIP, and ECR, as appropriate. The results of the inspection will be recorded in the database. An electronic copy of the *Form 6* will be posted to the system of record, SIROMS, with the Minimum Housing Rehabilitation Standards, WIP, and ECR, where applicable.

5.4.6 Recommendation for Reconstruction Feasibility

The damage assessor will use the software package Xactimate to develop an estimate for the repair of the housing structure together with additional items which are included to achieve program and statutory compliance. The field-generated ECR is subjected to review by additional field team damage assessors prior to being submitted to in-house damage assessment quality control (QC) group. The field report is reviewed, corrected, and revised as necessary to produce the final version of the ECR. The estimate, photographs, and required documentation are uploaded to the RREM databases. If the mitigation costs required for compliance change the feasibility determination from rehabilitation to reconstruction, the RREM Project Manager will provide an updated *Form 6*. The housing advisor will be responsible for notifying the applicant of the redetermination, if needed.

5.4.7 Determination of Substantial Damage

For the purposes of compliance with floodplain management ordinances and not for determination of the feasibility pathway, work shall be deemed substantial rehabilitation if the municipality or the DCA has determined the applicant to be substantially damaged. FEMA floodplain compliance requires that when a building has suffered substantial damage or undergoes rehabilitation and

reconstruction efforts that can be classified as substantial improvements; all construction work has to fully comply with flood zone regulations. For residential buildings, this includes elevating all habitable spaces and filling in an existing basement or cellar. The RREM grant assistance will incorporate resilience measures for homes that were destroyed by Sandy or have suffered substantial damage, as defined above. Resilience measures will make the house compliant with local building and zoning code and ordinances at a minimum. The assessment will include resilience measures in cases of substantial damage.

The Program will utilize the preliminary Flood Insurance Rate Maps (P-FIRM) for New Jersey when they are issued and require that projects funded with CDBG-DR meet P-FIRM elevation plus one (1) or two (2) feet of statutory freeboard for one- and two-family homes (as required by local, State, and Federal floodplain ordinances).

5.4.8 Validation of Work in Place (WIP)

The WIP refers to repair activities already completed by the homeowner at the time of the initial site inspection. The WIP assessment will be completed and documented in Xactimate.

Utilizing the completed Duplication of Benefits (DOB) Questionnaire (Appendix B) from the intake process that indicates the inclusion of completed repairs, the damage assessor will complete a WIP validation. The assessment will include the cost for the repairs that have been completed based on the same basic livability standards for repairs that have not yet been completed. Using Xactimate, the WIP validation will be completed for this task.

The damage assessor will perform a site inspection of the property recording any item of housing repair work that was initiated as a result of storm damages incurred by Superstorm Sandy. 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, that the repairs were made after the date of the storm, and that the expenditure was reasonable, based on the program's unit pricing index.

Photos of all homeowner 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 if:

- The repairs made to the home are reasonable and necessary,
- The repairs have a lasting presence, or
- The repairs can be reasonably determined as to have occurred after the storm event.

The damage assessor will assign a value of the cost of repairs to the home (including labor) based on the program's pre-set unit prices as contained in the Xactimate cost estimating software system and based on the region's construction prices.

The damage assessor will use standard specifications for all materials, fixtures, equipment and finishes. The level of quality for all WIP will be consistent with basic livable standards as established in the Program Rehabilitation Minimum Standards or Reconstruction Minimum Standards.

5.4.9 Allowable Costs vs. Upgraded Materials

For the following components, the RREM Project Managers will credit the standard allowable costs (i.e., the costs used in the ECR estimate) when performing the WIP assessment:

- Appliances;
- Countertops;
- Cabinetry;
- Flooring;
- Bathroom plumbing fixtures (tub, shower, sink, etc.);
- Windows; and
- Doors.

If the homeowner has upgraded any of the above items or had upgraded materials in place before Sandy, the RREM inspector will assign standard costs for these items in the report. The timing of the upgrade is not relevant to the inspector.

Other items that may have had "upgrades," such as trim or millwork, have been determined to be difficult to differentiate in the field. These items will be included as allowable standard costs.

5.4.10 Ineligible Costs

Costs incurred for the items listed below are ineligible. Costs for ineligible work will be estimated during the WIP assessment, using the Xactimate software program. The cost headers/major activity line items in the Xactimate report will be flagged for easy identification to the housing advisors. Ineligible items include, but are not limited to, homeowner enhancement items such as:

- Outbuildings (detached garages, sheds, etc.),
- Decorative landscaping and paving,
- Outdoor sprinkler systems,
- Pools and hot tubs,
- Solar panels,

- Decking beyond concrete pad (Note: decking and stairs necessary to meet code requirements for ingress/egress are eligible costs). These costs will be priced in two components: 1) Eligible costs for minimal concrete pad and/or stairs as necessary to meet code requirements and 2) Ineligible costs for remaining deck,
- Fences,
- Post storm additions (rooms added to original pre-storm structure),
- Outdoor showers, and
- Outdoor fireplaces.

Grant award funds will not be provided for design work costs undertaken on or after the date of application and prior to environmental clearance where such work is not attributable to a construction contract executed prior to application submission. However, effective September 30, 2015, once environmental clearance has been achieved, funds may be provided for design work undertaken on or after the time of application and prior to environmental clearance, even when such work is not attributable to a construction contract executed prior to application submission. Previously, the eligibility requirements of design costs mirrored those of construction costs; if completed on or after the date of application and prior to environmental clearance, these costs were not eligible for payment through grant funds.

The following protocols will be followed for WIP assessment procedure:

- The damage assessor interviews the homeowner to collect information about the homeowner's damage. If the homeowner discusses receipts for various repairs, the assessor may add notes in the field tablet and will collect a photo of the receipt but is not allowed to accept documentation directly from the homeowner during a site visit. The homeowner retains receipts for their files.
- In the event that the applicant did not list a particular repair on the WIP worksheet, but an item is observed by the damage assessor that has obviously been repaired or replaced, the item may be included in the estimate.
- Credit will not be provided for any item that the applicant claims, or documents was lost or stolen. Lost or stolen items should be reported by homeowner and pursued through their insurance policies.
- If there is a question of whether a repair was made or not made, the damage assessor's professional opinion will be the deciding factor on whether the item should be indicated as validated.
- If an applicant lists a repair but it is obvious to the damage assessor that the repair has not been completed, the damage assessor will indicate that the repair of the item cannot be validated by entering a "0" in the quantity of the Xactimate estimate line item.

- Once the inspection is complete, the damage assessor will document the finished Work in Place validation in Xactimate and proceed to the next key task. The results of the inspection will be recorded in the database and a quality assurance review of the report will be conducted. The report will then be forwarded to the duplication of benefits verification team.

For further guidance on the identification and processing of items typically considered ineligible for CDBG reimbursement funds or to be included in the project Scope of Work within the RREM Program, please refer to *Appendix I*.

5.5 Lead-based Paint Risk Assessment

Lead (Pb) Risk Assessment: Based on the RREM Project Managers' or their lead hazard evaluation firms' determination that the home was constructed prior to 1978 and in accordance with 24 CFR § 35.930(a), paint on all surfaces will be presumed to be regulated. In accordance with 24 CFR § 35.930(d) for residential properties receiving more than \$25,000 per unit in Rehabilitation Assistance per the HUD definition, the program will abate all lead-based paint hazards (soil-lead and dust-lead) and deteriorated paint identified during the Lead (Pb) Risk Assessment. A Lead (Pb) Risk Assessment is required to identify hazards in all target housing properties that are determined feasible for rehabilitation, including the interior/exterior surfaces of the damaged unit and in common areas that service the unit. Projects receiving reconstruction are not required to be tested for lead hazards. Lead (Pb) Risk Assessments must be done by a New Jersey permitted risk assessor. Homes determined to contain lead-based paint will be subject to the clearance testing requirements of the HUD regulations.

For more information see [Appendix D](#) and [Appendix E](#) related to *Lead-based Paint Requirements*.

5.6 Mold Assessment and Remediation

5.6.1 Site Inspection and Testing

Mold assessment consists of visual assessment only, performed by the RREM Project Manager ("Assessor"). Mold assessment and/or testing of the existing structure are not performed on reconstruction projects. If a visual inspection reveals the presence of mold, additional testing via collection of bulk, swab and air samples is not necessary, unless recommended by the assessor or requested by the homeowner and agreed to by the RREM Project Manager. Testing for mold should always be performed by a qualified person. The qualified person shall be a trained industrial hygienist, or an indoor air quality/environmental professional. Testing services will only be provided to homeowners who have signed their grant award and selected Pathway C with a rehabilitation feasibility. These testing services are reimbursable to the contractor as design services as a RREM Program cost in addition to the grant award. Pathway B applicants with a rehabilitation feasibility can independently hire a qualified person to perform testing services which is an eligible expense. In the above instance, testing services can be used to validate against contingency for Pathway B

applicants who signed their grant award before October 13, 2014 and an eligible expense under design services for applicants who signed their grant award on or after October 13, 2014.

5.6.2 Visual Inspection

A visual inspection is the most important initial step in identifying a possible mold problem and in determining remedial strategies. The extent of any water damage and mold growth should be visually assessed and the affected building materials identified. A visual inspection should also include observations of hidden areas where damages may be present, such as crawl spaces, attics, and behind wallboard, to the extent feasible without destructive testing or removal of apparently competent building materials. Carpet backing and padding, wallpaper, moldings (e.g. baseboards), insulation, and other materials that are suspected of hiding mold growth should also be inspected.

Ceiling tiles, paper-covered gypsum wallboard (drywall), structural wood framing, and other cellulose containing surfaces should be given careful attention during a visual inspection. Ventilation systems should be visually checked for mold growth on system components such as filters, insulation, condensate pan, and coils/fins, as well as for overall cleanliness, to the extent they are readily accessible to the assessor. Finally, the assessor should complete the following duties:

- Perform a visual inspection of the interior and exterior to evaluate the environmental conditions and identify primary suspect conditions and/or evidence.
- Document the extent of water damage and mold. Determine the probable causes for the water intrusion and mold.
- Document the location of the affected area, size, substrate on which the mold growth occurred, extent of mold growth and cause of the mold condition and water damage.
- Collect data and site specifications necessary to develop a site-specific testing plan.

5.6.3 Environmental Sampling

Environmental sampling is not usually necessary to proceed with remediation of visually identified mold growth or water-damaged materials. Decisions about appropriate remediation strategies can generally be made on the basis of a thorough visual inspection.

5.6.4 Remediation

Currently there are no governmental standards pertaining to acceptable levels of indoor airborne mold spores and structures. Mold is present everywhere in the environment. This policy and procedure document represents the mold assessment and remediation process specific to RREM.

For all projects, identified moisture sources should be eliminated prior to further remediation. Post remediation dehumidification may be necessary to completely dry the remaining structural framing materials prior to any rehabilitation. In cases where this occurs, RREM Project Managers will incorporate this into the ECR.

Areas where mold was or is identified either at time of ISI or during general contractor walk-through or construction will be required to be remediated by general contractors. Materials harboring mold will be cleaned or replaced, with reference to recommendations in the NJ Mold guidelines identified above. RREM Project Managers will be required to document remediation activities in the Contract Scope of Work.

5.6.5 Mold Guidelines for New Jersey Residents, as of April 2013 – NJDOH

The following are organizations and links for further information.

Trade Firms, Consultants and Remediation Firms

- http://www.nj.gov/health/iep/mold_ta.shtml
- http://www.nj.gov/health/iep/mold_links.shtml

FTC, Bureau of Consumer Protection

- <https://www.ftccomplaintassistant.gov/>

Better Business Bureau

- <http://www.bbb.org/us/Contact-BBB/>

U.S. Environmental Protection Agency

- <http://epa.gov/mold/>

NJ Department of Community Affairs, Local Building Code Offices

- http://www.state.nj.us/dca/divisions/codes/publications/pdf_ora/muniroster.pdf

Mold Remediation in Schools and Public Buildings, USEPA-Office of Air & Radiation, Indoor Environments Division, EPA 402-K-01-001, March 2001.

5.7 Asbestos Survey Requirements

In accordance with Federal and State laws and regulations, a qualified asbestos inspector must perform a comprehensive building asbestos survey that is based on a thorough inspection to identify the location and condition of asbestos containing materials (ACMs) throughout any structures. When present, small amounts of drywall, mud, floor tile, mastic, etc. will be collected for sampling. Every effort will be made to collect the required samples in the least destructive manner possible. Presumed Asbestos Containing Materials (PACM) will be documented and recorded. For more information see Appendix E related to *Asbestos* survey requirements.

Proper removal and disposal of ACMs will be included in the preliminary ECR completed for all RREM projects. ACMs which are friable, or which will be disturbed or removed by renovation or demolition must be removed and disposed in accordance with Federal and State regulations by firms and individuals properly licensed for the work. If asbestos should become apparent once construction begins, procedures aligned with State and local abatement procedures, as well as HUD and the Environmental Protection

Agency (EPA) will be followed. The general contractor will be responsible to retain a qualified asbestos inspector to assess suspected ACMs to be disturbed and identified subsequent to execution of the contract. Costs for additional assessment and/or removal will be reimbursable as a change order to the contractor. All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. The contractor shall provide the RREM Project Manager with a copy of the *Asbestos Waste Disposal Manifest* for all ACMs removed from the site, as a condition precedent to final payment.

Upon receipt of the assessments for lead paint and asbestos, the results of those inspections will be fully documented in the ECR, along with the prescribed removal, encapsulation, or abatement processes and procedures. The RREM Program will accept an applicant's self-certification concerning asbestos disposal, if applicable, only if the applicant demonstrates a reasonable effort was made to obtain the *Asbestos Waste Disposal Manifest*.

A cost estimate utilizing unit pricing approved for the RREM Program will be included.

5.8 Completed ECR and Feasibility Package

Upon completion of the ECR and the preliminary feasibility determination, the results of the inspections will be recorded in the SIROMS. This documentation will include an electronic copy of the feasibility recommendation (*Form 6*), along with the WIP estimate, the ECR documentation of Minimum Housing Rehabilitation Standards violations for rehabs, lead paint assessments, asbestos reports and other relevant data from the field inspection, and photographs from the field inspection.

5.9 Contesting Estimated Cost of Repair or Work in Place Estimate

Should an applicant believe that there were material errors in the ECR or WIP, they are advised not to execute their Grant Agreement once DEP environmental clearance has been provided.

Applicants who receive less than the Program grant award cap and believe that there were material errors in the ECR or WIP calculations, may contest their grant award calculation. DCA will not accept ECR/WIP contestations if the applicant's grant award is above the Program cap. 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 RREM Project Managers will consider the documentation provided by the applicant. If they accept the contested items, they will adjust the ECR or WIP to reflect the new information and submit into the system of record, SIROMS. If they determine that the original estimates were accurate, the decision will also be recorded and submitted into SIROMS. The Housing Advisor will be responsible to contact the homeowner to discuss the results of the review.

Applicants utilizing a homeowner-selected contractor may contest their ECR after grant signing. Review of the contestation is limited to scope adjustment only. The Program will not adjust pricing used in its

cost estimating based upon pricing negotiated between applicants and their selected contractors. Applicants must submit documentation and a worksheet documenting the contested amount of the ECR. Upon review and determination, the decision of the RREM Project Manager will be recorded and submitted into SIROMS. If an adjustment to the ECR is made, the RREM Project Manager will request an amendment in SIROMS, reflecting the revised Total Development Cost (TDC). No amendment will be triggered if there is no change to the TDC or there is no change to the grant as a result of the change.

5.10 DEP Environmental Inspection Request and Clearance

Once initial feasibility is determined, each property is required to secure a Tier 2 Environmental Clearance. The State of New Jersey is conducting environmental clearance through the Department of Environmental Protection (DEP). For properties that are ready for environmental review by DEP, DCA Operations will review file for completeness and transfer required documentation to DEP in order to complete the Tier 2 review.

- DEP will provide DCA with environmental clearance specifications.
- SIROMS is the system of record for environmental assessment and clearances.
- DCA notifies RREM Project Manager of clearance.

5.11 DEP Environmental Inspection Request and Non or Conditional Clearance

If DEP identifies significant issues that will limit the ability for an applicant to proceed with the rehabilitation or reconstruction of their home, DEP will notify DCA Operations of the specific concerns that will need to be addressed in order to secure environmental clearance. DEP and DCA will establish agreements and procedures as required to determine the quickest and most efficient ways to address mitigation needs identified through the Tier 2 review process.

5.12 Special/Attached Dwelling Units

This section is intended to provide guidance for processing special/attached dwelling units, including, but not limited to, duplexes, row homes, townhouses, condominiums and manufactured housing units (MHU). Each special housing unit type creates unique procedural implications that will be set based on the housing type.

Policy for Condominiums and other Multiple Owner Structures

DCA will assign SRD staff to assist on special case-by-case condominium application needs. Roles may include liaison and correspondence with Flood Plain managers, research of locally adopted BFE or mitigation strategies for condominium low-rise or high-rise structures, coordination and meetings with condominium association representatives.

Housing Recovery Center (HRC) staff will confirm eligibility criteria have been met, provide processing support services, and assist RREM Project Managers with scheduling applicant meetings and gathering supporting documentation. RREM Project Managers will be engaged through HRC and DCA to perform services.

For additional details regarding single family attached structures such as attached twins, row homes, townhomes or owner occupied small rental buildings; refer to the *RREM Policy and Procedure Governing Condominium and Row House Properties*, effective November 2013, policy number 2.10.54.

Policy for Single Owner Multi-Family and Attached (ADU) Dwelling Unit Structures

Please refer to the *RREM Policy and Procedure Governing the Eligibility and Initial Site Inspections for Single Owner Multi-Family and Attached Dwelling Unit (ADU) Structures*, policy number 2.10.74.

Policy for Manufactured Housing Units (MHU)

MHUs are eligible for both reconstruction and rehabilitation under the RREM Program, based on the RREM Project Manager feasibility recommendation. As a default, the RREM Program will treat all MHU project feasibilities as reconstruction unless the applicant is explicitly disallowed to reconstruct due to restrictions at the mobile park site. Only when reconstruction of the MHU is disallowed, the RREM Program will provide funding for rehabilitation and elevation of the existing unit, so long as the construction can be performed in compliance with RREM Program building standards and is determined to be cost reasonable.

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

For further guidance on MHUs, please refer to the *Manufactured Unit Policy and Procedures Governing the following Sandy Recovery Programs: RREM and LMI Homeowner Rebuilding Programs*, policy number 2.10.66.

5.13 Applicant Approval to Proceed with Grant Signing

A grant signing is conducted before any grant funds are paid to an applicant. At the grant signing, legal documents are executed that obligate the funds to the homeowner and to reserve the amount of the grant agreement designated for the homeowner. Estimated escrow funds required when homeowner has a RREM-assigned contractor are identified and homeowner is made aware that funds will need to be placed in the escrow before construction can begin. The grant signing is conducted once a homeowner receives environmental clearance to obligate grant funds and approve a reimbursement award.

The *Homeowner Grant Agreement* requires the owner to certify to the truthfulness of information that has been provided and contain four exhibits as follows:

- Exhibit 1 – Homeowner Award Calculation, which explains how other resources determined to be a potential DOB were handled and how the grant was calculated. The award will be calculated using the ECR report.
- Exhibit 2 – Flood Insurance Requirement, which informs the homeowner of the requirement to maintain flood insurance and pass that obligation on to subsequent owners.
- Exhibit 3 – Subrogation and Assignment Agreement, in which the homeowner agrees that any additional funds the homeowner may receive from potential DOB sources belongs to the State.
- Exhibit 4 – Sufficient Funds Acknowledgment, in which the homeowner attests to the best of their knowledge that he/she, will provide sufficient funds above and beyond their grant award, as required to complete their project.

Additional documents may include:

- A Declaration of Covenants and Restrictions;
- Homeowner Certification of Reimbursement Expenses, before application date;
- Homeowner Request for Reimbursement; and
- Homeowner Pathway Selection.

5.14 Review of Scope and Pathway Determination

Upon receipt of environmental clearance and execution of Grant Award, RREM Project Managers will coordinate a scope of work meeting with the homeowner. This meeting with the homeowner will review detailed scope and budget for estimated cost to repair, including elevation details and discuss next steps. (See *RREM Program Step-by-Step* in *Appendix H*.)

This meeting will provide homeowners with a summary of the feasibility recommendation for reconstruction vs. rehabilitation. The meeting will review the reimbursement amount (based on the WIP and *Homeowner Reimbursement Certification: Reimbursement of Pre-Application Construction Costs*) and the ECR. The homeowner will review the pathways to complete remaining construction and elevation and make a determination between the following optional pathways:

- 1) Proceeding with a homeowner-selected general contractor (Pathway B) or
- 2) Proceeding with a RREM Program-assigned general contractor (Pathway C).

Note, applicant may only elect to use a RREM-assigned Qualified Pool Contractor (Pathway C) if the decision is made *before* the July 1, 2014 cutoff.

5.15 Use of Homeowner Selected General Contractor (Pathway B)

As of July 1, 2014, all applicants with remaining construction work to complete at date of grant signing and have not yet selected a pathway must use their own general contractor, in accordance with the procedures for Pathway B.

The RREM Project Manager will review the federal contracting requirements; contract amendment template for use with the construction contract between the homeowner and their selected contractor; invoicing process for construction payments; and, restrictive covenant until full compliance with program requirements.

Restrictive Covenant

A restrictive covenant will be filed in any instance in which work by a homeowner selected contractor (Pathway B), including elevation remains to be completed. The covenant will be removed when the homeowner has complied with all of the requirements contained in the grant agreement, the RREM Project Manager has completed an inspection confirming work is complete, and the homeowner submitted a certificate of occupancy and certificate of elevation, if applicable, to the RREM Project Manager. If upon inspection it is determined that the homeowner is unable to re-occupy the home, the homeowner will be required to repay the entire amount of funds received.

Final Inspection

Upon completion of eligible work and receipt of a Certificate of Occupancy, or Program-approved equivalent, when the homeowner seeks payment from the RREM grant for construction work completed and costs incurred, the homeowner will submit up to two payment requests for expenses to RREM Project Manager to review as eligible and authorize payment through DCA. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their contractor within ten (10) days of receipt of Program funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance. To ensure compliance, RREM Project Manager will conduct a final inspection to confirm the terms of the homeowner grant agreement are met. The covenant on the property will be held until requirements are met.

5.16 RREM Program Construction Pricing Estimates

The RREM Project Manager may conduct a price reasonableness evaluation to consist of bid responses for similar items and/or comparison with industry accepted cost estimating tools (i.e. RS Means) if Xactimate at any stage does not provide enough pricing detail for RREM Pathway A, B, and C.

[THE FOLLOWING **SECTIONS 6 – 9** ARE APPLICABLE **ONLY** TO HOMEOWNERS WITH A PROGRAM-SELECTED CONTRACTOR -PATHWAY C]

6 PLANNING AND ZONING (FOR PROGRAM-SELECTED CONTRACTOR ONLY)

POLICY STATEMENT: The RREM Program desires to offer the most appropriate and cost effective rehousing options for interested homeowners. This section provides details for applicant house selection process and the specific requirements related to local approvals in the reconstruction and rehabilitation processes.

Some limitations exist, but the RREM program seeks to provide applicants the ability to have choice in size, materials, and finishes that are outside the overall regulations and requirements that may otherwise inhibit the viability of a construction project.

Because the RREM Program is utilizing Prototypical Designs for reconstructed housing units, making significant changes to floor plans or the existing footprint of the building would violate the DCA Codes and Standards approval of the Prototypical Designs. Homeowner-selected upgrades 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 of the alternatives provided by the RREM Program.

The RREM Program will allow homeowners to present alternative plans that differentiate from the prototypical plans based on zoning, site size, and configuration restrictions. These plans must meet all RREM Program standards and requirements.

A homeowner style selection meeting will occur, and after homeowner selection of the floor plan, materials, and finish upgrades will only be allowed for items including flooring, trim, wall tile, windows, doors, cabinets, hardware, countertops, paint, plumbing and lighting fixtures, site-built showers, roof shingles, HVAC SEER rating, and appliances.

Finally, despite the unique conditions presented by these projects, Manufactured Housing Units (MHUs) units damaged by the storm are eligible for assistance from the RREM Program, including both rehabilitation and reconstruction, as necessary for the individual project. Such projects will be completed to all required RREM Program regulations and specifications.

APPLICABLE LAWS, REGULATIONS AND GUIDANCE:

- 24 CFR 570 CDBG Rules
- 24 CFR Part 58.5 and 58.6
- Local Planning and Zoning Codes
- Approved Prototype Designs
- RREM Design Specifications
- RREM Universal Design Features
- Special Needs Accessibility Features

6.1 Review of Scope and Pathway Determination

The following steps will be completed by general contractors with assistance by the RREM Project Managers for those homeowners who select to proceed with a RREM qualified Program-assigned general contractors assigned from the prequalified builder pool.

Reconstruction

Phase I:

- A Design Build Agreement will be executed with the assigned builder who will initiate a house fit study including completing a site survey and assessing elevation requirements.
- Upon completion of initial site survey, determine which reconstruction prototype plans will be available for each site and that they reflect program eligibility based on number of bedrooms.
- Prepare sample floor plan and street façade elevations with cost estimates for applicant review.
- Applicant will select which reconstruction prototype plans for the general contractor to adapt specific to the survey.
- General contractor will also have a copy of completed environmental clearance report, geotechnical survey report, and site survey.
- General contractor will also provide guidance on ADA or special needs requirements to be added as determined by applicant and housing advisors.

Phase II:

- General Contractor will provide applicant with site specific adapted prototype plan and street elevation.
- Applicant will be provided a form to approve and certify that the scope can be pursued for zoning.

Rehabilitation

- General contractor will prepare elevation plan with existing house survey and scope of work to complete for applicant review.
- Applicant will confirm the scope can be pursued for zoning.
- General contractor will also provide guidance on ADA or special needs requirements to be added as determined by applicant and housing advisors.

In cases where owner requests additional design modification for purposes of elevation height increase, the RREM Project Manager and general contractor will develop and use a certified form to track costs and notify applicant that these must be paid from private sources. The RREM Project Manager will also

provide a form to review the range of options for enhancements during the scope of work review meeting with applicant.

6.2 Applicant House Selection Process for Reconstruction

RREM applicants will be allowed to choose from housing options based on the number of bedrooms in their original home damaged by Superstorm Sandy. The homes available for choice will be based on the number of bedrooms

The RREM Program will offer homes with two-, three-, and four-bedroom configurations of varying sizes that will serve as a standard home. The standard home will require that the homeowner arrange for funds above the \$150,000 benefit provided under the RREM Program because the cost of the minimum standard home exceeds the maximum grant.

Other than the standard home, there are at least two other options available to applicants based on their particular circumstances.

Applicants have the option of selecting a model that may be up to 300 square feet larger than the existing Superstorm Sandy damaged home footprint. The homeowner will be responsible for ensuring that the funds are available either through insurance proceeds, other benefits, or third-party lenders. The program is not designed to increase the number of bedrooms available to the homeowner.

For those applicants who would prefer to limit costs and had more than two bedrooms in the prior home, they may reduce the number of bedrooms to downsize or cut costs at their discretion so long as occupancy standards are maintained.

All applicants may upgrade materials, appliances, and finish out with their own personal funds prior to the signing of Program documents.

Procedures

- (1) RREM Project Manager conducts the ISI that recommends feasibility for reconstruction or rehabilitation.
- (2) For a reconstruction property, DEP performs a Tier 2 environmental review. DEP will identify any environmental compliance conditions that will be placed on the property and/or structure (minimum spacing from storage tanks, historic preservation treatment requirements, etc.).
- (3) Upon receipt of the Tier 2 environmental review, the RREM Project Manager finalizes the scope of work (SOW), which will contain information on measures needed to address any Tier 2 Environmental Historic Preservation (EHP) considerations, as well as elevation requirements to meet the current flood plain management requirements.
- (4) The RREM Project Manager will then confirm applicant's intent to follow Pathway C and schedule a meeting with the homeowner to execute a Design-Build Agreement. The builder completes a house fit study, completing the survey and elevation in order to determine eligible prototype options.

- (5) During the reconstruction scope review meeting, the RREM Project Manager and builder will review the ECR and Tier 2 with the homeowner. Housing advisor will analyze the DOB on the standard home. Using a series of selection criteria, the number of models for the homeowner to consider will be managed. These criteria include:

6.2.1 Bedrooms. Based on the number of bedrooms in the homeowner’s Superstorm Sandy damaged house, and the results of the house fit study, the RREM Project Manager and builder will present a series of house model selections or “plan sets” for the homeowner to review and choose from. The RREM Project Manager will present designs from the table below based on the number of bedrooms in rows 1-3.

	Savings Model	Standard Program Model	Maximum Model of up to 300 feet larger in living area
	A	B	C
1	2 BR / 1 – 2 BA	2 BR / 1 – 2 BA	2 BR / 1 – 2 BA
2	3 BR / 1.5 – 2 BA	3 BR / 2 BA	3 BR / 2 – 2.5 BA
3	4 BR / 1.5 – 2 BA	4 BR / 2 – 2.5 BA	4 BR / 3 BA

If the applicant identifies that they have additional funding that can be brought to the reconstruction effort, they can request to see plans that include owner financed upgrades. These plan sets are indicated in columns “C”. Prior to selection of any plan sets that include homeowner-financed enhancements, the RREM Project Manager must confirm with the housing advisor the availability of additional homeowner funding.

1. An applicant may only select plans from the row (1-3) equal to their current number of bedrooms or one bedroom less than their current number. Homeowners will only be allowed to select a plan set that increases the number of bedrooms above their Superstorm Sandy damaged house if reconstructing with the existing number of bedrooms would create overcrowding, as defined by having greater than two (2) residents per bedroom.
2. The RREM Project Managers and builders will have numerous plan sets covering a variety of square footages to choose from in each of the categories identified in the table above. Alternately, the builder may have their own plan sets, which, if approved by the program,

can be utilized as an eligible plan set. These various models closest to their prior home will be offered to the applicant.

6.2.2 Existing Footprint. Based on the number of bedrooms and the existing footprint of the homeowner's Superstorm Sandy damaged home, the RREM Project Manager and/or assigned contractor will present all allowable plan sets that meet the requirements for the standard home and include footprints up to and including the current square footage plus 300 square feet.

6.2.3 Applicant Selection. The homeowner is permitted to select the model they prefer of these choices. The homeowner may work with the RREM Project Manager to adjust to a plan that works in their particular circumstances.

6.2.4 Accessible Features. Applicants who meet the criteria for accessibility features, as detailed in Section 2, may work with the RREM Project Manager to select standard features to support individual accessibility needs.

6.2.5 Upgrades. Applicants who have available funding, may work with the RREM Project Manager to select specialty finishes or material upgrades (such as granite). The cost of these upgrades must be borne by the homeowner and funds placed into an escrow account prior to construction starting. The individual enhancements and upgrades may be made to the housing selection. DCA will make the final determination on providing additional funding available for upgrades.

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

6.3 Builder Provided Plans -- Approval Procedure

Builders may provide alternative plan sets in lieu of the program-approved prototype designs. After builder's assignment on a reconstruction, the builder will be allowed to both (1) present existing RREM prototype options and (2) present their own plan sets that have been approved by the RREM Project Managers

In order for a builder provided design to be eligible, DCA shall review the design for the following:

1. Plans meet program requirements.
2. Minimum design standards are achieved.
3. RREM Program construction specifications for new dwellings are satisfied.
4. ENERGY STAR requirements are achieved.
5. Design does not include ineligible items.

Builders may present up to five (5) plans for review by DCA which can be pre-approved. Alternately, builders may present a plan set on a rolling basis for approval, however, they may not execute a contract based on a plan set that has not yet been approved by the Program.

Phase I submittal: Builders wishing to submit plans for review, shall provide an initial submission to confirm that the associated cost, square footage, and room types are a match with existing comparable prototype plans. The square footage of the proposed plan must not exceed seven percent (7%) of total square footage of the comparable prototype.

Upon completion of the initial review, the builder will receive the following:

1. A processed copy of the initial review form, noting the action taken and/or alternative prototype, that is the “comparable” prototype as approved by DCA.
2. Blank final review form to be completed with final approval submission.
3. A copy of “The State of New Jersey DCA Reconstruct, Rehabilitate, Elevate and Mitigate (RREM) Minimum Design Standards for New Construction.”
4. A copy of “The New Construction Specifications” and the ENERGY STAR Version 3.0 Plan Review Checklist.

Phase II submittal: Supplemental plan documents will be received on a rolling basis. The required Phase II documents include:

1. Final Review Form.
2. A category line item breakdown of the cost for proposed home.
3. Complete set of construction documents.
4. Drawings and specifications in PDF format.
5. A signed copy of the ENERGY STAR Version 3.0 Plan Review Checklist signed by an ENERGY STAR HERS rater.
6. Any additional documents the builder believes will assist in the approval process.

Once approval of the Phase II review is received, the builder may enter into a contract with a homeowner based on the non-prototype design. Any plan set submitted under this approach will remain the property of the builder and will not be incorporated as a shared prototype for other builders in the RREM Program.

6.4 Reconstruction at a New Address Location

Throughout the implementation of the RREM Program, the RREM Project Managers anticipate that not all lots or site locations will be suitable for rehabilitation or reconstruction projects. During the eligibility process, the design study, or the Tier 2 environmental clearance, many factors can render lots and site locations unsuitable for meeting the RREM Program construction activities standards. When these instances occur, the applicant will be informed that the Program will be unable to serve them. The RREM program will not allow the relocation or new construction at new address or site locations. However, the

RREM Program will recognize an exception to this policy for Manufactured Housing Units (MHUs) based on the unique circumstances presented when reconstructing or rehabilitating MHUs and is subject to policy 2.10.66 “Manufactured Housing Unit Policy and Procedures”, in addition to the policies incorporated herein.

Purpose

This section is intended to formalize a procedure whereby applicants with lots or site locations unsuitable for RREM Program development will be notified that the Program cannot serve them. A total of two (2) key tasks are anticipated within this policy and procedure:

1. Receipt and analysis of information rendering an applicant owned lot unbuildable; and
2. Action taken by RREM Project Managers to notify DCA operations of unbuildable lot.

Procedures for Performance of Key Tasks

6.4.1 Receipt and Analysis of Information Rendering an Applicant Owned Lot Unbuildable.

RREM Project Manager receives documentation (i.e. notice from DEP regarding environmental site ineligibility, or survey, building code, planning, or zoning requirements that will not allow construction activities) from team or agency responsible for the review. The RREM Project Managers shall develop a checklist of items that deem an applicant site ineligible, such as location in a floodway, severe lot constraints, and presence of toxic materials. RREM Project Manager conducts the appropriate quality assurance analysis to verify the site has a condition that is unable to be mitigated.

6.4.2 Action Taken by RREM Project Managers to Notify DCA operations of Ineligibility. The RREM Project Managers will provide the necessary documentation and notify DCA Operations of applicant status. The Housing Advisor will send applicant notification.

6.5 Upgrades in Housing Selection Process

Applicant selected upgrades 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 of the alternatives provided by the RREM Program. An applicant style selection meeting will occur once the applicant has selected prototype floor plan. Materials and finish upgrades will only be allowed for items including flooring, trim, windows, doors, cabinets, hardware, countertops, paint, plumbing and lighting fixtures, site-built showers, roof shingles, HVAC SEER rating, and appliances. The RREM Program will price the base prototypical house design using standardized composite pricing and a schedule of unit costs for site-specific conditions. The general contractor will provide a separate cost for applicant-requested upgrades with a deduction for standard items to determine the net upgrade amount. Applicant will be wholly

financially responsible for the net upgrade amount. This amount will be provided to DCA Operations for inclusion into the applicant's escrow account at the time of the applicant closing event.

This section is intended to provide the protocols, guidance, and general framework for determining available homeowner upgrades for materials and finishes in a prototypical design. The upgrades assessment process is composed of 5 Key Tasks:

1. RREM assignment to general contractor project.
2. Selection of RREM Program Prototypical Design floor plan.
3. Project pricing using established RREM Composite Pricing.
4. General contractor/RREM Project Manager/homeowner coordination to select standard finishes and develop the desired upgrades in accordance with the guidelines established in Section 6.
5. General contractor provides RREM Project Manager final calculated project costs for transmittal to DCA operations.

Procedures for Performance of Key Tasks

6.5.1 Determination of Selected Prototypical Design Floor Plan

The assigned general contractor will complete the house fit study to determine the maximum buildable area on the homeowner's parcel considering the site boundary survey, elevation certificate, setbacks, building lines, required elevation, and any local planning or zoning codes.

Based on the Lot Study results, the number of bedrooms the homeowner had in the damaged dwelling, and footprint size of the damaged dwelling, one (1) or more Prototypical Designs that meets the size requirements determined by the Lot Study and does not exceed the footprint of the damaged dwelling by more than 300 square feet will be selected for presentation to the homeowner.

The selected floor plan(s) is/are presented to the homeowner during the prototype selection meeting. The homeowner reviews the floor plan(s) and makes selection of their desired option, as well as, identifies any accessibility and upgrade options, in accordance with the RREM Program policies and procedures.

6.5.2 General Contractor Prepares Site Adapted Plans and Specifications

Composite pricing is for the prototype along with site adapted unit prices are provided. Homeowner works with general contractor to select basic finishes and develop the desired upgrades in accordance with RREM Upgrades Selection Process P&P. Material Finishes Selection Sheet for basic finishes is provided to the general contractor to record basic materials and finishes selection.

Upgrades Selection Sheet is provided to the general contractor to record applicant desired materials and finish upgrades.

6.5.3 General Contractor Provides RREM Final Calculated Project Costs

Utilizing the composite price and unit pricing developed for the project, the general contractor will provide a total price for the homeowner requested upgrades with a related deduction to the price for standard items removed, clearly delineating the upgrade costs on the Final Scope of Work.

RREM Project Manager reviews the upgrade pricing calculation and approves the project to go to closing. No upgrades shall begin or be acquired by the general contractor until the closing event and fully funded escrow account is available.

The RREM Project Managers, DCA, or the State of New Jersey are not responsible for payment of any upgrades using State or Federal funds.

6.5.4 RREM Unit Pricing

For guidelines regarding the establishment of unit pricing in the development of rehabilitation and/or elevation construction scopes in Pathway C of the RREM Program, please refer to Sandy Recovery Division policy 2.10.68 “RREM: Unit Pricing.”

6.6 Standard Plan or Rehab Plan Site Adaptation and Zoning Approval

6.6.1 Site Plan Adaption for Rehabilitation Projects

General contractor will develop building elevations as required by the property survey and geotechnical reports of soil conditions for rehabilitation projects requiring elevation. Any features or modifications needed to address the requirements of the Americans with Disabilities Act (ADA) or accessibility requests from the homeowner will be included.

If the footprint of the rehabilitation design conforms to existing footprint, then the RREM Project Managers will authorize the builder to proceed with application for local zoning permit approval after the homeowner has reviewed and approved the scope of the plans.

If a variance is required (for example, due to an increase in the building footprint beyond the area allowed under local “as of right” provisions), the general contractor will develop their best professional adaptation for minimal variance needs. Once the homeowner has reviewed and approved the scope of plans, the general contractor will file an application for a local zoning variance.

6.6.2 Site Plan Adaptation for Reconstruction Projects

The general contractor and RREM Project Manager will meet with the homeowner to identify the selected plan home that best fits site without requiring a variance. Once the homeowner has reviewed and approved the scope of plans, the zoning approval process will begin.

If a variance is required, the general contractor will develop their best professional adaptation for minimal variance needs. If no standard reconstruction plans can be adapted, even with a variance, then the general contractor and RREM Project Manager will meet with the homeowner to determine whether the Savings Model home with a smaller footprint design or smaller room size (if available) or alternate plan is the preferred plan set and acceptable to the homeowner. Once a plan set has been identified and accepted by the homeowner and site-specific design work is completed, the general contractor will file an application for a local zoning variance.

6.7 Use of RREM Program by Applicants Who Change Contractors

Prior to the July 1, 2014 cutoff, applicants who have used a homeowner-selected contractor to perform work, whether reimbursed or not, may elect to terminate their contract with the pre-existing general contractor at point of Grant Award signing and then request that the RREM Project Manager provide a general contractor (Pathway C). Neither DCA nor the RREM Project Managers will be involved in the decision to terminate existing contracts. In the event that the homeowner elects to replace their pre-existing contractor, the RREM Project Manager will treat the homeowner as a traditional Program participant under Pathway C.

7 BUILDER SELECTION AND ASSIGNMENT (FOR PROGRAM SELECTED CONTRACTOR ONLY)

POLICY STATEMENT: The RREM Project Managers are required by the DCA to assign contractors for rehabilitation and reconstruction projects using RREM-assigned builders.

APPLICABLE LAWS, REGULATIONS AND GUIDANCE:

- Fully executed contract, detailed scope of work, and cost estimate between RREM Program applicant and general contractor
- HUD Policy on Reimbursement issued on July 31, 2013
- Exhibit 1 of the Grant Agreement – related to RREM program reimbursement policy as incorporated within these policies and procedures

7.1 Development of Pre-Qualified Builder Pool

RREM Project Managers are tasked with developing a pool of pre-qualified general contractors for the purposes of participating in the construction activity required of the RREM Program. General contractors must document their ability to meet all RREM Program construction standards and Federal program requirements. Through general contractor qualification and training, RREM Project Managers will maintain a list of builders who are eligible for project assignment. The criteria used to qualify RREM general contractors are available at: <http://www.nj.gov/dca/divisions/sandyrecovery/contract/>

7.2 Composite Pricing – Reconstruction

This section provides the general framework for DCA to develop a cost reasonable composite price for reconstruction projects.

RREM Project Managers will generate a composite construction price for each RREM Program prototype. The Project Managers will secure pricing from the entire group of qualified bidders and create a mean cost of reconstruction for the prototypes. Once the process has been completed, the RREM Project Managers will provide composite prices to the general contractor when the applicant selects that prototype to reconstruct their home.

7.2.1 *Prototype Pricing Packages*

For each RREM Program prototype plan, RREM Project Managers develop a pricing package consisting of prototypical plans and specifications (P&S), standard composite pricing documents, schedule of unit values, and detail sheets.

7.2.2 *Prototype Cost Estimates*

Cost estimates are developed for each house plan and the ancillary unit items contained in each pricing package using standard cost estimating practices. The cost estimates will establish the basis for determining “cost reasonableness” per 24 CFR Part 85.36. For the RREM Program,

general contractor pricing within 15% (above and below) of the program cost estimate will be considered reasonable and will be used to establish the “mean” value of the prototype.

RREM Project Managers will follow a pricing methodology to eliminate outliers and create a line item composite price which all qualified builders will need to comply with.

A cost estimate form and schedule of unit costs will be provided to general contractor as part of the *Design/Build Agreement* which will set the price for construction to be used in the contract.

7.3 General Contractor Assignment

This section is intended to provide the protocols, guidance and general framework for making assignments to general contractors for RREM projects. The assignment methodology is comprised of three (3) key steps:

- (1) RREM Project Managers will manage the Qualified Contractor Pool capacity by monitoring financial capacity (based on bonding or financial limitations) and technical capacity. The RREM Project Managers will review the Qualified Contractor Pool performance from time to time and make recommendations to adjust the approved capacity of specific general contractors. Applicants in the RREM Program will be assigned a general contractor to complete the design and construction of their individual project under the guidance of the RREM Project Manager.
- (2) RREM Project Managers will actively manage the activities of the general contractors and will regularly review the responsiveness and performance of the builders in the Pool.
- (3) Builders will be reviewed for responsiveness to the pricing process and acceptance of assignments. Repeated failure on these aspects will result in limited future assignments or a probationary period without receiving additional assignments.

RREM Project Managers will also monitor general contractor performance for the following:

- Workmanship. This criterion will be quantified by examining the ratio of total failed quality assurance inspections to total quality assurance inspection attempts. The general contractor with the lowest ratio is assigned a then higher weighted factor. The Program will monitor all “rolling” failed inspections within last thirty (30) days. Performance may trend upward or downward over a given period of time. Personnel turnover and exceeded contractor capacity is normally the root cause for fluctuations in inspection failures.
- Average Build Time. Calculated as a measure of the total number of days from Notice to Proceed (NTP) to passing the final inspection. The general contractor with the lowest average build time is assigned a higher weighted factor.
- Work in Progress. This is a measure of the amount of work the general contractor currently has under contract for which a NTP has been issued, but a final inspection has not been completed. This value will be compared against an initial baseline capacity that is established for each general contractor. Less work in progress means a higher capacity to contract more

projects. The baseline may be adjusted over the life of the project based on actual performance of each general contractor.

- Other Criteria. These criteria can also be utilized but are more subjective than those listed above. Such other criteria include, but are not limited to:
 - *Project Management.* Such duties include, material scheduling, maintaining site cleanliness, safety, etc.
 - *Document Processing.* The appropriate RREM Program staff may review the number of errors detected on *Draw Requests* and track the number of documents returned for resubmission to quantify meeting this criteria.
 - *Customer Service.* Homeowner satisfaction surveys may be utilized to establish a composite score of customer satisfaction.

A RREM General Contractor Assignment Team (GCAT) consisting of representatives of each RREM Project Manager and DCA will oversee the following process. The GCAT is expected to meet weekly to conduct ongoing evaluation of the production capacity of the general contractors, taking into account the current assigned capacity of each general contractor and their historical performance. This group will track and maintain records regarding the availability of individual general contractors to accept new assignments.

7.4 Builder Pricing Process for Rehabilitation Projects

This section provides the general framework for the RREM Project Managers to secure a reasonable cost for rehabilitation projects. RREM Project Managers will secure pricing for each project by notifying the assigned builder of the line item cost for the project. The builder will need to submit a fair and reasonable cost proposal applying proposed unit pricing and proposed quantities for each line item of work, resulting in a Total Construction Cost. The pool of pre-qualified construction contractors has been established to secure competitive pricing from a known quantity of construction contractors that meet minimum criteria to participate in the RREM Program.

7.4.1 Builder Must Attend Scope Walks

Upon assignment of a project, builders must attend a scope walk that is scheduled by the RREM Project Manager. The scope walk is an essential step in the process to ensure the RREM Project Manager and the builder agree to any required modifications to the scope for the project that will be used to price the project. The scope walk is scheduled based on the homeowner's availability for complete access to the home. The RREM Project Manager must provide the Scope of Work with at least 48-hour notice to the builder for the scheduled scope walk, and the builder will need to make arrangements to attend with subcontractors, if needed.

7.4.2 RREM Project Managers provide the Total Construction Cost

The RREM Project Manager will provide the total construction cost in the scope of work to the assigned builder based on the Program's unit pricing policy. Upon the development of a scope of work for the rehabilitation and/or elevation of the structure, the RREM Project Manager will assign established pricing to each line item of the scope to derive an overall construction cost for

the project. The established pricing will utilize Xactimate industry standard estimating software that accounts for regional cost variances over time, in the assignment of pricing for all general rehabilitation costs.

For further guidance regarding the establishment of unit pricing in the RREM Program, please refer to Sandy Recovery Division policy 2.10.68 “RREM: Unit Pricing.”

7.4.3 Builder May Not Exceed RREM Project Manager’s Estimated Costs

The total construction cost in the scope of work provided to the assigned builder is based on the Program’s unit pricing policy. Builders may voluntarily choose to price the estimated total construction costs in the scope of work below the RREM Project Manager’s established pricing. However, builders may not propose construction costs that exceed the RREM total construction cost, as established by the Xactimate unit pricing estimates.

7.5 Timetable for Applicant Decision & Notification to DCA Operations

General contractors are tasked with preparing design drawings to comply with municipal zoning/permitting and RREM Program construction requirements. Typical design services required include: elevation certificate, plot plan, foundation design, geotechnical report, and as-built survey. Once complete, designs will be provided to the homeowner for their review and acceptance or non-acceptance.

If the homeowner can identify specific details on the final design drawings and/or scope of work that are causing them to reject the drawings, then RREM Project Managers will work to identify limited adjustments that can be made to the design. Any changes to the design and associated costs must fall within the overall RREM Program guidelines and cost limitations. If no mutually acceptable changes can be identified, then the homeowner can choose to accept the existing drawings, switch to Pathway B and continue within the Program with a homeowner-selected contractor, or withdraw their application from the RREM Program.

8 CLOSING: GRANT AGREEMENT AND CONSTRUCTION/ESCROW AGREEMENT (FOR PROGRAM SELECTED CONTRACTOR ONLY)

POLICY STATEMENT: The homeowner signs a Grant Agreement with DCA that obligates their total grant award of CDBG-DR RREM Program funds. Housing advisors will be responsible for preparation of any and all grant agreement documents to be executed between the homeowner and DCA.

For homeowners who select to proceed with a RREM-assigned general contractor, the RREM Project Managers will assemble a form contract to be executed between RREM Program applicants and RREM-assigned general contractors pertaining to rehabilitation, reconstruction, elevation, or mitigation construction activities to assist in their recovery from Superstorm Sandy (construction agreement).

The RREM Project Managers are tasked with managing the proper sequencing of construction projects for homeowners who select the RREM-assigned general contractor pathway to ensure proper controls are in place by the construction contractors to adhere to the terms and conditions of the construction contract. The primary purpose of a Notice to Proceed (NTP) is to control the timing and tempo of the initiation of construction and avoid any construction project progressing without the proper permit or authorization. Only the RREM Project Managers shall issue an NTP to the general contractor.

APPLICABLE LAWS, REGULATIONS AND GUIDANCE:

- Approved grant agreement by DCA
- Approved Construction Agreement by DCA
- Approved Escrow Agreement by DCA
- RREM Contract Closing Checklist
- DCA Setup Checklist
- NTP Conditions
- NJ Form 9, Pre-Construction and Notice to Proceed

8.1 Closing Event

This section provides the protocols, guidance, and general framework for completion of the applicant grant signing and construction/escrow agreement signing process (“Step 8”). The closing process is composed of four (4) key steps:

- (1) RREM Project Managers will upload the fully designed construction scope of work using the *Total Development Cost (TDC) Transmittal Form*, with back-up supporting documentation.
- (2) DCA Operations will prepare the final award calculation reflecting the updated construction price, determine escrow requirements and notify the homeowner of required funds for escrow.
- (3) The RREM Project Manager will schedule an appointment, in coordination with the Housing Advisor to:
 - a. Execute an *Amendment to the Grant Agreement* reflecting the final construction price,

- b. Execute the *Private Escrow Agreement* to provide approval for disbursing funds out of the escrow account to the assigned Builder,
 - c. Execute *Exhibit J* of the *Design/Build Construction Agreement*, indicating the final construction price reflecting any approved change orders, and
 - d. Review construction schedule, homeowner requirements and any other preparatory work to be ready for start of construction.
- (4) Upon execution of required documents and builder and homeowner satisfying all program requirements, the RREM Project Manager will issue a notice to proceed to initiate construction.

8.1.1 Escrow Agreements and Related Requirements

When a RREM Program-selected general contractor is used to complete the remaining work, the homeowner will be asked to sign an escrow agreement that authorizes DCA, as the Escrow Agent, to make payments to the builder on the homeowner's behalf from the escrow account and a second authorization for the Escrow Agent to make payments from the HUD funds awarded. The two escrow agreements for the RREM Program include:

- *RREM Grant Fund Payment Agreement*
- *Homeowner Fund Escrow Agreement*

The *RREM Grant Fund Payment Agreement* authorizes DCA to disburse funds to the assigned Builder from the HUD funds awarded. The agreement will be executed for all Pathway C applicants at time of Grant Award, so builders can be paid for any pre-construction design work that is required. The *Homeowner Funds Escrow Agreement* authorizes DCA to disburse funds to the assigned builder from the private homeowner funds transferred into the escrow account. The private funds agreement will be executed at the closing meeting.

Homeowners will be notified of the final amount of private funds required to transfer into the escrow account once the RREM Project Manager approves a construction price that incorporates all change orders required by design work and enhancements selected by the homeowner. RREM Project Managers will transmit this information to DCA Operations via a TDC Transmittal form. DCA Operations will use the TDC Transmittal Form to generate the following documents for the homeowner:

1. *Notification of Escrow Requirements* – explains the required escrow amount based on the approved construction price for the project
2. *Amended Grant Award Calculation* – reflecting the final award amount based on the negotiated construction price for the project
3. *Wire Transfer Instructions for Escrow* – providing instruction to homeowner on how to transfer required funding into the escrow account

4. *Homeowner Private Funds Escrow Agreement* – the escrow agreement that must be signed at the closing meeting

8.1.2 Construction Agreement

When work remains to be completed, the builder and the homeowner will sign one of two construction agreements depending upon the pathway the homeowner chooses. The agreement will include either:

- *RREM Construction Agreement* for applicants whose design work is completed by the RREM Project Manager; or
- *RREM Design-Build Construction Agreement (DBA)* for applicants whose design work is completed by the RREM-assigned contractor.

The *RREM Construction Agreement* or *DBA* will be signed between the builder and homeowner to authorize and initiate completion of design services so that the construction scope can be finalized. At the grant award signing, the homeowner will sign Exhibit J to the construction agreement, reflecting the final approved price and scope for the project, including any change orders that have been approved. Upon issuance of a NTP, the builder is contractually authorized to begin construction.

8.1.3 Pre-Construction Meeting/Construction Agreement Closing Event

RREM Project Manager coordinates a meeting with the Housing Advisor, and homeowner for a pre-construction meeting to execute an *Amendment to the Homeowner Grant Agreement*, a *Private Escrow Agreement*, and sign the *Exhibit J* of the *Design/Build Agreement*. The RREM Project Manager and/or the Housing Advisor will review the process for the transfer of funds into the escrow account and explain any final design-generated construction costs and escrow funding, if applicable. The RREM Project Manager will review and confirm all finish selections. The RREM Project Manager will discuss and review all requirements for the homeowner during construction, including the time period where the homeowner (and belongings) will be required to depart the structure. Both the RREM Project Manager and the Housing Advisor will be available to review the overall construction schedule and work sequence.

Agreement Modification for Closeout

Upon completion of the rehabilitation or reconstruction and re-occupancy of the dwelling by the homeowner, a final grant award reconciliation will be conducted to adjust the award amount and close the private escrow account. If actual costs are less than anticipated at the time of the grant awards signing, homeowner funds remaining in the escrow account may be returned to the homeowner based on the order of payments and source of remaining funds and/or any unused RREM funds awarded will be re-allocated by DCA to other RREM projects.

8.2 DCA Approvals and Funding Reservation

Upon DCA operations final determination of RREM funding award, housing advisors will transfer all necessary documents for grant 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.

8.3 Escrow Accounts

The Department of Community Affairs will act as agent for both RREM Grant Funds (CDBG-DR) and for funds provided by and/or for the benefit of the homeowner. Bank of America, under contract to the Department of Community Affairs, will hold the escrowed funds in sub-accounts for each homeowner. Prior to beginning construction, homeowners will be required to sign both a *RREM Grant Fund Payment Agreement* and a *Homeowner Fund Escrow Agreement*. These agreements set forth the terms and conditions of the escrow agreements, provisions related to the role and authority of the escrow agent, and general conditions related to discharge of Escrow Agent, notice governing law, and amendments to the agreements.

8.3.1 RREM Grant Fund Payment Account

This account will serve as a pass through for CDBG-DR funds granted to the Homeowner under the RREM Program.

8.3.1 Homeowner Fund Escrow Account

This account will hold all the homeowner's funds required to complete the project, including, but not limited to: insurance reimbursements, SBA loan proceeds, private construction mortgage proceeds, funds from non-profit and other sources.

8.3.3 Disbursement of Funds from Escrow Accounts

Funds will be disbursed out of escrow in the following order:

1. CDBG-DR funds for the full value of the Construction Award, as indicated in the Exhibit 1 Award Calculation, less funds designated for contingency.
2. Private funds required under the *Homeowner Fund Escrow Agreement*.
3. CDBG-DR funds for the balance of the remaining contingency (if required).

If, upon completion of construction, there is a remaining balance of funds in the Homeowner Fund Escrow Account, funds shall be returned first to any third-party depositors that transferred funds into the escrow account, and any additional funds remaining will be returned directly to the homeowner.

Any CDBG-DR program funds that are allocated to the project through contingency, but not utilized, will be released for use towards other projects.

Additional payment procedures and instructions will be followed in accordance with the *RREM Grant Fund Payment Agreement* and *Homeowner Fund Escrow Agreement*.

8.4 Notice to Proceed

This section provides the protocols, guidance and general framework for issuing a Notice to Proceed (NTP). The NTP process is composed of 4 Key Tasks:

- (1) The RREM Project Manager gathers information from GAS and develops a NTP package.
- (2) The general contractor gathers necessary information and conducts activities to prepare for demolition (if needed) and construction initiation (e.g., obtains necessary permits).
- (3) Homeowner deposits required funding into escrow account, as designated on the Homeowner Private Funds Escrow Agreement.
- (4) RREM issues NTP

8.4.1 Procedure for the Issuance of Notice to Proceed (NTP) – No Demolition Required

The RREM Project Manager will use the following procedure for issuing any Notice to Proceed, when no demolition of an existing structure is involved:

1. RREM Project Manager gathers information from contract closing and develops an NTP package. The RREM Project Manager will:
 - Assemble the GAS information into a complete package for homeowner review,
 - Follow an NTP checklist to ensure all documents are present,
 - Submit the grant package for review by a RREM quality assurance manager to ensure the documents are properly executed, and
 - Upload all documents into SIROMS.
2. General contractor gathers necessary information for inclusion in the RREM Project Manager's NTP-Construction Package and takes the necessary action to prepare for initiating all construction work. After contract execution, the general contractor initiates the administrative requirements to provide bonds, secure permits, disconnect utilities, and have the homeowner move out of the dwelling. RREM Project Manager provides proof that the following NTP Conditions have been met:
 - Valid performance and payment bonds submitted to RREM Project Manager
 - (for projects in excess of \$100,000 construction value). The general contractor will provide an overall bonding letter to RREM, which will verify the bonding capacity and issue a copy of the bond to the homeowner. The copy of the bond will be provided to the homeowner before NTP is given.

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- All insurance policies are active as required by the contract.
 - Zoning and land use approvals obtained.
 - Contractor obtains construction permit(s).
 - Utilities properly disconnected and retired.
 - Homeowner has moved out of the dwelling and contents removed OR a contents removal or manipulation plan has been agreed upon between the construction contractor and the homeowner (mostly used in rehabilitation projects).
 - Contractor holds a valid NJ Home Improvement Contractor’s License.
 - Contractor holds a valid New Home Warranty Program Registration (for reconstruction Work).
 - Contractor has submitted a completed “Contractor/Subcontractor Identification Form.”
 - Contractor has submitted a completed “Affirmation and Acknowledgement” form.
 - Contractor has submitted a Schedule of Values for payment purposes for review and approval by the RREM.
 - Vibration monitoring plan (If required).
 - Contractor Certified Riggers Plan (If required).
 - Contractor submits final design documents to RREM.
 - Contractor submits product/material submittals to the RREM.
3. The RREM Project Manager issues a NTP for reconstruction or rehabilitation, based on the project requirements. By issuing the NTP, the RREM Project Manager has validated that the construction contractor meets all NTP conditions to proceed with elevation, rehabilitation, or reconstruction. The RREM Project Manager will issue the NTP in writing, using *Form 9: Pre-Construction and Notice to Proceed*. The NTP is provided in hard copy or a scanned version is emailed to construction contractor. NTP is scanned and placed into the homeowner record in SIROMS.

8.4.2 Procedure for the Issuance of Notice to Proceed (NTP) – Demolition Required

When a property needs to be demolished first, if the local municipality will not issue zoning approval and building permits until demolition is completed, these special NTP protocols will occur. Other than these special requirements, all other NTP requirements will remain. The general contractor follows all requirements in *Section 8.4.1*. However, NTP is only issued for the

demolition of the existing structure. The only variances in submittal requirements include the following:

- Zoning and land use approval is NOT required at the demolition stage, and
- Demolition permit MUST have been received.

Once the general contractor satisfactorily completes demolition and the gathers necessary information for inclusion in the RREM Project Manager's NTP-Construction Package, the following procedures must be followed:

1. Following demolition of the original structure, the contractor provides the necessary information to the RREM Project Manager in order to receive an NTP for new construction. The contractor will obtain the required construction permits. Further, the contractor will ensure the appropriate zoning and land use approvals are obtained, submit all required building permit(s), and submit any applicable waste manifest (where asbestos abatement of the demolished structure is involved), submit final design documents, required product/material submittal, and the construction schedules to the RREM Project Manager.
2. Upon receipt of all required documentation, the RREM Project Manager validates that the construction contractor has met all NTP conditions to proceed with new construction.
3. RREM Project Manager issues the NTP in writing using *Form 9 Pre-Construction* and NTP. NTP is provided in hard copy or a scanned version is emailed to construction contractor. NTP is scanned and placed into the homeowner record on the RREM Project Manager MIS.

9 PATHWAY C CONSTRUCTION (FOR PROGRAM SELECTED CONTRACTOR ONLY)

POLICY STATEMENT: The State of New Jersey has worked to involve the applicant at all stages of this program. Making sure the homeowners are being treated with respect and are provided opportunities to be informed and aware of progress being made in the repair or reconstruction of their home is a critical importance. However, this is a Federal program that has limited resources and must meet implementation schedules that provide New Jersey with sufficient protection to ensure that the actions taken do not generate a repayment event. This section provides guidelines for the construction process and how the funds are to be drawn down upon confirmation of eligible construction costs.

APPLICABLE LAWS, REGULATIONS AND GUIDANCE:

- 24 CFR Section 570 CDBG Rules
- Federal Register Volume 78 No. 43, published March 5, 2013
- Federal Register Volume 78 No. 76, published April 19, 2013
- International Residential Code 2009, or most recent Code adopted in New Jersey.
- State of New Jersey Action Plan

9.1 Inspection and Draw Requests

RREM Project Manager's responsibilities include, maintaining and creating paperwork for assignments, overseeing contractor pre-construction meetings, conducting on site progress inspections, and receiving and processing draw requests to DCA for payment.

SIROMS will monitor and track information concerning homeowners, progress through construction, and draw requests. The database allows information to be easily accessible to RREM Project Managers, DCA, and those that carry out the RREM Program.

9.1.1 Inspections

General contractors are responsible for contacting RREM Project Managers to request an onsite progress inspection during construction. For reconstruction homes, inspectors will perform site inspections at foundation, thirty-three percent (33%), sixty-six percent (66%), and final completion. Rehabilitation homes (with elevation) will be inspected at foundation, fifty percent (50%), and final completion. Modular homes will be inspected at the time the house is ready to be placed at the site (fifty-percent [50%] inspection within forty-five [45] days) and final completion.

The following work will be required to be completed at a minimum by the general contractor before each inspection can be scheduled:

REHABILITATION:

50% Inspection:

- Scope work to be completed for the fifty percent (50%) inspection will be agreed upon during the pre-construction conference for each project.
- As a general guide, all scope items included in the construction documents up to the closing of walls (prior to installing exterior siding or interior drywall), site work and foundation and elevation work, roof coverings, framing, wall insulation, windows, exterior doors, porch/deck repairs, mechanical engineering plumbing (MEP) rough-in.
- Inspection for elevation and foundation, if applicable, will take place at the 50% inspection.

Final Inspection

- Passing of all municipal inspections and issuance of Certificate of Occupancy (or equivalent).
- Home is complete and ready for move-in condition.
- Verification all scope of work items completed to program compliance.

RECONSTRUCTION:

33% Inspection:

- Elevated foundation — all piers/piles, girders/beams, floor joists and floor decking installed.
- Slab on grade foundation — all formwork, under slab utilities, vapor barrier and reinforcing steel installed, pre-placement of concrete, and CMU block wall construction.

66% Inspection:

- Framing
- Exterior doors in place
- Exterior surfaces installed
- Electrical – rough in complete
- Plumbing – top-out complete
- Mechanical – rough in complete
- Roof covering complete
- Windows in place
- Insulation

Final Inspection:

- Drywall installed and textured

- Interior doors in place
 - Interior trim complete
 - Exterior surfaces caulked and painted
 - Heating/cooling, electrical, and plumbing systems complete
 - Interior doors, walls, and trim painted
 - Flooring complete
 - Kitchen & bathroom cabinets complete
 - All fixtures installed
 - Appliances installed
 - Water heater installed
 - Accessibility fixtures (if applicable)
 - Septic system (if applicable)
 - Water well (if applicable)
 - All flatwork and final grading
- Passing of all municipal inspections and issuance of Certificate of Occupancy (or equivalent)
 - Home is complete and ready for move-in condition
 - Verification all scope of work items completed to Program compliance.

9.1.2 Draw Request Process

The draw request process begins with the progress inspection. Contractors contact the RREM Project Manager to schedule each inspection with RREM construction inspectors. Once the inspection is complete, RREM construction inspectors return the necessary paperwork to the contractor. The contractor completes the draw request paperwork and delivers the draw request to RREM Project Manager or its representative electronically. The date of receipt will be notated in the database. The RREM Project Manager will then review the draw request. If information is missing from the packet, RREM Project Manager or its representative will notify the builder of the deficiencies. The contractor will complete the required corrections and deliver the corrections to RREM Project Manager for additional review. After RREM Project Manager approval, the draw request package will be delivered to DCA through SIROMS to draw funds from HUD to fund the escrow account managed by escrow agent and coordinated with private escrow funding. Once DCA draws the funds from HUD the funds will be transferred to the payment processing account, and the funds will be distributed to the general contractor. Payment will be issued to the general contractor within thirty (30) days from the date of RREM Project Manager approval of the draw request.

The draw request details and forms are included as Appendix G.

9.2 Change Orders

The purpose of this section is to provide guidance on change orders for construction projects within the RREM Program. Change orders are issued when the initial agreed upon pricing requires modification. First, the contractor must complete *Change Order Request Form*. This form and supporting documentation must be delivered to the RREM Project Manager for review. If the RREM Project Manager approves the change order, it is returned to the general contractor for execution. The general contractor will be required to obtain homeowner signature as well. Change orders are invoiced on the final draw only and categorized as change order, unless otherwise preapproved in writing by the RREM Project Manager. The amount listed on the invoice must match the previously approved amount. The total of the invoice will exceed the usual percentage of the final invoice.

9.2.1 *General Policies for Change Orders and Field Change Notifications*

The RREM Project Manager is responsible for complying with the following policies in accordance with New Jersey Uniform Construction Code when administering the change order process. The RREM Project Manager will ensure:

- All change order work must be completed prior to final inspection.
- An administrative change order for compensation for time or cost only may be issued in writing subsequent to final Inspection.
- Administration of change order work shall follow the prescribed contract provisions and mandated timelines.
- If the General Conditions in the contract documents are silent in the areas referenced in this procedure, RREM will enforce this standard when preparing a field change notification (FCN) or a change order.

A homeowner-initiated scope change is defined as a specific addition or deletion to the original contract scope of work requested by persons other than general contractor or RREM Project Manager. Homeowner scope changes do not include changes which are the result of unforeseen conditions or discrepancies in the contract documents (specifications or drawings). Homeowner scope changes are not allowable, unless related to an accessibility issue that has developed since the time of closing.

9.2.2 *Purpose of Change Orders and Field Change Notifications*

The purpose of a change order is to communicate and record changes to the contract documents, contract amount, milestones, and/or contract time.

This procedure outlines actions required for the preparation and processing of change orders and Change Order Proposals (COPs) in accordance with the contract documents and approved policies.

NOTE: In the event these procedures conflict with the project specific contract documents, the provisions of the contract documents shall govern.

9.2.3 Homeowner Scope Changes

Homeowner requested changes to the scope of work will not be accepted after the contract closing event. Any changes to the scope of work directed by the homeowner must happen prior to the execution of the grant agreement and construction contract between the general contractor and homeowner.

9.2.4 Change Order Preparation

Any change to the scope of work documents must be documented through either a Field Change Notification (FCN) or change order. In the event the general contractor encounters a change condition within the approved scope of work, the general contractor must notify RREM Project Manager within twenty-four (24) hours of discovery of change condition. General contractor shall submit their proposed change order to the RREM Project Manager for review and approval to include the scope of work change and the general contractor's estimated cost of the change.

Once the cost and scope of work identified by the change order is deemed reasonable by the RREM Project Manager, RREM Project Manager will transfer the change documentation to the housing advisor for acquisition of homeowner provided funds to fund the change order, unless eligible for payment by program funds and they are available within the grant cap. If necessary, additional funds will be secured and deposited into the Homeowner's escrow agreement. Change orders that do not impact the grant agreement will not require approval by the DCA.

If the change results in a modification to the grant agreement between the DCA and homeowner, the grant agreement will be amended in addition to the construction agreement or *RREM Design-Build Construction Agreement* (DBA) and private escrow agreement. Change orders that result in a change to the grant amount will require DCA approval to modify the grant agreement.

9.2.5 Field Change Notifications

In the event the general contractor encounters a need to make a no cost change to the scope of work, a Field Change Notification (FCN) will be executed. The general contractor will clearly identify on the FCN Form the item to be changed and the general contractor's proposed solution to the change. FCNs must be approved by the RREM Project Manager and homeowner in writing prior to executing the FCN.

9.2.6 Change Order Package Contents

The change order package prepared by RREM Project Manager shall consist of two (2) sections as follows:

1. *Section One – Contract.* This section will include (i) the change order, including the signatory page, and (ii) any revised drawings or specifications of change work with signature(s) and stamp(s) of AOR and licensed design professional that prepared the drawings/sketches/changes as applicable.
2. *Section Two – Supporting Documentation (for internal use only).* This section will include: (i) justification for the contract modification, (ii) cost estimates, (iii) requests for change order, if applicable, and any additional homeowner funds are obtained by the housing advisor, if required, and (iv) request for FCN if applicable.

9.2.7 Change Order Form Signatory Requirements

The following signatures are required on change orders prior to submittal for processing and approval: RREM Project Manager, general contractor, DCA representative (DCA signature required if change results in a modification to the grant agreement), and the homeowner.

9.2.8 Project Manager Authorization for Change Orders

The project manager may authorize change orders which do not result in changes to the grant agreement between the DCA and homeowner. Homeowner approvals are required on all change order or FCN documentation.

9.2.9 Change Order Package Submittal

Change order packages are prepared by the general contractor and reviewed by RREM Project Managers. Change order packages are submitted to the RREM Project Manager. A transmittal form must be attached indicating the contact information for the responsible RREM Project Manager for subsequent distribution of the approved change order.

Any change order that requires a modification to previously approved signed/sealed architectural or engineering documents will require the RREM Project Manager to obtain revised signed/sealed documents from the AOR. Revised construction documents may require additional zoning/permitting approvals depending on the scope of the change.

9.2.10 Change Order Approval and Payment Process

Change orders submitted for approval and are included in the change order documentation. Payment for change order items will be held until the final draw request is submitted to RREM Project Manager for review, approval, and processing. Change order items will be invoiced in full on the final invoice from general contractor.

For the distribution of all approved change orders, the RREM Project Managers will first route any and all change orders to DCA which impact the overall grant agreement. If the change does not modify the homeowner's grant amount, the change will only be submitted to DCA for payment notification and filing with homeowner documentation. The approved change order documentation will also be returned to the general contractor for their inclusion with the submittal of their final draw request.

RREM will notify general contractor in writing of either approval or denial of general contractor's proposed change order. No change order shall be deemed valid if it is not approved in writing.

9.2.11 Change Order Tracking

It is the responsibility of the RREM general contractor to track and keep record of all required information regarding all change documents, including general contractor proposal and change orders input into program management tool within two (2) working days of their receipt from general contractor. Information to be input shall, as a minimum, include the following:

- Dates general contractor's proposed change order or request for FCN is received,
- Description of change; change order number, FCN Number,
- CO status (e.g., new, pending, approved, rejected),
- Date of decision on change order/FCN,
- Type of change (e.g. errors and omissions, unforeseen condition, scope change, FCN),
- Projected/approved changes to the contract amount, milestones, and/or contract time, and
- Cost or Schedule impact estimates.

9.3 Administrative Signings

The purpose of this section is to provide guidance to the program in the event that upon certain key events, the homeowner fails or refuses to act in a manner consistent with the contract, that DCA can take actions necessary with the action plan, the HUD CDBG Rules, and the guidelines to meet the Program requirements, as outlined in these policies and procedures.

From time-to-time a homeowner may refuse to sign a key document required before other program processes can proceed. There can be a variety of reasons for this decision by the homeowner, it must be determined if the reason for not moving forward is valid within the scope and requirements of the program.

In the event the homeowner refuses to sign an inspection report or draw request, where required, the appropriate Program staff will follow these procedures:

- In the event a homeowner refuses to sign an inspection report or draw request within three days of it being submitted to the homeowner, the RREM Project Manager will send an inspector to re-review the work that has been performed by the general contractor.
- The inspector will go to the site to ensure that the work performed has been done to sufficient quality and in conformance with the code and that the refusal to sign is not based on general contractor performance. If the inspector finds that all work has been performed to a quality and standard consistent with the code and program guidelines, they will issue a report that indicates the compliance to the RREM Project Manager who will forward a copy of the inspection along with a background briefing of the situation—including the homeowner concerns—to DCA.
- DCA will review the proposal and determine if it should sign on behalf of the homeowner as an Administrative Signing.

All documents at the inspection and draw stages are allowed to be administratively signed—including a supplemental grant agreement—as long as the terms (other than the total amount of the grant) are substantially similar. The Program also allows the administrative signing of the Final Grant Reconciliation.

All other documents, unless specifically stated that a document may not be signed by an administrative signing, the RREM Project Managers may refer any other document that requires the homeowner signature to the DCA for their review as to the appropriateness of an administrative signing. DCA shall have the final decision on what documents are eligible to be signed under this policy.

9.4 Construction Warranty

For Pathway C applicants, contractors must provide all warranties prior to the inspector signing a final inspection form. As specified in the construction agreement, the warranty must meet the required warranty standards approved by the State of New Jersey and must include payment to an approved Warranty Insurance Program. Photographs of the construction work will be taken for documentation purposes. At this time, the applicant will be provided instruction booklets and a warranty information binder with an acknowledgement form they have reviewed it with their general contractor.

9.5 Pathway C Builder Reassignments

Homeowners may request a builder reassignment at any stage in the process. These requests should be submitted in writing via e-mail or letter to the RREM Project Manager. Homeowner requests for reassignment should be reviewed by the RREM Project Manager and be considered for approval if the request satisfies any one of the following conditions:

1. The homeowner has experienced unreasonable delays in the pre-construction or construction process by the assigned builder;
2. The homeowner and builder have irreconcilable differences that cannot be resolved including the builder being non-responsive or uncooperative;

3. The homeowner is unable to afford escrow requirements with the existing builder and the Project Manager determines more financially feasible options may be presented through a reassigned builder;
4. The original builder's scope of work was for rehabilitation and the feasibility changed to reconstruction, therefore the builder can no longer work on the project; or
5. Other inquiries that warrant changing the builder as determined by DCA.

Additionally, RREM Project Managers may initiate a builder reassignment without homeowner request under the following conditions:

1. The existing assigned builder has requested in writing to be relieved of the project assignment; or
2. The existing builder has had documented performance issues and DCA has provided written approval for RREM Project Managers to initiate builder reassignment.

DCA has established metrics to determine what builders may be eligible for consideration of receiving builder reassignments, based on total and proportional throughput performance. DCA will issue an updated list of eligible builders for consideration of receipt of reassignments. DCA provides RREM Project Managers discretion regarding which of the eligible builders should be utilized for each individual reassignment request.

When processing a builder reassignment, the steps to be taken by RREM Project Managers should be as follows:

Homeowner-Initiated Reassignments

1. Obtain homeowner request for builder reassignment in writing.
2. Review potential reassignment of file with new prospective builder.
3. Submit request for reassignment to DCA utilizing *C-18 Pathway C Homebuilder Reassignment* form.
4. Upon DCA sign-off, issue Stop Work Order notice to current builder.
5. Obtain C-3F from original Pathway C builder.
6. Sign new Design-Build Contract with new builder.

RREM Project Manager-Initiated Reassignments

1. Review potential reassignment of file with new prospective builder.
2. Obtain homeowner approval of reassignment.
3. Submit request for reassignment to DCA utilizing *C-18 Pathway C Homebuilder Reassignment* form.
4. Upon DCA sign-off, issue Stop Work Order notice to current builder.
5. Obtain C-3F from original Pathway C builder.

6. Sign new Design-Build Contract with new builder.

Please refer to the Standard Operating Procedures on “Pathway C Builder Reassignment During Construction” for a step-by-step guide.

RREM Project Managers should minimize to the extent possible the need for replication of design services when a builder reassignment occurs by obtaining all design plans from the prior builder and encouraging reassigned builders to work with the existing design professional. If, as a last resort, redesign is necessary, as determined by DCA, this will be an allowable cost under the Pathway C design budget. Additionally, homeowners that prefer a pathway change in lieu of a reassignment should be provided a *Pathway Change Request* form.

9.6 Offsetting Homeowner Costs for Construction Delays

Advisory Bulletin 15-RREM-10 was issued on February 24, 2015 to the qualified contractor pool under Pathway C to provide clarification to the enforcement of stipulation in the Uniform General and Supplemental Conditions and the *Design-Build Agreement* in order to offset costs of the homeowner associated with the contractor’s construction delays. Firstly, the requirement to offset homeowner costs for rental assistance is set forth in Sections 7.5.7, 13.5, and 15.5 of the Uniform General and Supplemental Conditions. This is also set forth in the Homeowner and *Design-Build Agreement*, which allows the RREM project manager and the DCA, as Escrow Agent, to offset costs due to the contractor’s failure to meet construction deadlines if construction takes more than ninety (90) days to be completed.

The ninety (90) day period begins the day that a Notice to Proceed for Construction is signed by the RREM Project Manager and ends on the date the home passes the RREM Program final inspection or the homeowner reoccupies the property, whichever occurs first. However, the ninety (90) day period may be extended based on any reasonable construction delays and must be approved by the RREM Project Manager. In order to avoid these adverse circumstances, contractors must notify the RREM Project Managers immediately of any construction delays by using the *C-9 Contractor Change Order Form*, citing the specific reason and justification for delay.

Once construction has been completed, the RREM Project Manager determines the total number of days the project was delayed beyond the ninety (90) day deadline minus any approved reasonable construction delays. That number of days is multiplied by a pre-established daily compensation rate based on the county of the damaged property as well as the number of bedrooms in the damaged property as established by using HUD’s Fair Market Value rental costs. Upon completion of this calculation, if it is determined that the contractor is required to offset the homeowner any rental costs, that contractor may not receive any retainage payment until those rental costs are paid to the homeowner. All homeowners that do not have a pre-existing, private arrangement with their contractor regarding the offsetting of rental costs associated with construction delays are required to abide by these guidelines.

Finally, if a homeowner dies but was owed rental assistance, then the estate is entitled to rental assistance up to the date of the homeowner's death. After that determinative date, the estate of the deceased homeowner is no longer entitled to receive rental assistance from the contractor due to construction delays.

9.7 Design Services

Pathway C applicants are eligible for design services up to \$22,151 for rehabilitation projects and \$17,777 for reconstruction projects which is a separate design allowance from the maximum \$150,000 grant award. Program-assigned builders can invoice from a schedule of design services with individual not-to-exceed allowances. The RREM Program will pay the Program-assigned builder directly for the design costs incurred for the project.

In cases of feasibility switches, applicants will be eligible for up to the design allowance set at the new feasibility less any design services already received under the previous feasibility. In cases of feasibility switches from rehabilitation to reconstruction where the applicant has already drawn more than the \$17,777 as a rehabilitation, the RREM Program will not deduct for any design services paid over the reconstruction limit nor will the applicant be eligible to request for additional design services.

On an individual case-by-case basis, upon DCA approval, an applicant may receive more than the design allowance set for each respective feasibility if it is determined that design work was not transferable or useable by the current builder and, therefore, eligible for additional design payment.

10 PATHWAY B CONSTRUCTION (HOMEOWNER-SELECTED CONTRACTOR)

The following sections are applicable only to Pathway B or Homeowner-selected contractors:

This section is intended to provide the protocols, guidance, and general framework for inclusion of applicant homeowner-selected general contractors for RREM Program rehabilitation and elevations activities. The inclusion of the applicant pre-existing or selected general contractor process is composed of **4 Key Steps**:

1. Homeowner goes through full grant signing process,
2. Homeowner meets with their RREM Project Manager to review construction requirements.
3. RREM applicant provides the RREM Project Manager with the name, contact information of the general contractor, and executed construction contract, including the scope of work, and may elect to take a Construction Grant Advance Payment,
4. Homeowner submits payment requests for remaining construction costs and requests a final inspection to verify work is completed to program standards and specifications. If applicable, retainage is released.

10.1 Step 5A Meeting Overview and Purpose

Upon execution of a Grant Signing and Homeowner selection of Pathway B – homeowner-selected Contractor, the RREM Project Manager will schedule a “5A meeting.” The purpose of the 5A meeting is to finalize pre-construction and Program compliance items following the grant signing and final pathway selection. A RREM Project Manager point of contact will be established to assist the applicant with construction policy and invoice questions at the time of this meeting. The 5A meetings may take place at the damaged property, an alternate location, at the RREM Housing Centers, or telephonically.

Generally, the Step 5A meeting agenda items include the following:

1. Introductions	Confirm current status (i.e. grant award amount, rehab/recon, Pathway B selection); explain transfer in point of contact from Housing Advisor to RREM Project Manager, provide contact information to applicant; review status of construction (i.e. is contractor already on board, started construction)
2. Review Pre-Construction Activities	Explain owner responsibilities for pre-construction/design costs
3. Review non-construction requirements	Review: <ul style="list-style-type: none"> • Contractor licensure/insurance/ debarment requirements • Overarching federal requirements
4. Review Scope of Work	Review ECR if Rehab project; review reconstruction limitations if a Reconstruction project
5. Review Construction Requirements	Review: <ul style="list-style-type: none"> • ECR (provided copy) • Lead-based paint & asbestos hazards (confirm receipt of copy of Assessments and provide list of LBP state-certified contractors if applicable) • Tier 2 conditions (specific environmental conditions to be met and provide copy of Tier 2 review document) • Green Building Standards (define if ENERGY STAR or Green Building Retrofit Checklist are applicable, provide documentation to support)
6. Review Payment Process	<ul style="list-style-type: none"> • Provide copy of Owner-Selected Payment Request Form • Review required supporting documentation for invoice submission • Explain cost-reasonableness standard for payments • Explain process for submitting payments

7. Review Contractor Validation Form	<ul style="list-style-type: none"> • Record Contractor information if available • Inform applicant that upon receipt of Validation from RREM PM, applicant is authorized to initiate invoicing to Program
8. Review Certifications and Acknowledgments	<ul style="list-style-type: none"> • Review and execute Certification of Construction Requirements • Review and provide copy of Contractor Addendum

Pathway B Documents

During the 5A meeting, the applicant will be provided a Pathway B packet which includes multiple program documents and next step instructions. The Pathway B packet includes the following:

- RREM Project Manager Contact Information
- RREM Step-by-Step (homeowner-selected contractor)
- Contractor Eligibility, Contracts, and Addendum
 - *Certification of Construction Requirements; (For both RECON/REHAB, must be signed by Applicant); This Certification states that you are award of Program requirements and will comply for both recon/rehab.*
 - *Contractor Addendum; Required addition to any contract signed. Helps to ensure that your contractor is aware of Program requirements.*
 - *RREM Form 7-Disability Verification (if applicable)*
 - *RREM Applicant Mobility Modification List (if applicable)*
- Payments and Closeout
 - *Contractor Validation and Construction Advance Form; Must be signed by applicant and provide the name and license information of homeowner-selected contractor.*
 - *Request for Payment Form (For both RECON/REHAB, must be signed by Applicant when submitted for payment)*
 - *Design/Engineering Services Draw Request*
 - *Final Draw Request*
 - *Final Bills Paid Affidavit: homeowner-selected contractor (Final Bills Paid Affidavit Waiver may be used in lieu of the Final Bills Paid Affidavit (FBP) as an option of last resort and only where the applicant can demonstrate that completion of the FBP is not feasible due to circumstances outside their control)*
 - *Final Inspection Document*
- Documents for Applicant Records
 - *Lead-Based Paint (LBP) Report (if applicable)*
 - *Lead Based Paint Notification – Receipt #1-4 (if applicable, however 2-3 required if Rehab/pre-1978)*
 - *Asbestos Containing Material (ACM) Report (if applicable)*

- *Lead Based Paint & Abatement Contractor List*
- *Tier 2 Environmental Review Report*
- *Scope of Work (SOW)/Estimated Cost to Repair Report*
- *Elevation Cost Report*
- *HUD Green Building Retrofit Checklist*
- *Energy Star Reference Design*
- *Minimum Housing Rehabilitation Standards*
- *RREM Reconstruction Standards*
- *RREM Program Tip Sheets*
- *Fraud Prevention Hotline Notice*

10.2 Pathway Step by Step (Homeowner Selected Contractor)

The Pathway B Step-by-Step guide provides the applicant with a visual glance at where their file is in the overall RREM process once they sign the Grant and have selected their pathway. It is a high-level diagram that indicates the items required for grant disbursement and final compliance and close-out with the RREM Program. It is provided within the Pathway B packet of materials and is also posted on the ReNew Jersey Stronger Program Website as a reference.

10.3 Pathway B Certification of Construction Requirements Form

This *Certification of Construction Requirements* Form is intended to guide and provide acknowledgement by homeowner choosing to use their own/ existing contractor (Pathway B) of the RREM Program and federal requirements for construction grant funds.

Following the Grant Award Signing meeting (Step 5 meeting), applicants are required to review and certify to comply with all program requirements to be eligible for RREM Program funds.

The following *Certifications* summarize the general requirements under Pathway B. The homeowner shall initial next to each statement, acknowledging an understanding of the statement and an agreement to conduct the work in accordance with the terms of the RREM Program.

- Homeowners are required to submit proposed Contractor information to the RREM Project Manager (*on the Pathway B Contractor Eligibility Confirmation* form for the RREM Project Manager to review and confirm Contractor(s) are licensed by the State of New Jersey to undertake construction work and are not debarred from working on federal/state programs.
- Homeowners are required to review and understand the Estimated Cost to Repair (ECR) if performing rehabilitation and/or elevation work. Homeowner will ensure all remaining construction meets or exceeds the specifications listed in the ECR.
- Homeowners are required to ensure selected Contractor(s) agrees to and completes all environmental/historic review construction requirements identified in the environmental Tier 2 Review developed by the State of New Jersey's Department of Environmental Protection.
- Additionally, for homes built prior to 1978 where the presence of lead has been determined through a lead risk assessment, Homeowner's Contractor(s) must use EPA Lead Designated

Renovator and HUD Lead Trained workforce and employ lead safe practices in the remediation of lead hazards. A copy of the Lead Based Paint (LBP) and asbestos assessment related to the damaged property must be provided to the Applicants with all hazards to be addressed to complete the scope of work, in accordance with State and HUD requirements.

- As applicable, properties undergoing rehabilitation should comply with the Green Building Retrofit Checklist building standards, state/local building codes, and the Minimum Housing Rehabilitation Standards for work necessary to complete the project.
- Where applicable for properties undergoing reconstruction, the drawings for the plans should meet ENERGY STAR standards, to the extent feasible, as required by the Program.
- Homeowner acknowledges that all construction completed after date of environmental clearance must meet state and local building code requirements and meets or exceed Minimum Housing Rehabilitation Standards (if performing rehabilitation).
- Effective March 2014, a homeowner may receive fifty percent (50%) advance on their construction award amount, less retainage, upon submission of a contractor who is validated as licensed/registered and not debarred. Effective October 13, 2014, homeowner must provide a copy of their executed construction contract to receive their construction advance. If the homeowner is acting as their own general contractor, the homeowner must provide a copy of an executed construction contract with at least one of their subcontractors. Effective January 1, 2019, the applicant can receive no greater than the amount of down payment listed in their executed construction contract not to exceed fifty percent (50%) of the available construction award as a *Construction Advance*. Homeowner then agrees to submit no more than two (2) construction payment requests, which upon review, will be approved and disbursed. Costs may only be submitted for payment after they have been incurred and the work covered by the invoice is complete. The homeowner must have received an invoice for completed work from the Contractor but need not yet have paid that bill. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their contractor within ten (10) days of receipt of Program funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance.
- Construction to occupancy and elevation, where applicable, must be complete within one year from the date of grant award, unless an extension is approved in writing by DCA.
- Homeowner acknowledges that RREM Grant Funds will be received only for costs which are eligible under HUD guidelines. All costs must be directly tied to the rehabilitation, reconstruction or elevation of the owner's Sandy-damaged primary residence.
- Homeowner and the Contractor will retain records related to the RREM-funded rehabilitation, reconstruction or elevation available to and cooperate with HUD and the State of New Jersey if

requested to conduct an audit of RREM funds. The RREM Program reserves the right to conduct on-site inspections and review documents to ensure compliance with this Certification.

- Applicant agrees to keep records documenting all construction costs and other items covered in the *Certification of Construction Requirements* form for a period of five (5) years from the date of the executed grant award. These records may be requested by the federal or state government to ensure program compliance.
- Homeowners who use a general contractor to perform remaining construction are responsible for having the contractor execute the *Mandatory Contractor Addendum* to ensure all work completed after the date of environmental clearance is performed in accordance with Program and federal requirements.
- Homeowners who elect to act as their own general contractor, as defined in the *Certification of Construction Requirements* form, are directly responsible for ensuring that all subcontractors are accountable for meeting the terms of the Certification. Homeowners choosing to self-perform any of their construction must similarly meet these stated requirements and also understand that the Program will not pay for labor costs for work performed directly by the homeowner.
- Applicant also acknowledges the restrictive covenant will be placed on the damaged property until the following items pass the Final Inspection from the RREM Program, proving that all occupancy and elevation requirements are met:
 - Copy of Certificate of Occupancy (or equivalent) provided from local building department,
 - Copy of Final Elevation Certificate, if applicable,
 - Verification of construction work completed as confirmed by a RREM Program inspection,
 - Lead-Based Paint and asbestos clearance, if applicable, and
 - Environmental Review Clearance Mitigations, if applicable.

The applicant assumes all risk associated with preconstruction and construction activities regarding the damaged property under Pathway B.

10.4 Homeowner-Selected General Contractor Payment Process Overview (Pathway B)

If the homeowner chooses to remain with their own engaged, validated as licensed and not debarred contractor, the RREM Project Manager will review the federal contracting requirements; contract amendment template for use with the construction contract between the homeowner and their selected contractor; invoicing process for construction payments; and, restrictive covenant until full compliance with program requirements. This section is intended to provide the protocols, guidance, and general framework for inclusion of applicant owner selected general contractors for RREM program rehabilitation and elevations activities.

10.4.1. Pathway B Construction Grant Advance Payments

Under DCA policy 2.10.67, “RREM – Pathway B Construction Grant Advance,” the homeowner has the option to receive fifty percent (50%) of the available construction award, less retainage, as a *Construction Advance* upon selection of contractor and completion of the contractor validation process. For the homeowner to obtain a *Construction Advance*, the homeowner and the RREM Project Manager will complete the *Contractor Validation and Construction Advance Form*. Effective October 13, 2014, the homeowner must provide a copy of their executed construction contract to receive their construction advance. If the homeowner is acting as their own general contractor, the homeowner must provide a copy of an executed construction contract with at least one of their subcontractors. The RREM Project Manager ensures the contractor has the appropriate state licensure and is not on a Federal or State debarred list. The homeowner will not be advanced funds until the general contractor has been identified and validated and a completed copy of the executed construction contract has been provided. Effective January 1, 2019, the applicant can receive no greater than the amount of down payment listed in their executed construction contract not to exceed fifty percent (50%) of the available construction award as a *Construction Advance*.

The construction advance payment is considered a payment on the approved construction scope of work, therefore the RREM payment process allows for up to two (2) additional total construction requests for payment by the homeowner to complete the award amount. These two (2) additional payments do not include the Reimbursement payment and the *Construction Advance* payment. All additional payments must be supported by supporting documentation. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their contractor within ten (10) days of receipt of Program funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance.

Pathway B Request for Payment Section

To request a construction grant advance payment, the homeowner must complete the Payment Request section of the *Contractor Validation and Advance Payment Request Form*, attach a copy of their executed construction contract, and submit directly to the RREM Project Manager for

review. Instructions are provided to the homeowner during the grant award signing meeting, and also outlined directly on the *Contractor Validation and Construction Advance Form*.

10.4.2 Contractor Eligibility

Homeowners are required to submit proposed Contractor information to the RREM Project Manager to validate the Contractor meets minimum Program requirements to be considered eligible for Pathway B construction payments. In order to be able to fund a payment request, the Contractor must have been validated by a RREM Project Manager as satisfying the following requirements:

1. The Contractor(s) are licensed by the State of New Jersey to undertake construction work and are not debarred from working on federal/state programs.
2. Contractor has current licenses available upon request and their Home Improvement Contractor Licenses, or other appropriate license for the building trade, are validated through the Department of Community Affairs website.
3. New Home Builders, confirmation of current licenses will be sought through the Department of Community Affairs (DCA) on the DCA website. Additional required validation includes a confirmation email from a DCA representative indicating the license expiration date which will be maintained as an official record.

The RREM Program reserves the right to not validate a contractor who meets the above three requirements if there is evidence, such as based on past performance including contractor fraud, that the contractor will not satisfactorily meet program requirements or be able to finish within the allotted time. If a contractor is exempt from licensure by the State of New Jersey, the DCA will review such contractors on a case-by-case basis for validation requirements.

It is not recommended that applicants proceed with a particular contract until the Program has confirmed all contractors are validated. If an applicant proceeds with repairs or reconstruction to the property without having their selected contractor(s) validated by the Program, they risk forfeiting subsequent draw request approvals due to working with ineligible contractors.

10.4.3 Homeowner Acting as Own General Contractor: Directly Managing Multiple Contractors

A homeowner is permitted to act as their own General Contractor by engaging multiple contractors directly and oversee specific components of construction. In this particular case, RREM Project Managers will need to validate at least one of homeowner's contractors for licensing, debarment, and obtain a copy of the signed construction contract prior to the release of a construction advance payment. For any remaining construction payments, each contractor the homeowner is directly engaged in must be validated prior to release of additional payments. Each invoice will be reviewed and approved by the RREM Project Manager using the *Pathway B*

Payment Review Checklist. All invoices, the review checklist, and supporting backup will be submitted to DCA for approval through SIROMS. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their subcontractor(s) within ten (10) days of receipt of Program funds. If the applicant does not pay the subcontractor(s) within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance.

As with all applicants (except for activities eligible under the reimbursement policy), only invoices that are for work completed post-grant signing and DEP Tier 2 environmental clearance will be approved. The first invoice must include copies of all required permits. Homeowners acting as their own General Contractor, similar to other Pathway B applicants, are exempt from Section 3 reporting. Pathway B applicants are not required to have bonding.

10.4.4 Homeowner Acting as Own General Contractor: Self-Performing Work

A homeowner is permitted to act as their own General Contractor and invoice the RREM Program for self-performed work. Construction work is considered “self-performed” if completed directly by the homeowner or completed by a company that the homeowner owns and operates as a licensed company authorized to complete such work within the State of New Jersey. In addition to the requirements outlined in section 10.4.3 above, any payment request for self-performed work is subject to the following requirements:

1. If performing work under homeowner’s company, homeowner must be licensed, and not debarred, to complete construction work in the State of New Jersey,
2. If homeowner does not complete the self-performed work directly, but uses authorized employees from his/her own company, labor costs will only be eligible if homeowner submits documentation from a payroll certified by a Certified Public Accountant (CPA), and
3. The RREM Program will not fund self-performance costs including, but not limited to, profit mark-ups and overhead. All costs for self-performance are subject to DCA review and approval.

Homeowners self-performing work may submit invoices for labor costs only if the homeowner submits documentation proving that (i) the laborer is a verified staff member of the general contractor or subcontractor, and (ii) the cost of the labor provided via a payroll certified from a CPA.

10.4.5 Contractor Addendum

Effective October 13, 2014, homeowners that sign a new grant award agreement must submit a *Contractor Addendum* signed by the Program validated contractor of their choice, where the contractor acknowledges and agrees to complete construction performed on or after environmental clearance in accordance with applicable Federal requirements and rules within the RREM Program. The *Contractor Addendum* form is intended to ensure that contractors performing work partially or fully-funded under the RREM Program are aware of applicable federal requirements and rules. If the homeowner is using a general contractor, that firm must sign for itself and all of its subcontractors. Once completed, homeowners must provide the signed copy of the contractor addendum to their RREM Project Manager. If the homeowner is directly contracting with tradespersons, or acting as their own general contractor, then the *Contractor Addendum* is not required.

The Addendum lists the requirements of all RREM affiliated contractors which include:

- Contractor(s) acknowledges the Addendum is enforceable upon the homeowner's date of environmental clearance.
- Contractor(s) and all Subcontractors must be licensed and in good standing with the State of New Jersey to under construction work. All licensed must be current and furnished on request.
- Contractor(s) must have General Liability (minimum \$500,000) insurance and should maintain other insurance to protect the homeowner such as Builder's Risk (recommended to at least the amount of the construction contract) and Worker's Compensation (recommended for all employees working on site). The contractor must maintain documentation of this insurance.
- Contractor(s) agree to review homeowner's Estimated Cost to Repair (ECR) if performing rehabilitation and/or elevation work to ensure remaining construction meets or exceeds Program needs.
- Contractor(s) agree to complete all environmental/historic review construction requirements identified in the environmental review developed by the State of New Jersey's Department of Environmental Protection
- Form homes built prior to 1978 where the presence of lead has been determined through a lead risk assessment, the Contractor(s) must use EPA Lead Designated Renovator and HUD Lead Trained Workforce and employ lead safe practices in the remediation of lead hazards. The contractor(s) agrees to address corrective measures prescribed in the lead risk assessment and must provide proof of required qualification for performing lead safe work prior to final disbursement from RREM Program to Homeowner. Upon completion of construction, a third-party proof of lead clearance is required.

- Contractor agrees to review the asbestos survey performed by the RREM Program and properly remove and dispose of any asbestos which is friable or will be disturbed by renovation or demolition in compliance with federal and state regulation.
- Contractor agrees, to the extent feasible, to comply with the HUD CPD Green Building Retrofit Checklist and properties undergoing reconstruction must comply with ENERGY STAR construction standards. These standards shall be met to the extent feasible for remaining construction, but are not required for construction projects completed, under construction, or under contract prior to grant assistance. If Contractor has started construction or is under contract with Homeowner prior to the date of receiving RREM grant assistance, as defined by date of Homeowner execution of their RREM Grant Agreement, these standards shall be met to the extent feasible for remaining construction but are not required for costs incurred prior to grant assistance. If contract is executed after date of grant assistance, Contractor will have reconstruction plans reviewed and certified by a Home Energy Rating System (HERS) rater as meeting ENERGY STAR standards, using the ENERGY STAR Plan Review Checklist version 3.0 and furnish said documentation to the Homeowner.
 - All construction completed after date of environmental clearance must meet state and local building code requirements and meet or exceed Minimum Housing Rehabilitation Standards (if performing rehabilitation). If elevating, property will be elevated at minimum to the most current Base Flood Elevation maps plus one foot, or local building standards if more stringent.
- Contractor(s) agree to furnish to homeowner documentation necessary for homeowner to request construction draws and conduct final inspections under the RREM Program, as indicated in the *Homeowner Request for Payment for Use of Own Contractor* form.
- At the Conclusion of the construction, RREM Project Manager will conduct a final inspection. The property must pass this final inspection to ensure that all items within the scope of work and invoice for were completed in a workman-like manner that addressed the property standards. The property must also pass any applicable local code building or zoning inspection and the homeowner must be granted a Certificate of Occupancy.
- Contractor(s) agree to complete construction and elevation, if applicable, within one (1) year from the date of homeowner's Grant Award signing, unless an alternative date is approved in writing by DCA.
- Contractor(s) agree to make all of its records related to the RREM-funded rehabilitation, reconstruction, or elevation available to and cooperate with HUD and the State of New Jersey if requested to conduct an audit of RREM funds. The RREM Program reserves the right to conduct on-site inspections and review documents to ensure compliance.

Contractor agrees to retain records for a minimum of five (5) years from the date of grant award signing.

- The General Contractor is responsible for the compliance of not only its firm but also its Subcontractors. The Contractor(s) and its Subcontractor(s) will comply with requirements of all Federal laws, Executive Orders, regulations, and policies governing the RREM Program.

The RREM Program references the New Jersey Division of Consumer Affairs for insurance requirements listed in the contractor addendum. The New Jersey Division of Consumer Affairs periodically updates its insurance requirements. Therefore, it is the responsibility of the contractor to follow current insurance requirements per the New Jersey Division of Consumer Affairs or the RREM Program, whichever is more stringent from the date the addendum is signed. This includes insurance requirements for elevation contractors, such as cargo and riggers insurance.

10.4.6 Pathway B Grant Award Draw Requests and Review Process

Homeowner's may submit up to two (2) payment requests, in addition to requests for *Reimbursement* and *Construction Advance*, for payment of construction work under Pathway B of the RREM Program. Payments are submitted to the RREM Project Manager for review and approval. Effective October 13, 2014, homeowners must submit photo documentation of "work performed" with each payment request. Homeowners must submit any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form. DCA will review each payment request, review the photo documentation, and give secondary approval prior to release of funds. The review to determine the amount approved for the payment request is recorded on the *Pathway B Payment Summary Sheet*. Effective January 1, 2019, applicants will no longer be limited to two (2) construction payment requests. Payments will now be disbursed after work is completed with submission of an invoice. In addition to homeowners submitting any and all required supporting documentation, as indicated on the *RREM Program Payment Request* form, RREM Project Managers will confirm the completed work during a site inspection. Site inspections to confirm completed work will be limited to no more than one (1) every forty-five (45) days or as approved by the RREM Project Manager on a case-by-case basis. Applicants will be required to sign an acknowledgement form attesting that they are satisfied with the work invoiced for and will pay their contractor within ten (10) days of receipt of Program funds. If the applicant does not pay the contractor within the ten (10) day period, s/he may be administratively withdrawn from the Program for non-compliance.

The RREM Program can only consider construction payments for work done on or after the date of Tier 2 environmental review clearance. Definition of work done on or after date of Tier 2 environmental review clearance will be determined by date of invoice submitted by Homeowner,

unless other documentation is provided that indicates a different date. Additionally, the Program cannot pay for any work determined ineligible for funding (e.g. detached garages, fencing, hot tubs, etc.). The Program will cap its Pathway B payment requests at the remaining construction award amount, less retainage, indicated on the Homeowner's award calculation. This amount reflects the cost reasonable amount of funding the Program has determined is needed to address the necessary rehabilitation/elevation/reconstruction to bring the house up to the Program-required building standards.

10.4.7 Scope Adjustments

Applicants who use a homeowner-selected contractor may account for unforeseen costs that arise during construction by requesting a scope adjustment to their grant award. The procedures for requesting scope adjustments will include, but not limited to, the following procedural requirements as outlined in this section.

Applicants may request no more than two (2) scope adjustments. The amount of the scope adjustment will be limited to the **lesser of** the scope adjustment subtotal of the applicant's unforeseen eligible scope items, based on the appropriate required documentation, or the scope adjustment subtotal of the Program estimated costs for missed scope of work. Scope adjustment requests for \$2,500.00 or less will be considered "de minimus." De minimus scope adjustment requests will not be considered by DCA for review and approval. A scope adjustment request will not be considered where the grant award calculation includes contingency and the scope adjustment request is **less than** the included contingency amount. Finally, applicants who have received the Program cap grant award of \$150,000 and have an unmet need may not request additional grant award funds through the scope adjustment process because the request will not impact their grant award. Scope adjustment requests for applicants who are applying for additional Program funding will be considered by DCA on a case-by-case basis, pending a full review of supporting documentation.

Appropriate required documentation includes:

- Architect/Engineers Reports,
- Municipal Requirements,
- Accessibility Modifications,
- Environmental/Historic Conditions, and/or
- Failed Mechanical, Electrical or Plumbing Systems.

At final inspection, the RREM Project Manager will review the applicant's Estimated Cost to Repair (ECR), including all approved scope adjustments, and inspect the home to verify all RREM Program work is complete. Any cost variance between the project scope and the final scope as determined by the RREM Project Manager, above and beyond the \$2,500.00 de minimus threshold will, result in a failed final inspection.

10.5 General Construction Considerations

Scope of Work/Estimated Cost of Repair Report

Properties classified as rehabilitation in the initial feasibility determination will have a draft scope of work document that includes the estimated costs for repairs sited at the initial site inspection (ISI). The items listed as required for repair should serve as a guideline for homeowners when submitting the Pathway B Request for Payment form and associated invoices.

Properties classified as a reconstruction at the time of the initial feasibility determination will most likely not have a scope of work with estimated cost of repair items, if for example the property was a vacant lot or was severely damaged without a reasonable cost to rehabilitate the property.

The costs to address lead and asbestos hazards in the home are eligible, up to the maximum grant amount, including the inspection to provide proof of lead clearance which will be priced into the applicant's scope of work. All contractors must employ lead and asbestos safe practices when doing renovations at the damaged property. A copy of the lead and asbestos assessment related to the subject damaged property will be provided to applicants to indicate all hazards that must be addressed to complete the scope of work, in accordance with state and HUD requirements.

Rehabilitation Standards

Applicants who select Pathway B are directly responsible for ensuring their selected contractor(s) comply with the requirements documented in the approved Minimum Housing Rehabilitation Standards. The Minimum Housing Rehabilitation Standards is provided to all Pathway B applicants rehabilitating their property in the Pathway B Packet.

Special Needs Verification

Special Needs Verifications are documented on several RREM Program forms as related to accessibility modifications that an applicant or household member may require. The following forms capture this information and are recorded in an applicant's file:

- The applicant indicates whether accessibility requirements may be necessary on the *Duplication of Benefits* form which is completed in the early eligibility stage,
- The RREM Program *Form 7* is completed if major accessibility items such as lifts and elevators are required. This form is signed by a medical professional to authorize the requirement, and
- The *Mobility Modification Form* is completed at the Step 5A meeting to identify additional mobility requests.

Environmental Review/Tier 2 Report

The Environmental Tier 2 Review will be included within the Pathway B packet of materials and provided to the Applicants at the Step 5A meeting. If applicable, the *DEP Tier 2 Review* will include any findings and prescribed actions related to the damaged property. Environmental mitigation costs as listed on the DEP Tier 2 Review are eligible to be paid within the homeowner's existing RREM award.

Lead Based Paint Report

All homes built prior to 1978 will receive a copy of a lead risk assessment to determine the presence of lead-based paint. Applicants will also be provided with a list of state certified lead abatement contractors in the Pathway B packet of materials to contact if necessary. Applicants must sign and return both the *Pathway B Certification of Construction Requirements* form and the Program *Lead Certification* forms indicating receipt of the lead assessment report and certifying their selected contractor will mitigate or abate any lead findings identified as prescribed in the report. Homeowner's contractor(s) must use a state certified lead abatement contractor for hazardous lead-based paint and/or Renovation, Repair, and Painting (RRP) certified contractors for non-hazardous lead-based paint found in the home.

If a homeowner undertakes rehabilitation on his/her own property where lead-based paint has been identified, s/he is not required to be state certified in lead abatement, RRP certified, or have undergone lead safe work practice training. If a homeowner hires a contractor who is not a certified state lead abatement contractor or a RRP certified contractor, the homeowner is required to accept all responsibility and liability associated with lead-based paint safety within the property. In both of the above instances, the RREM Program will determine which associated lead costs to remove from the scope of work based on the work done and type of contractor used. In either case, the homeowner will still be required to produce a *Lead Clearance Examination Report* for final inspection and the RREM Project Managers will have the homeowner sign a *Lead Abatement Applicant Liability Acceptance* form to acknowledge either of the above circumstances.

Asbestos Containing Material Report

If an applicant's ECR and/or Asbestos Containing Material Report at time of ISI determines asbestos is present, the applicant will be responsible for hiring a certified asbestos-abatement contractor for proper removal and disposal of the asbestos. Applicants will be required to submit an asbestos disposal manifest as evidence of proper disposal. If a homeowner is unable to produce an asbestos disposal manifest, the homeowner must certify that either (1) s/he disposed of any asbestos on the property in an appropriate manner and in accordance with local and state requirements or (2) a third-party certified contractor has tested for and confirmed asbestos is either not present where presumed and/or due to the required repairs, asbestos condition (non-friable), and/or the location of asbestos material, that no asbestos

containing materials were distributed/removed from the site at any time during the construction process. In either of the above instances, the homeowner is required to accept all responsibility and liability associated with asbestos safety within the property. Any asbestos-abatement or hazard removal costs from the scope of work will be removed if not attributable to a certified-asbestos abatement contractor. In such cases, if a homeowner or contractor provides an asbestos disposal manifest, the cost of disposal only will be eligible.

ENERGY STAR and HUD Green Building Document

The applicant will be instructed by the RREM Project Manager as to whether the Green Building Retrofit Checklist (rehabilitation) or ENERGY STAR (reconstruction) is required for construction activities. If applicable, the applicant is required to incorporate these energy efficiency items within the final scope of work. ENERGY STAR and Green Building retrofit costs are eligible to be invoiced by the applicant for funds disbursement up to the maximum grant award. If during final inspection it has been determined that non-energy efficiency materials were used in place of ECR prescribed energy efficiency line items, the RREM Program will deduct the value of the prescribed energy efficiency line items from an applicant's final grant award in their entirety. Thus, applicants will not receive funding for any non-energy efficiency materials as observed during final inspection. Please reference the discussion of the *Contractor Addendum* above for additional ENERGY STAR and/or Green Building standards requirements.

Construction Complete

The RREM Program will consider construction complete upon submission of the Certificate of Occupancy, or equivalent.

10.6 Administrative Signings

The purpose of this section is to provide guidance to the program in the event that upon certain key events, the homeowner fails or refuses to act in a manner consistent with the contract, that Department of Community Affairs can take actions necessary with the action plan, the HUD CDBG Rules, and the guidelines to meet the Program requirements, as outlined in these policies and procedures.

From time-to-time a homeowner may refuse to sign a key document required before other program processes can proceed. There can be a variety of reasons for this decision by the homeowner and therefore it must be determined if the reason for not moving forward is valid within the scope and requirements of the program.

Effective September 30, 2015, under Pathway B any Amendments and Final Grant Reconciliation Calculation is allowed to be administratively signed as long as the terms of the Amendment or Final Grant Reconciliation have been communicated to the applicant and the applicant has been given a sufficient opportunity to discuss same with DCA Operations Staff.

All other documents, unless specifically stated may not be signed by an administrative signing, the RREM project managers may refer to the DCA for their review as to the appropriateness of an administrative signing. DCA shall have the final decision on what documents are eligible to be signed under this policy.

11 PROGRAM CLOSEOUT

11.1 Final Inspections

Final Inspection (Pathway A)

Pathway A projects are defined as projects with a zero or nominal ECR at the ISI and do not require a final site inspection. Remaining work is nominal if the project meets all Minimum Housing Rehabilitation Standards and the estimated cost to complete is less than \$5,000. Upon collection of the required documentation, the project may be closed out based on the ISI.

Files classified as Pathway A at ISI, but under current policy definition would be classified as Pathway B at the time of closeout, will be held to the requirements of Pathway A unless, on a case-by-case basis, DCA determines the scope of work is significant enough (greater than \$5,000) to warrant the file to be reclassified as Pathway B. All Pathway A applicants must have a Certificate of Occupancy (CO) or Program-approved equivalent on file certifying construction is complete.

For applicants where the local municipality does not require permits for the amount of work completed and/or does not issue COs, the RREM Project Manager will refer to the Standard Operating Procedures on “RREM Self-Certification of CO.” An applicant may require the use of a self-certification form in lieu of a CO. It is the RREM Project Manager’s responsibility to determine if the use of the self-certification form is appropriate.

Final Inspection (Pathway B)

The Policies and Procedures were updated on July 24, 2014 to include the Nominal Remaining Work Standard which clarified the definition of an applicant in Pathway A. The Nominal Remaining Work Standard is used to distinguish a Pathway A project from a Pathway B or C project. Prior to this clarification, files with an estimated cost to complete less than \$5,000 were processed as Pathway B. These Pathway B files, now reclassified as Pathway A, will be processed through the Pathway A workflow to facilitate closeout.

The applicant will initiate the closeout process through the submittal of a Certificate of Occupancy (CO), or Program-approved equivalent. Applicants may submit this through any member of the Program; if not submitted directly to the RREM Project Manager. Effective September 30, 2015, if a CO or Program-approved equivalent is scanned into SIROMS, an automated notification is sent to the RREM Project

Manager to review this document to ensure it is valid for closeout purposes. If it is, the RREM Project Manager can then proceed with closeout of that application.

For applicants where the local municipality does not require permits for the amount of work completed and/or does not issue COOs, the RREM Project Manager will refer to the Standard Operating Procedures on “RREM Self-Certification of CO.” An applicant may require the use of a self-certification form in lieu of a CO. It is the RREM Project Manager’s responsibility to determine if the use of the self-certification form is appropriate.

When the RREM Project Manager has verified that construction to occupancy has been completed, and all payment requests have been approved, the RREM Project Manager will move the file from the “Construction” stage into the “Pathway B Pending Final Inspection” stage. Applicants unable to provide or successfully meet standards, e.g. failure to pass Alternative Energy Efficiency Compliance Checklist, if applicable, will be unable to proceed to final inspection. Failure to supply any of the required documents for a property may result in the administrative withdrawal of the application from the Program. The applicant can reach out to the RREM Project Manager for any questions on how to prepare, including required documentation.

Once all required documents are verified, the RREM Project Manager will move the application into the “Final Inspection in Process” stage. Coordination between the RREM Project Manager and the applicant results in a scheduled final inspection. The file will then remain in the “Final Inspection in Process” stage until the property passes the RREM Program final inspection. An authorized adult of at least eighteen (18) years of age must be present during the final inspection. Applicants must work with their RREM Project Managers to inform them of any eligible work that was completed, but not reflected in the original scope of work. RREM Project Managers will capture this information for any revisions that need to be done to the grant calculation.

After the final inspection has taken place, the RREM Project Manager will give a carbon copy of the inspection results to the applicant or authorized adult representing the homeowner during final inspection, indicating whether or not the property passed or failed final inspection. If the property passed, then the RREM Project Manager will move the file forward upon completion of all closeout documentation. A notification will be sent to the homeowner indicating that s/he passed final inspection. However, if the property fails at final inspection, a notification will be sent to the applicant including all reasons for the failed final inspection, as well as the corrective actions that are required to fix the deficiency(ies). Applicant is notified that s/he has sixty (60) days to correct the deficiency(ies) and contact the RREM Project Manager to schedule a re-inspection, and failure to do so may result in the administrative withdrawal of the application from the Program.

At final inspection, the RREM Project Manager is verifying line-items in the ECR Report have been completed. If that line-item met or exceeded Program Specifications, then it is deemed a “Pass.” However, if there is a failure for a non-safety hazard line-item, then the cost of that repair gets deducted at closeout through a negative scope adjustment to the ECR.

The following are examples of situations that, if observed at final inspection, will result in the property to receive a “Fail” and will require corrective actions be taken in a timely manner, as stipulated above:

- Smell of gas or sewage;
- Improper venting of gas equipment, boiler, dryer, or plumbing system;
- Apparent plumbing or water leaks;
- Missing carbon monoxide or smoke detectors;
- Apparent electrical hazards, such as exposed wiring or missing outlet/switch cover plates;
or
- Apparent electrical circuit issues.

Final Inspection (Pathway C)

Once construction has been completed under Pathway C, the contractor will request a final site inspection by the RREM Project Manager to guarantee that all work outlined in the contract has been satisfactorily completed according to the appropriate State and local codes and standards as confirmed by a CO and that the home meets RREM housing standards. The final site inspection confirms that all work has been completed and been accepted, including all items on a punch list. Documentation that these inspections have been performed and passed must be provided along with the CO. A final inspection form will be completed and signed by the homeowner and RREM inspector and placed into the project file. If applicant refuses to sign the form, DCA may deem construction complete and administratively sign on behalf of the applicant. Upon a successful inspection, the contractor will submit for final payment and the RREM Project Manager will move the stage from “Construction Phase” to “Pathway C Retainage Release.” The contractor can request the retainage payment thirty (30) days after passing the final inspection. If the project does not pass the final inspection or certain line-items from the scope of work do not meet Program standards, the Project Manager will work with the contractor to take corrective action as necessary.

File Checklist for RREM Project Manager

After a successful final inspection for Pathway B and C or ISI for Pathway A, a desk review of the file is done to review all documentation. An Operations QA/QC Checklist is also completed and reviewed internally by the RREM Project Manager. The RREM Project Manager will move the file forward and, upon completion of all closeout documentation, will send via the iDone Interface to the “Operations QA/QC” stage.

Each RREM Project Manager shall maintain all records related to products, transactions or services under this contract for a period of five (5) years after the State grant is closed by HUD pursuant to 24 CFR 570.490(d). Such records shall be made available to HUD, DPP, DCA, the New Jersey Office of the State Comptroller upon request pursuant to N.J.A.C. 17:44-2.2, or to other authorized parties for audit and review, for a period of five (5) years from the date of final payment or applicable State laws, whichever is

longer. All documents required to verify construction is complete must be maintained by the RREM Project Manager in accordance with the record retention policy.

11.2 Operations Quality Assurance/Quality Control (“QA/QC”) Review

Once the RREM Project Manager has verified construction has been completed to occupancy and uploaded all required documents to the file, the application will be reviewed by QA/QC Operations Staff to confirm all program construction requirements are complete. QA/QC Operations Staff will confirm the required documentation is on file for applicable construction requirements, final inspection, and verify that all payment requests have been properly disbursed, less retainage, when applicable. Upon confirmation that all applicable program requirements have been completed and appropriately documented in the applicant’s file, QA/QC Operations Staff will submit the file to the “Final Grant Reconciliation” stage to account for any changes in DOB and/or scope adjustments.

The QA/QC Operations Staff member will utilize one of three checklists based on pathway, submitted by the RREM Project Manager through the iDone Interface. The RREM Project Manager must indicate whether or not a listed document was required or not applicable. Should QA/QC Operations Staff find discrepancies and/or determine that the file cannot pass QA/QC, they will reject the file in the system and send the file back for review by the RREM Project Manager to complete the file. However, if the QA/QC review yields positive results and the file passes, the QA/QC Operations Staff then moves the file forward to Final Grant Reconciliation.

11.3 Final Grant Reconciliation

Once the file has been reviewed by Operations QA/QC Staff to confirm all applicable Program construction requirements have been completed, Operations QA/QC Staff will move the file forward to complete a final grant award reconciliation. During this review, Grant Reconciliation Operations Staff will conduct a preliminary DOB analysis and revise the grant award calculation to include any scope adjustments. Grant Reconciliation Operations Staff, upon submission of the final grant reconciliation, must justify any change to the grant award in case notes in the system of record. A final grant award calculation will be created for review by the DCA Office of Compliance and Monitoring. After the final award calculation is prepared, those applicants who are found to have a grant award reduction can submit any ineligible receipts/invoices for construction costs that were not previously captured by the Program. The value of Program determined ineligible completed work may be used to reduce the impact of an applicant’s DOB funds.

11.4 Final Grant Reconciliation Review and Final Closeout Process

Before a project file can be moved to archive, there must be a final review by DCA Compliance and Monitoring to validate the final grant award calculation and ensure all required documentation is on file. During this final grant award calculation review, the Program will conduct a final DOB review if necessary

and incorporate any final scope adjustments. If, upon approval of this grant reconciliation, it is determined that there has been an over-disbursement of grant funds, Compliance and Monitoring Staff will be unable to submit the final grant award calculation unless an accounts receivable has been established for that applicant for the total amount of funds owed back to the Program.

Upon approval by the Office of Compliance and Monitoring, a notification will be sent to the applicant indicating the applicant owes funds back to the Program, the applicant is owed grant funds or no change has been made to the grant award. The applicant will receive a side-by-side comparison of the last-executed grant award calculation and the approved final grant reconciliation calculator. The applicant must return a signed copy of the Final Grant Reconciliation within thirty (30) days. SIROMS has been designed to accommodate applicants that seek to change either the scope of work and/or DOB. If there is no response from the applicant within thirty (30) days, the Program may administratively sign the Final Grant Reconciliation on the applicant's behalf in order to facilitate project closeout.

If the applicant owes funds back to the RREM Program and there is an open accounts receivable, the file will not move forward until the requested funds are repaid back to the Program. If a final payment or retainage payment is owed to the applicant, then upon receipt of the signed Final Grant Reconciliation, final payment or retainage payment will be issued to the applicant.

Finally, after any disbursement or over-disbursement reconciliations, the file is ready for final closeout and archive. The applicant is then notified that the DCA Office of Compliance and Monitoring has requested the removal of the Declaration of Covenants and Restrictions from the County Clerk's Office in the county in which the damaged property is located. In addition, the applicant is notified in this correspondence that s/he no longer has any obligation to the Program. The applicant is instructed to keep all receipts and documentation for at least five (5) years in the event his/her file gets audited or reviewed. Compliance and Monitoring will then push the file forward to Operations Staff to validate all documents prior to archiving. Once complete, the file will now move to the "Application Complete" stage for archiving.

GLOSSARY

Abatement – Means a set of measures/techniques to carry out “permanent” removal of lead hazards, abatement techniques includes: (1) The removal of lead-based paint and dust-lead hazards, (2) the permanent enclosure of lead-based paint, (3) the encapsulation of lead-based paint, or, (4) the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards. Abatement includes all preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures.

Action Plan – The State of New Jersey Action Plan for Superstorm Sandy as approved by HUD on April 29, 2013.

Activity/PO Number – An official tracking number issued by the DCA that formally notifies the RREM and construction contractors that a project has been setup in the contracts system and RREM Program funds have been obligated to the project.

Adequate Quality Control – A plan or design which ensures the authenticity, integrity, and accuracy of samples, including dust, soil, and paint chip or paint film samples. Adequate quality control also includes provisions for representative sampling.

Administrative Signing – Where DCA will act on behalf of the homeowner and sign documents that allow for subsequent program actions.

Asbestos – The asbestos form varieties of Chrysotile (serpentine); Crocidolite (Riebeckite); Amosite (Cummingtonite-grunerite); Anthophyllite; Tremolite; and Actinolite.

Asbestos-Containing Material – Any material or product which contains more than 1% asbestos.

Assignment – The process by which general contractors are awarded rehabilitation or reconstruction projects through the analysis and monitoring of standard performance metrics designed to provide an accurate depiction of their capability and capacity to perform work within the program.

Architect or Engineer of Record (AOR) – Architect or Engineer of Record (AOR) is the recognized licensed design professional in General Responsible Charge. The AOR is responsible for preparing any change order scope of work technical drawings and specifications defining technical changes to the original Contract Documents and affixing their signature and seal/stamp to the document(s) they prepare.

The AOR is also responsible for preparing and processing FCNs for expedited review and approval by the RREM Project Managers and/or jurisdictional authority, as required.

Bare soil – Soil or sand not covered by grass, sod, other live ground covers, wood chips, gravel, artificial turf, or similar covering.

Change Order – A written instrument that authorizes additions, deletions and/or revisions in the Contract Work, Contract Amount, Contract Milestones or Contract Time as originally defined by the Contract Documents.

Change Order Proposal (COP) – A written instrument, prepared and submitted by GENERAL CONTRACTOR setting forth proposed adjustments to the Contract Work, Amount, Milestones, Time, in response to a directed and/or proposed addition, deletion or revision in Work scope or project conditions as perceived by GENERAL CONTRACTOR.

Clearance Examination – An activity conducted following lead-based paint hazard reduction activities to determine that the hazard reduction activities are complete and that no soil-lead hazards or settled dust-lead hazards, as defined in this part, exist in the dwelling unit or worksite. The clearance process includes a visual assessment and collection and analysis of environmental samples.

Code – Means the New Jersey Code of Construction, Minimum Housing Rehabilitation standards, HUD HQS standards (where applicable) the IRC 2009, the relevant Construction Agreement, the program Guidelines and the Policy and Procedure manuals.

Community-certified Substantial Damage – A determination of either SD or no SD has been made by the community using a methodology acceptable to FEMA that also meets the NFIP requirements for SD determinations.

Component – An architectural element of a dwelling unit or common area identified by type and location, such as a bedroom wall, an exterior window sill, a baseboard in a living room, a kitchen floor, an interior window sill in a bathroom, a porch floor, and stair treads in a common stairwell, or an exterior wall.

Construction Directive (CD) – A written directive issued by Project Manager directing general contractor to proceed regarding an issue of dispute or requiring general contractor to take a specified action regarding the Work, Project and/or Contract. A Construction Directive may, but not always will, result in an addition, deletion, and/or revision in the Work, and may contain a proposed basis for adjustments to, if any, the Contract Amount, Milestones and/or Contract Time.

Containment – Physical separation and engineering controls required to prevent contamination of undamaged materials and occupied areas. The level of containment varies depending on the extent of the contamination.

Contract – Means the Homeowner-Contractor Construction Agreement or the Design-Build Agreement that creates a contractual relationship between the homeowner and the Contractor regarding the type, cost and timing of the repair or reconstruction project and/or the grant agreement between homeowner and New Jersey for grant funds.

Composite Pricing – Competitive pricing developed for prototypical designs by soliciting bids from general contractors and conducting a detailed analysis of bids received to develop a pricing model that can be utilized equally and fairly across the RREM program.

Construction Documents – A set of documents prepared by the RREM Project Managers or Builders that provide the information to properly prepare pricing documents on the project and submit to the local code officials for review to obtain a building permit.

Damage Assessor – Person who is qualified to perform storm damage assessments and is familiar with residential construction means and methods. The Assessor shall have a working knowledge of the New Jersey Uniform Construction Code (UCC), 2009 International Residential Codes, HUD Community Planning and Development Green Building Retrofit checklist, HUD Green Building Standards, Minimum Housing Rehabilitation Standards, and preparing Damage Assessment reports

Deteriorated Paint – Any interior or exterior paint or other coating that is peeling, chipping, chalking or cracking, or any paint or coating located on an interior or exterior surface or fixture that is otherwise damaged or separated from the substrate.

DFIRM – Digital Flood Insurance Rate Map. Developed by FEMA to show the SFHAs for the community.

Documented Methodologies – Methods or protocols used to sample for the presence of lead in paint, dust, and soil.

Duplication of Benefits (DOB) – The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster and financial assistance where other sources have been provided (insurance, etc.). The RREM program will allow for the most permissive current interpretation provided by HUD in determining Duplication of Benefits.

Electronic record – Any record whose informational content is in code and has been recorded on computer-related media such as punched paper cards or tapes, magnetic tape or disks, optical disks, or other electronic media, from which coded information is retrievable only by a machine.

Elevation – Elevating a home to the applicable advisory base flood elevation (ABFE), including the elevation of existing storm-damaged properties and the reconstruction of homes at the appropriate height as determined by elevation certificates and FEMA requirements.

Existing Footprint – The area on the ground that is or was occupied by the homeowner's original damaged structure prior to the damage sustained by Hurricane Sandy.

Existing General Contractor – A general contractor previously selected and under a construction contract with an applicant to perform rehabilitation work on a damaged dwelling where work has been performed.

Facility – Any institutional, commercial, public, industrial, or residential structure, installation, or building (including any structure, installation, or building containing condominiums or individual dwelling units operated as a residential cooperative, but excluding residential buildings having four or fewer dwelling units); any ship; and any active or inactive waste disposal site. For purposes of this definition, any building,

structure, or installation that contains a loft used as a dwelling is not considered a residential structure, installation, or building.

Fair Cost Estimate (FCE) – The probable cost of the Work independently determined by quantifying the amount of labor, materials and equipment required to perform the work and applying unit costs to arrive at a value for the change order work. The Fair Cost Estimate can serve as the basis for cost for negotiations and issuing of an expedited change order.

Field Change Notification (FCN) – A document prepared by general contractor or AOR for expedited approval defining (in detail) any code-regulated or no cost material changes in the Work prior to its execution.

FEMA-Designated High-Risk Area – Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in 100-year flood zones. These areas will be identified during the environmental review processes.

Friable – The material, when dry, may be crumbled, pulverized, or reduced to powder by hand pressure, and includes previously non-friable material after such previously non-friable material becomes damaged to the extent that when dry it may be crumbled, pulverized, or reduced to powder by hand pressure.

Friable Asbestos Material – Any material containing more than one percent (1%) asbestos as determined by PLM, that, when dry, can be crumbled, pulverized, or reduced to powder by hand pressure. If the asbestos content is less than ten percent (10%) as determined by a method other than point counting by PLM, verify the asbestos content by point counting using PLM.

General Contractor (GC)/Builder – Company awarded the contract to complete construction activities on RREM program applicant homes. GCs may only participate in the RREM program after being selected to the Prequalified Contractor Pool approved by the DCA.

Grant Agreement – Agreement between the homeowner and the DCA regarding the terms and conditions set forth for receiving financial assistance from the State of New Jersey and the US Department of Housing and Urban Development.

Guidelines – The RREM program guidelines.

Hazard Communication – OSHA Hazard Communication Standard 29 CFR 1910.1200.

Hazard Reduction – Measures designed to reduce or eliminate human exposure to lead-based paint hazards through methods including interim controls and/or abatement.

HEPA Filter – A High Efficiency Particulate Air (HEPA) filter capable of trapping and retaining 99.97 percent of all particulate larger than 0.3 microns.

Homeowner – The person or persons that have signed a grant agreement with the State of New Jersey to repair or reconstruct a home using program funds.

Homeowner Upgrade – Any homeowner option that deviates away from the standard materials and finishes as defined by the RREM Program Design Standards and Specifications listed on the Prototypical Designs.

Homogenous Area – An area of surfacing material, thermal system insulation (TSI), or miscellaneous material that is uniform in color and texture.

HUD CDBG Rules – The rules governing the CDBG-DR program generally found at 24 CFR Section 570.

HUD Funds Notice – Notice of Distribution of Funds as published in the Federal Register Volume 78 No. 43 Published March 15, 2013.

HUD Waiver Notice – Notice outlining clarifications and common waiver as published in the Federal Register Volume 78 No. 43 Published April 19, 2013.

Industrial Hygienist (IH) – Refers to an individual designated and provided by the Contractor that is a professional qualified by education, training, and experience to anticipate, recognize, evaluate, and develop controls for occupational and indoor air quality hazards. Education must include a minimum 12 semester hours or quarter hour equivalent of chemistry and 18 additional semester hours or quarter hour equivalent of courses in any combination of chemistry, physics, engineering, health physics, environmental health, biostatistics, biology, physiology, toxicology, epidemiology, or industrial hygiene. The Industrial Hygienist shall be under the supervision of a Certified Industrial Hygienist.

Inspector – The inspector hired by the RREM Project Managers to ensure quality and compliance of the repairs or reconstruction of the homeowner property.

Installation – Any building or structure or any group of buildings or structures at a single demolition or renovation site that are under the control of the same owner or operator (or owner or operator under common control).

Interim Controls – A set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards. Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs.

Invitation for Bid (IFB) – A document developed by the RREM Project Manager provided to the Pre-qualified Contractor Pool detailing the specifics of an individual project and providing the requirements, policies, and schedule for the bidding process.

Lead-Based Paint – Paint or other surface coatings that contain lead equal to or in excess of 1.0 milligrams per square centimeter or more than 0.5 percent by weight.

Lead-Based Paint Hazard – Any condition that causes exposure to lead from dust-lead hazards, soil-lead hazards, or lead-based paint that is deteriorated or present in chewable surfaces, friction surfaces, or impact surfaces, and that would result in adverse human health effects as established by the proper

Federal agency. (See 40 CFR §745.65 for detailed explanation of paint-lead hazard, dust-lead hazard, and soil-lead hazard.)

Living Area – Any area of a residential dwelling used by one or more children age 6 and under, including, but not limited to, living rooms, kitchen areas, dens, play rooms, and children’s bedrooms.

Management Information System (MIS) – RREM Project Manager’s staff workflow, record storage, and interface tool.

Manufactured Housing Unit (MHU) – Also known as a Manufactured Home as defined by 24 CFR Part 3280 (HUD-Code). A Manufactured Home is a structure that is transportable in one or more sections. In the traveling mode, the home is eight body-feet or more in width and forty body-feet or more in length. It is at least 320 square feet, built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems. The structure must be designed for occupancy as a principal residence by a single family. All Manufactured Homes must have a HUD Certification Label affixed and must meet the requirements of HUD-Code for Manufactured Homes as set by the National Manufactured Housing and Construction Safety Standards Act of 1974, and HUD Code Standards 24 CFR Part 3280 & 3282. The MHU must be built to meet local and regional building codes including windstorm requirements.

Materials and Finishes – Items within the scope of the house that when changed do not affect the dimensions of the floorplan or existing footprint.

Mitigation – Activity to protect the home from future storm damage (*e.g.*; elevation, shutters, elevated HVAC, strengthen doors, soil stabilization, roof-ties, etc.)

Modular Housing (MH) – Also known as industrialized housing. Industrialized housing is a residential structure that is designed for occupancy as a permanent residential structure when the module or modular component is transported to the permanent site and erected or installed on a permanent foundation system. Industrialized housing includes the structure’s plumbing, heating, air conditioning, and electrical systems. Modular Homes must be built to meet International Residential Code (IRC) standards including any additional applicable State, local, and regional building codes including windstorm requirements. Once assembled, the Modular Home becomes permanently fixed to one site.

Mold – Molds are fungi and occur naturally in the environment. Many different species of mold exist in New Jersey. Molds can be found almost anywhere and can grow on just about any material as long as conditions are favorable. For growth, molds need nutrients such as oxygen and moisture and a material to grow on.

Mold Abatement – Cleanup or removal of mold affected material in order to control mold hazard.

National Environmental Protection Act (NEPA) – Signed into law on January 1, 1970, the National Environmental Policy Act is the U.S.’s National policy for the protection of the environment. NEPA

requires all Federal agencies to assess the environmental impacts of their proposed actions prior to taking actions, including issuing permits or spending Federal dollars.

New Construction – A replacement home that substantially exceeds the original footprint on the original damaged site (if permitted) or the construction of a new home on an alternate location.

No Substantial Damage – Damage of any origin sustained by a structure whereby the cost of restoring the structure to it's before damaged condition is less than 50 percent of the market value of the structure before the damage occurred.

Non-English Language Speakers – Individuals who lack the level of English language proficiency in verbal and written communication necessary to represent themselves in the RREM program process.

Non-friable – Material which when dry may not be crumbled, pulverized, or reduced to powder by hand pressure.

Non-friable Asbestos-Containing Material – Any material containing more than 1 percent asbestos as determined using the method specified in Appendix F, subpart E, 40 CFR Part 763, Section 1, and PLM, which, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure.

Non-responsive Homeowner – A homeowner that does not respond to five (5) or more attempts, over a 3-day period, to schedule an ISI or any other critical meeting or data request.

Notice to Proceed (NTP) – A letter from the RREM Project Manager to the construction contractor stating the date the contractor can begin work subject to the conditions of the construction contract. The performance time of the contract starts from the NTP date.

OMB Circular – The Federal Rules Governing grant expenditures.

Owner or operator of a demolition or renovation activity – Any person, who owns, leases, operates, controls, or supervises the facility being demolished or renovated or any person who owns, leases, operates, controls, or supervises the demolition or renovation operation, or both.

Paint Stabilization – Repairing any physical defect in the substrate of a painted surface that is causing paint deterioration, removing loose paint and other material from the surface to be treated, and applying a new protective coating or paint.

Painted Surface to be Disturbed – A paint surface that is to be scraped, sanded, cut, penetrated, or otherwise affected by rehabilitation work in a manner that could potentially create a lead-based paint hazard by generating dust, fumes, or paint chips.

Policy and Procedures – This policy and procedures manual.

President's Council on Environmental Quality – NEPA established the [President's Council on Environmental Quality](#) (CEQ), which oversees NEPA for all Federal agencies and developed regulations for implementing the Act. These regulations are at 40 CFR 1500-1508.

Presumed Asbestos-Containing Material (PACM) – Thermal system insulation and surfacing material found in buildings, building some components constructed no later than 1980 that are assumed to contain greater than one percent asbestos but have not been sampled or analyzed to verify or negate the presence of asbestos.

Prevailing Wage(s) – Rules and requirements related to the New Jersey State Prevailing Wage Act and the Federal Davis Bacon Act.

Project Manager (PM) – An individual assigned to the project responsible for administering the contract between the homeowner and general contractor.

Prototypical Designs – Standardized house plans and specifications developed by the RREM Project Managers submitted to the New Jersey Division of Codes and Standards for review and approval. Designs are to be built as approved by the State in any county deemed eligible for the RREM participation.

Qualified Person – Industrial Hygienist, Certification as an industrial hygienist (CIH) as certified by the American Board of Industrial Hygienists, safety professional (CSP) as certified by the Board of Certified Safety Professionals or engineer (PE). Additionally, one-year experience in conducting microbial investigations is required.

Quality Assurance (QA) – Post-field review of the collected SDE data to ensure the accuracy of the data.

Recognized Laboratory – An environmental laboratory recognized by the U.S. Environmental Protection Agency (EPA) pursuant to Toxic Substances Control Act section 405(b) as being capable of performing an analysis for lead compounds in paint, soil, and dust.

Reconstruction – Demolition and re-building of a stick-built unit on the same lot in substantially the same footprint and manner. Activity also includes replacing an existing substandard manufactured housing unit (MHU) with a new MHU or Gap stick-built housing unit. Modular Homes will be replaced with a program standard stick-built unit. The number of units on the lot may not increase and the total square footage of the original, principal residence structure to be reconstructed may not be substantially exceeded; however, the number of rooms in a unit may be increased or decreased. However, the number of bedrooms may not be increased.

Reconstruction standards – Conformance with construction standards identified in the New Jersey Uniform Construction Code (UCC), 2009 International Residential Codes, HUD Community Planning and Development Green Building Retrofit checklist, Universal Design features; HUD Green Building Standards, HUD Housing Quality Standards; windstorm provisions; and ENERGY STAR. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials. Where a conflict arises in the codes, the most stringent standard will prevail.

Regulated asbestos-containing material (RACM) – (a) Friable asbestos material, (b) Category I non-friable ACM that has become friable, (c) Category I non-friable ACM that will be or has been subjected to sanding, grinding, cutting, or abrading, or (d) Category II non-friable ACM that has a high probability of becoming

or has become crumbled, pulverized, or reduced to powder by the forces expected to act on the material in the course of demolition or renovation operations regulated by this subpart.

Rehabilitation – The improvement of an existing structure through alterations, incidental additions, or enhancements. Rehabilitation includes repairs necessary to correct the results of deferred maintenance, the replacement of principal fixtures and components, improvements to increase the efficient use of energy, and installation of security devices.

Rehabilitation standards – Conformance with State and local building codes, standards, and ordinances; Windstorm requirements; HUD Community Planning and Development Green Building Retrofit Checklist, local health and safety codes; and Minimum Housing Rehabilitation Standards. At completion, properties must also meet minimum construction and design standards established by the New Jersey Construction Manual for Rehabilitation and approved by the DCA.

Request for Clarification (RFC) – A written instrument issued by GENERAL CONTRACTOR and issued to ARCHITECT and RREM requesting clarification or interpretation of the intent of the Contract Documents. An RFC response only clarifies the intent of the Contract Documents and does not authorize changes in the Contract Amount, Milestones and/or Contract Time.

Risk Assessment – An on-site investigation to determine and report the existence, nature, severity, and location of lead-based paint hazards in residential dwellings including; information gathering regarding the age and history of the housing and occupancy by children under age 6; Visual Inspection; Limited wipe sampling or other environmental sampling techniques; Other activity as may be appropriate; and Provision of a report explaining the results of the investigation.

Schedule of Unit Values – Competitive pricing developed for site specific conditions that vary from one site to another for a reconstructed prototypical home.

Scope of Work (SOW) – Description of activities to be performed by GC in the rehabilitation or reconstruction process of applicant homes.

SDDC – Substantial Damage Data Collection.

SDE – The Substantial Damage Estimator Version 2.0.2 Tool was developed by FEMA to assist State and community officials in estimating SD to residential and non-residential structures. The SDE tool allows community officials with limited appraisal or construction backgrounds to develop reasonable estimates of structure values and damage in accordance with the NFIP requirements.

Section 3 – That portion of the Section 3 of the HUD Act of 1968 related to the hiring of local low and very low-income populations to perform work on contracts that use Federal funds. The State of New Jersey is reviewing and adopting a Section 3 Plan for this program. At a minimum, it will require general contractors in the qualified contractor pool to meet the Section 3 policy to the “greatest extent feasible”. The term greatest extent feasible means that general contractors will make substantial efforts to comply with the regulatory requirements of Section 3. This includes hiring goals of:

30 percent of the aggregate number of new hires/training opportunities annually;

A minimum goal of at least ten percent (10%) of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and

A minimum of three percent (3%) of the total dollar amount of all other Section 3 covered contracts (professional services, maintenance, engineering, architectural, legal services, accounting, marketing, etc.) (24 CFR 135.30).

Sensitive Populations – Those populations with health deficiencies such as people with immune deficiencies. Facilities where they are found include hospital wings and medical clinics. Children in day care centers or senior citizens in nursing homes are also examples of sensitive populations.

Self-certified Substantial Damage – A determination of either SD or no SD based on an assessment by the home owner without using a methodology acceptable to FEMA and meeting the NFIP requirements for SD determinations.

SOP – Standard Operating Procedure. A written document that provides the steps, decisions and outcomes or deliverables required to complete a designated task or project.

Special Flood Hazard Area (SFHA) – An area having special flood, mudflow, or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or a Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V.

Standard Program Home – Home offered by the RREM program that is equal in the number of bedrooms to and within 300 sf of an applicant’s Superstorm Sandy damaged home.

Substantial Damage (SD) – Refers to damage of any origin sustained by a structure whereby the cost of restoring the structure to it’s before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.

Target Housing – Any housing constructed prior to 1978, except housing for the elderly or persons with disabilities (unless a child of less than 6 years of age resides or is expected to reside in such housing for the elderly or persons with disabilities) or any zero-bedroom dwelling.

The Act – The Disaster Relief Appropriations Act of 2013 that provided CDBG-DR funding for the State of New Jersey.

Tier 2 Environmental Clearance – An evaluation conducted of site specific conditions to determine if the proposed construction action will have a significant impact on the environment based on Review Topics from 24 CFR Part 58.

Tier 2 Review – A sight specific environmental review that develops the environmental mitigation necessary prior to home construction.

Total Development Cost (TDC) – Total cost from applicant approved scope of work to be performed by program.

Universal Design Features – The broad ideas meant to produce buildings, products, and environments that are inherently accessible to older people, people with disabilities and people without disabilities.

Unmet Need – The amount required after duplicative assistance has been subtracted from the homeowner’s total need prior to any assistance.

INCOME DOCUMENT REQUIREMENTS

INCOME INCLUSIONS	WHAT DOCUMENTS CAN I PROVIDE (You do not need to provide every document on the list, just the document that best explains your expected 2104 income as listed on your Income Certification Form.)	
Wages	<input type="checkbox"/>	Paystub
Taxable interest	<input type="checkbox"/>	Bank Statement; AND/OR <input type="checkbox"/> Brokerage Statement
Dividend income, Capital gain (or loss), Other gains (or losses)	<input type="checkbox"/>	Brokerage Statement
Taxable refunds/ credits/offsets of state/ local income taxes	<input type="checkbox"/>	Statement from state and/or local Tax Entity
Alimony received	<input type="checkbox"/>	Records of payments actually received
Business income (or loss)	<input type="checkbox"/>	<p>If you own a business and give yourself a salary, report that under Earned Income above and provide appropriate pay records; OR</p> <p><input type="checkbox"/> If you own the same business as in 2012 and expect the same level of net income, provide your 2012 tax return; OR</p> <p>If you have started a new business in 2013 provide profit and loss information and your estimate of end of year net income.</p>
Retirement Income: Taxable amount of IRA distributions, pensions and annuities	<input type="checkbox"/>	For any retirement income you are receiving from pensions or retirement accounts provide a statement from the pension fund or institution that administers the investment that show how much income you are receiving.
Rental real estate, royalties, partnerships, trusts, etc.	<input type="checkbox"/>	<p>If you rented the property in 2012 and expect the same amount of rental income in 2013, provide 2012 tax return; OR</p> <p><input type="checkbox"/> Leases or rent rolls that show the amount of rents received and expenses related to the rental property.</p>

Farm income (or loss)	<input type="checkbox"/>	If you ran a farm yourself report income or loss by providing a Bank Statement. A profit and loss statement listing the income and expenses related to the farming activities.
Benefit Income: Unemployment compensation, Taxable amount of Social Security benefits	<input type="checkbox"/>	For any benefit you receive, provide an award letter, or statement of income that you received from the provider of the benefit. It must show the amount you receive and how often you receive it.
Other income	<input type="checkbox"/>	If you regularly receive income that is not covered above, report that income and bring document that show how much income is received.

RREM Program Income Limits

FY 2014 80% Area Median Income (AMI) Limits for the *Nine Most Impacted Counties*
(Revised 4/2014)

COUNTY 1 Person 2 Persons 3 Persons 4 Persons 5 Persons 6 Persons 7 Persons 8 Persons

Atlantic	\$38,150	\$43,600	\$49,050	\$54,500	\$58,900	\$63,250	\$67,600	\$71,950
Bergen	\$49,000	\$56,000	\$63,000	\$70,000	\$75,600	\$81,200	\$86,800	\$92,400
Cape May	\$41,200	\$47,050	\$52,950	\$58,800	\$63,550	\$68,250	\$72,950	\$77,650
Essex	\$49,150	\$56,150	\$63,200	\$70,200	\$75,800	\$81,450	\$87,050	\$92,650
Hudson	\$42,150	\$48,150	\$54,150	\$60,150	\$65,000	\$69,800	\$74,600	\$79,400
Middlesex	\$56,300	\$64,300	\$72,350	\$80,400	\$86,850	\$93,250	\$99,700	\$106,150
Monmouth	\$48,850	\$55,850	\$62,800	\$69,800	\$75,400	\$80,950	\$86,550	\$92,150
Ocean	\$48,850	\$55,850	\$62,800	\$69,800	\$75,400	\$80,950	\$86,550	\$92,150
Union	\$49,150	\$56,150	\$63,200	\$70,200	\$75,800	\$81,450	\$87,050	\$92,650

FY 2014 80% Area Median Income (AMI) Limits *Outside of the Nine Most Impacted Counties*

County	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Burlington	\$44,150	\$50,450	\$56,750	\$63,050	\$68,100	\$73,150	\$78,200	\$83,250
Camden	\$44,150	\$50,450	\$56,750	\$63,050	\$68,100	\$73,150	\$78,200	\$83,250
Cumberland	\$35,350	\$40,400	\$45,450	\$50,500	\$54,550	\$58,600	\$62,650	\$66,700
Gloucester	\$44,150	\$50,450	\$56,750	\$63,050	\$68,100	\$73,150	\$78,200	\$83,250
Hunterdon	\$49,000	\$56,000	\$63,000	\$70,000	\$75,600	\$81,200	\$86,800	\$92,400
Mercer	\$53,500	\$61,100	\$68,750	\$76,400	\$82,500	\$88,600	\$94,750	\$100,850
Morris	\$49,150	\$56,150	\$63,200	\$70,200	\$75,800	\$81,450	\$87,050	\$92,650
Passaic	\$49,000	\$56,000	\$63,000	\$70,000	\$75,600	\$81,200	\$86,800	\$92,400
Salem	\$44,150	\$50,450	\$56,750	\$63,050	\$68,100	\$73,150	\$78,200	\$83,250
Somerset	\$56,300	\$64,300	\$72,350	\$80,400	\$86,850	\$93,250	\$99,700	\$106,150
Sussex	\$49,150	\$56,150	\$63,200	\$70,200	\$75,800	\$81,450	\$87,050	\$92,650
Warren	\$49,300	\$56,300	\$63,350	\$70,400	\$76,050	\$81,650	\$87,300	\$92,950

DEPARTMENT OF COMMUNITY AFFAIRS
SANDY RECOVERY DIVISION
HUD INCOME LIMITS 2013 (REVISED)

UNCAPPED INCOME LIMITS BY COUNTY AND HOUSEHOLD SIZE

(Effective - April 29, 2013)

COUNTY	Income Level	One (1) Person	Two (2) Persons	Three (3) Persons	Four (4) Persons	Five (5) Persons	Six (6) Persons	Seven (7) Persons	Eight (8) Persons
Atlantic	50% AMI	\$24,000	\$27,400	\$30,850	\$34,250	\$37,000	\$39,750	\$42,500	\$45,250
	80% AMI	\$38,400	\$43,900	\$49,400	\$54,850	\$59,250	\$63,650	\$68,050	\$72,450
Bergen	50% AMI	\$31,850	\$36,400	\$40,950	\$45,450	\$49,100	\$52,750	\$56,400	\$60,000
	80% AMI	\$50,900	\$58,150	\$65,450	\$72,700	\$78,500	\$84,350	\$90,150	\$95,950
Cape May	50% AMI	\$26,150	\$29,850	\$33,600	\$37,300	\$40,300	\$43,300	\$46,300	\$49,250
	80% AMI	\$41,800	\$47,800	\$53,750	\$59,700	\$64,500	\$69,300	\$74,050	\$78,850
Essex	50% AMI	\$31,200	\$35,650	\$40,100	\$44,550	\$48,150	\$51,700	\$55,250	\$58,850
	80% AMI	\$49,900	\$57,050	\$64,150	\$71,300	\$77,000	\$82,700	\$88,400	\$94,100
Hudson	50% AMI	\$27,000	\$30,850	\$34,700	\$38,550	\$41,650	\$44,750	\$47,850	\$50,900
	80% AMI	\$43,200	\$49,400	\$55,550	\$61,700	\$66,650	\$71,600	\$76,550	\$81,450
Middlesex	50% AMI	\$36,400	\$41,600	\$46,800	\$51,950	\$56,150	\$60,300	\$64,450	\$68,600
	80% AMI	\$58,150	\$66,500	\$74,800	\$83,100	\$89,750	\$96,400	\$103,050	\$109,700
Monmouth	50% AMI	\$32,150	\$36,750	\$41,350	\$45,900	\$49,600	\$53,200	\$56,950	\$60,600
	80% AMI	\$51,400	\$58,700	\$66,050	\$73,400	\$79,250	\$85,150	\$91,000	\$96,900
Ocean	50% AMI	\$32,150	\$36,750	\$41,350	\$45,900	\$49,600	\$53,250	\$56,950	\$60,600
	80% AMI	\$51,400	\$58,700	\$66,050	\$73,400	\$79,250	\$85,150	\$91,000	\$96,900
Union	50% AMI	\$31,200	\$35,650	\$40,100	\$44,550	\$48,150	\$51,700	\$55,250	\$58,850
	80% AMI	\$49,900	\$57,050	\$64,150	\$71,300	\$77,000	\$82,700	\$88,400	\$94,100

APPENDIX B: Duplication of Benefits Questionnaire

Last Name _____ RRE _____



State of New Jersey RREM Duplication of Benefits Questionnaire

Applicant Name		Application ID Number	
Damaged Residence Address			

To enable us to continue to process your application, please provide the information requested below.

1. How many bedrooms were in your damaged residence at the time of the storm?
2. Have you received a substantial damage letter from the Flood Plain Manager? Yes No
3. Was your home destroyed or so seriously damaged that you believe it is likely a new home will have to be built rather than repairing your home? Yes No
4. Does anyone in your household have a disability or mobility impairment that requires special adaptations to your home (such as a wheel chair ramp or lowered cabinets) Yes No
5. Do you currently have a builder working on your home? Yes No
If yes, please provide contact information for your builder.

Builder Company Name	Representative:
Address	Telephone: ()- -
	Email Address:

Duplication of Benefits

Federal regulations require the State of New Jersey to conduct a duplication of benefits (DOB) analysis to ensure that (1) Homeowners do not receive more federal funds than needed and (2) RREM funds are used to meet a need the Homeowner still has after considering other funds received.

RREM applicants must report all assistance they have received for damage to their homes from such sources as insurance, Small Business Administration (SBA), Federal Emergency Management Agency (FEMA), and other local, state, or Federal programs, and private or nonprofit charitable organizations.

Any funds you received from these sources for repairs to your home must be considered when the amount of your RREM grant is determined. If you received funds for a purpose other than the repair or reconstruct of your home, they do not need to be reported (e.g. contents).

Please use the chart on the next page to describe the funds you have received to repair or reconstruct your home.

NJ DOB Questionnaire v8 6/30/14
Page 1

Last Name _____ RRE _____



State of New Jersey RREM Duplication of Benefits Questionnaire

FUNDS RECEIVED FOR REPAIRS/RECONSTRUCTION OF THE DAMAGED
RESIDENCE AS A RESULT OF SUPERSTORM SANDY DAMAGE

SOURCE OF FUNDS	Amount you have received to repair your home (1)	Enter any more funds you expect from insurance or SBA (2)	How much of these funds have you spent? (3)	How much of these funds still remains to complete repairs to your home? (4)
SBA	\$ _____	\$ _____	\$ _____	\$ _____
FEMA	\$ _____	\$ _____	\$ _____	\$ _____
Flood Insurance	\$ _____	\$ _____	\$ _____	\$ _____
Homeowners Insurance	\$ _____	\$ _____	\$ _____	\$ _____
Nonprofit organizations	\$ _____	\$ _____	\$ _____	\$ _____
Other Source _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL	\$ _____	\$ _____	\$ _____	\$ _____

Column (1) - Column (3) = Column (4) Example: \$50,500 - \$15,000 = \$35,500

- If you have already spent any of the funds you identified above please complete the next chart that shows how the money was spent. You should provide as much detail as possible so the program can document and credit you in your RREM grant the full amount of funds you have already spent on your repair or reconstruct.

COMPLETE THIS SECTION ONLY IF YOU HAVE USED FEMA, SBA, INSURANCE, OR OTHER FUNDS TO MAKE REPAIRS ON YOUR HOME

Please provide as much detail as you can about the work completed

Purpose	Description (what work was done, location of work, and quantities where possible e.g. 6 windows)	Total Spent
EXAMPLE:	Repair: Replaced windows Location: Living Room and 2 Bedrooms Quantity: 6 windows	Example: \$10,000.00
Mold/Water Remediation	_____	\$ _____
Debris Clean Up/Demolition	_____	\$ _____

Last Name _____ RRE _____



State of New Jersey RREM Duplication of Benefits Questionnaire

Purpose	Description (what work was done, location of work, and quantities where possible e.g. 6 windows)	Total Spent
Engineer / Surveyor / Public Adjuster		\$
Roof Repairs / Exterior Repairs		\$
Windows		\$
Wells / Septic Tanks		\$
Electrical Repairs		\$
Plumbing Repairs		\$
Appliances		\$
Interior Repairs		\$
Outbuilding (Garages, Fences Sheds)		\$
Interim Housing		\$
Other Purposes		\$
TOTAL		\$

Last Name _____ RRE _____



State of New Jersey RREM Duplication of Benefits Questionnaire

<p>BENEFIT FROM PREVIOUSLY-DECLARED DISASTER: Have you applied for, and received, any flood event related assistance for damage to this property from any Federal source for any previous Presidentially-declared disaster (occurring after September 14, 1994) that required the mandatory purchase of flood insurance pursuant to National Flood Insurance Program (NFIP) regulations? If YES, proceed with this section. If NO, do not proceed.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>1. For which flood disaster event(s) did you receive federal funds (i.e. FEMA, SBA, NEIP) for rehabilitation or structure damage to your home?</p>	<input type="text"/>
<p>2. How much federal assistance related to flood did you receive?</p>	\$ <input type="text"/>
<p>3. Were you carrying flood insurance at the time of Superstorm Sandy?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>4. Is the insurance coverage currently in effect?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No

APPLICANT CERTIFICATION

I certify that the information provided in this questionnaire is true and accurate to the best of my/our ability. I understand that if this information is not correct, it may affect the amount of any grant I may receive.

Applicant Name (Typed or Printed)	Applicant Signature	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>

WARNING: The information provided on this form is subject to verification by the State of New Jersey and the Department of Housing and Urban Development (HUD) at any time. Title 18, Section 1001 of the U.S. Code states that knowingly and willingly making a false or fraudulent statement to a department of the United States Government can result in termination of assistance and civil and criminal penalties.

APPENDIX C: RREM Selection Process

NEW JERSEY ACTION PLAN PRIORITIES & ELIGIBILITY CRITERIA

- Priorities established to ensure that the focus of this first tranche of CDBG-DR funds is placed where storm damage was greatest.
- Over-arching program goal: 70% of the funds allocated to RREM will be reserved to benefit LMI households, in accordance with HUD income guidelines.
 - The remaining 30% will be reserved to households with adjusted gross income of \$250,000 or less.
- Two priorities for selection:
 - Priority 1: Homes with substantial damage as determined by NJ floodplain managers or by DCA, regardless of zone
 - Priority 2: Homes with severe/major damage

IMPLEMENTATION OF SELECTION CRITERIA

In line with these priorities and with the criteria described in the Action Plan, the State has developed a detailed process that ensures fairness and a clear ordering of evaluation and processing.

- The selection process was designed to ensure four primary outcomes:
 - **Equal access:** The selection process has been designed to provide equal access to all eligible applicants, regardless of their location, disability status, or access to technology.
 - **Meet the LMI goals:** The process will ensure that 70% of all funds are directed toward LMI households. It does this by funding this “bucket” of assistance first and then proportionately funding non-LMI households in a 30% - 70% split.
 - **Target the most damaged homes:** The selection process prioritizes households with substantial damage located in any of the nine impacted counties, before households with major or severe damage.
- To achieve the four outcomes, and consistent with the method of selection and prioritization stated in the state’s approved Action Plan, the group of applications received between May 24-June 30, 2013 will be considered **Group 1** and this group will be evaluated first.
- Any application received July 1 or later will be considered **Group 2**.
- The eligible pool of **Group 1** applicants will undergo a Randomization (random ordering) process to determine the order of processing. The randomization of all **Group 1** applicants ensures that all applicants have a fair chance of being selected for processing regardless of the method they use for applying within the initial period.

HOW THE SELECTION PROCESS WORKS

1. **Group 1** applications are reviewed for eligibility.

2. Eligible applicants are assigned a random number through the computerized randomization of all **Group 1** applicants.
3. Randomized-ordered **Group 1** applications will be divided into two buckets – LMI or non-LMI. All substantial damage applications within each bucket will be processed first in the order determined by the random selection. The applications from **Group 1** will be processed in randomized number order until DCA reaches the maximum for each bucket – 70% of all RREM project funds for LMI and 30% of RREM project funds for non-LMI. As these applications are verified and all required duplication of benefits documentation has been provided, the applications will be referred to the RREM Contractor.
4. If RREM funds remain after all eligible substantial damage applications in **Group 1** have been processed, any otherwise eligible substantial damage applications from **Group 2** will be processed next in the date order of receipt. The LMI proportionate distribution will be managed and maintained. Progress toward the 70% - 30% distribution will be tracked and reported.
5. If there is an insufficient supply of substantial damage applications in **Group 1** and RREM funds remain, eligible **Group 1** applications for homes with severe/major damage in A/V zones will begin to be processed in the order of their randomized number, maintaining the LMI proportionate distribution.
 - New applications for **Group 2** substantial damage will be processed as they are submitted and moved to the top of the wait list queue before any applications with severe/major damage (in line with the Action Plan priorities).
6. At a future date and if RREM funds remain, DCA will end the priority for substantial damage over severe/major damage. The state will determine, based on applications and available funding, when dollars will no longer be reserved for late substantial damage applications. At that point applications for either substantial damage or severe/major damage will be processed in the order they are received. This information will be widely distributed, to confirm the determination that the state has provided due time to have met the priority to exhaust substantially damaged needs.
7. As noted above, one of the state’s priorities is to assure approximate geographic fairness in the distribution of funds, based on level of damage. This will be determined by the following process;
 - Apply the percent major/severe damage level by county, using FEMA data (listed in the State’s Action Plan, page 2-15, normalized to 100%).
 - On a weekly basis starting in July, DCA will assess the approved households by county as a percent of the total awards made to date.
 - DCA will compare the percentage of households awarded to the damage level percentages for each by county.
 - If any county is below the damage percentage of households, the next households from the underserved county in priority number order will be funded until the percentage is met (in line with established prioritization criteria, i.e. substantial damage) or an insufficient number of eligible substantial damage applicants exist.

- If the **Group 1** process results in an underage between the county's damage percentage and its initially selected applications, DCA will reduce the number of selected applications in over-served counties and increase the number of selected applications in under-served counties in order to bring each up to their minimum damage percentage per the Action Plan. This will be done by reducing the number of persons assisted in the over-served counties in proportion to their percent of the overage. The next substantially damaged households in numeric order will be funded in the under-served counties until their county minimum is reached or there remain no eligible, substantially damaged applicants for that county. Throughout this process, the target of 70% LMI households will be maintained.
- If funds remain after **Group 1**, the geographic status will be assessed on a weekly basis.

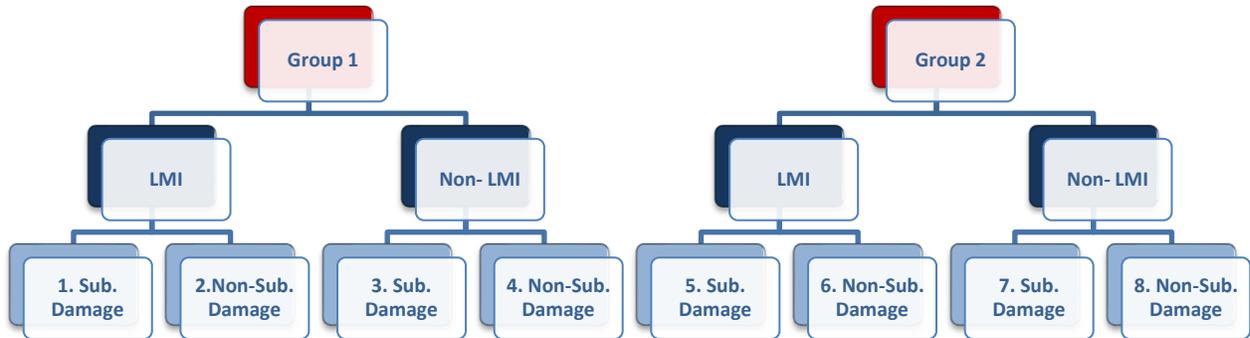
REASONS FOR RANDOMIZED PROCESS

- **Ensures equal access for LMI, disabled and elderly persons:** The proposed approach is intended to address important fair housing issues by enabling equal access for elderly, LMI and disabled persons who may have difficulties to apply directly on-line due to technology access. Note, the call center will take applications over the phone and submit them on-line on behalf of applicants. The program launched the online application and the call center on May 24, 2013; with opening of in-person centers on the June 8th and mobile registration events in communities through June 30, 2013.
- **Addresses safety and convenience issues by not requiring applications to arrive in person (and potentially wait in line) at centers:** The proposed process avoids the safety issues of having people wait in line to be first to apply in person at the centers, which open later than on-line and would disadvantage those persons. These centers are likely to serve a higher percentage of disadvantaged, the elderly, and persons with disabilities who may require more personalized attention to submit their applications. Early experiences with the intake process for the housing programs support the need for this approach. Based on early misreporting in a local publication about limited funds and a "first come, first served" approach, more than 600 individuals called in the first 30 minutes of call center operations. Some callers reported that they had been waiting for hours to make sure they were "first."
- **Complies with intent of the Action Plan regarding addressing both fair housing and LMI goals:** The proposed process is a reasonable implementation of the Action Plan in the context of the issues above. This modified process does not trigger a change in the intended type or preference for beneficiaries. The planned process, in line with the Action Plan, ensures that the priority beneficiaries and LMI persons are served in the percentages stated. If applications were processed in a purely time stamp order, this could not be assured.

ADDENDUM

Priority Selection Process:

The graphic below depicts the prioritization of ordering of all applicants to the RREM program. The funding determination is made according to the prioritization as prescribed in the States approved Action Plan and in the RREM Program Applicant Selection Approach approved by HUD in June 2013.



Group 1 is assigned a Randomization Order Number via electronic lottery ordering system. These assignments are made prior to eligibility review. All applications received through June 30, 2013 received a Randomized Order Number.

Group 2 is assigned an Order Number in the date order in which they are received. The Date Order Numbers begin at a specified number beyond the total of **Group 1** (i.e. 10,000) and continue sequentially from there.

Prioritization Order is in the formula as follows in selection from the numbered buckets above, ensuring that LMI remains a priority of 70% to 30% non-LMI and that Substantially Damaged is prioritized ahead of Non-Substantially Damaged.

$$\text{FUNDED} = 1+s(3)+5 \quad \text{WAITLIST} = 2+s(3)+6+7+4+8$$

For example: The Funded list first selects from bucket 1 (LMI/Sub) at 70% and bucket 3 (Non-LMI/SUB) at 30%. In order to select any additional from bucket 3 and if bucket 1 is fully depleted, then bucket 5 is prioritized next. The Waitlist follows the order as written.

County Weighting Process:

In line with Step 7 of the Selection Approach, the State will apply geographic weighting according to damage in the Funding decisions. This will be applied initially and anticipated to apply as Funding decisions are made. While the policy calls for continued geographic weighting, the State made an operational decision to only adjust the funding list in large increments when the funding is available. With

such high oversubscription, there was no need to make constant funding decision adjustments. The adjustments were therefor only made on the two main occasions of Funding Decisions.

July 2013 – Geographic Weighting

The Selection Approach notes using the damage estimates in the State’s Action Plan, page 2-15, normalized to 100%. Upon determination of the first Funded Group in July 2013, the State anticipated funding for nearly 3,500 applicants. The targets were determined by damage calculation and limited by the actual number of applicants available in the applicant pool for funding. See table in Attachment A.

January 2014 – Geographic Weighting 2nd Round

With the approval from HUD to shift funds from the business grant program to the RREM program (Action Plan Amendment #4), the State increased the RREM program funding to a \$710 million program. This allowed the State to move between 1000-1300 applicants from the Waitlist to the Funded List. The State applied the geographic weighting thresholds. Note: At this time, the State identified that a more accurate damage table to utilize was the data behind Table 2-4 (Page 2-11). It was noticed that that Table 2-8 (page 2-15) was inclusive of both rental and owner-occupied housing units. Table 2-4 provides for a more accurate adjustment, therefor on this second round, the State sought to balance the damage weighting accordingly. See Attachment B.

August 2014 Action Plan Three Waitlist Procedures:

Effective August 2014, Action Plan Three applicants remaining on the waitlist were pulled off the waitlist and funded on a first come-first served basis, processed based on the data they returned their *Right of Entry* form. The RREM Program prioritized the applicants who returned their *Right of Entry* form first, rather than the protocols outlined above, because the applicants remaining on the waitlist are all non-LMI, Non-substantially damaged and therefore have no variation in need under the original procedures.

The RREM Program further warrants the prioritization of applicants based on the date they return their *Right of Entry* form because:

- All remaining applicants in Action Plan Three have the same need based on the original prioritization procedures,
- The Program distributes the *Right of Entry* form and completes the environmental clearance process before these applicants are funded, therefore it is logical to prioritizes applicants with the same need based on responsiveness, and
- The Program has been allocated sufficient federal funds to fund all applicants on the waitlist.

APPENDIX D: Lead-Based Paint Notification Receipts



Rehabilitation, Reconstruction, Elevation and Mitigation Program

Lead-Based Paint Notification Receipt #1

Instructions: Upon receipt of one of the booklet listed in Box 1 below please sign, acknowledging receipt of your Lead-Based Paint Notice.

Applicant Name:		RREM App ID:	
Damaged Property Address:			

1. Receipt of Lead-Based Paint Notice	
<i>I have read the booklet "Protect Your Family from Lead in Your Home" that explains the dangers of Lead-Based Paint and the steps I can take to protect my family.</i>	
Program Participant Signature:	Date:



Rehabilitation, Reconstruction, Elevation and Mitigation Program

Lead-Based Paint Notification Receipt #2

Instructions: RREM Program Managers will request the applicant to sign the receipt listed in Box 2 (if necessary) after they have provided the applicant with the document listed in Box 2.

Applicant Name:		RREM App ID:	
Damaged Property Address:			

1. Receipt of Lead-Based Paint Evaluation (if evaluation is required)	
<i>I have received and understand the notification of lead-based paint evaluation. The evaluation was completed on _____ (date) and I received the notice on _____ (date).</i>	
Program Participant Signature:	Date:

Lead-Based Paint Notification Receipt #3

Instructions: RREM Program Managers will request the applicant to sign the receipt listed in Box 3 (if necessary) after they have provided the applicant with the document listed in Box 3.

Applicant Name:		RREM App ID:	
Damaged Property Address:			

1. Receipt of Notification of Lead-Based Paint Hazard Reduction (if hazard reduction is required)	
I have received and understand the notification of lead-based paint hazard reduction. The hazard reduction was completed on _____ (date) and I received the notice on _____ (date).	
Program Participant Signature:	Date:

Lead-Based Paint Notification Receipt #4

Instructions: RREM Program Managers will request the applicant to sign the receipt listed in Box 4 (if necessary) after they have provided the applicant with the document listed in Box 4.

Applicant Name:		RREM App ID:	
Damaged Property Address:			

1. Receipt of Notification of Lead-Based Clearance (if clearance is required)	
I have received and understand the notification of lead-based paint clearance. The clearance was completed on _____ (date) and I received the notice on _____ (date).	
Program Participant Signature:	Date:

APPENDIX E: Procedures for Complying with Lead-Based Paint Requirements

Procedures for Performance of Lead (Pb) Risk Assessment

Determination of Date of Construction. Prior to contact with homeowner, the RREM Project Manager or their lead hazard evaluation firm will make every attempt to confirm subject property date of construction. Properties with date of construction post January 1, 1978 are exempt from Title X of the Housing and Community Development Act of 1992 (Residential Lead-based Paint Hazard Reduction Act) and all implementing regulations (24 CFR Part 35; 40 CFR Part 745). Acceptable methods to verify the date of construction of the subject property will be accepted using the below prioritization (in order):

- 1) New Jersey Assessment Records Search
http://tax1.co.monmouth.nj.us/cgi-bin/prc6.cgi?menu=index&ms_user=monm&passwd=data&district=1301&mode=11
- 2) Review with local building/zoning officials
- 3) Title report/deed/mortgage documents
- 4) Applicants' insurance endorsement
- 5) Zillow www.zillow.com
- 6) eGrants information
- 7) Year structure built as reported by applicant in eGrants or verbally

Documentation of identified source used to determine age of structure should be maintained with the file by the RREM Project Manager. At the time of initial site inspection, if the property is determined with a high level of certainty to require reconstruction, such as being destroyed, structurally unsafe to enter, or existing conditions are such that the building cannot be rehabilitated, a Lead Based Paint Risk Assessment will not be conducted unless the determination of reconstruction is changed to rehabilitation.

Appointment and Site Visit. After a homeowner has been determined to be eligible by the intake group, the lead hazard evaluation firm scheduling/logistical coordinator will contact the homeowner to schedule an appointment for an on-site Lead (Pb) Risk Assessment (generally within 3 days).

In cases where the homeowner has been unresponsive to communications via his or her preferred communication method (phone/email/mail) for 3 days, the RREM Project Manager will notify DCA operations. These attempts to schedule the on-site Lead (Pb) Risk Assessment will be fully documented. If contact is successful, an appointment is scheduled for the Lead (Pb) Risk Assessment.

Upon receiving an assignment to conduct a Lead (Pb) Risk Assessment, the New Jersey Certified Inspector/Risk Assessor (IRA) will travel to the address provided for the homeowner to perform the assigned tasks. The IRA will verify that the address provided for the homeowner is correct. The

homeowner will be encouraged to accompany the IRA during the Lead (Pb) Risk Assessment and provide access to all living areas within the primary dwelling unit(s) for which rehabilitation assistance will be provided by the RREM program.

Lead (Pb) Risk Assessment Protocols. The IRA is to perform a Lead (Pb) Risk Assessment according to applicable regulatory standards established by EPA (40 CFR Part 745 Subpart L). The IRA will make all lead-based paint hazard (i.e. dust-lead and soil-lead) determinations in accordance with 40 CFR § 745.227(h) determinations. All lead-based paint activities will be performed in accordance with applicable work practice standards for a Lead (Pb) Risk Assessment (40 CFR § 745.227 and 24 CFR § 35.930). Sampling methods to conclude lead-based paint hazard determinations are made using documented methodologies. All laboratories which process or evaluate samples will be recognized under the EPA National Lead Laboratory Accreditation Program or an equivalent independent national accreditation program to analyze lead in paint, dust, and soil samples.

Lead hazard evaluation contractor will implement an adequate quality control protocol to be followed by each IRA while performing lead-based paint activities including Lead (Pb) Risk Assessment. A written quality control plan should be developed that ensures the authenticity, integrity, and accuracy of samples, including dust, soil, and paint chips or paint film samples. Adequate quality control also includes provisions for representative sampling.

Lead in paint content determinations are not required as part of the Lead (Pb) Risk Assessment 24 CFR § 35.930(a). If lead-based paint content determinations are performed, the lead hazard evaluation contractor will utilize X-ray fluorescence (XRF) spectrum analyzer or paint chip collection with laboratory analysis. XRF analyzers (if used) must be operated in accordance with Chapter 7 (2012 Revision) from the “HUD Guidelines for the Evaluation and Control of Lead-based Paint Hazards in Housing”, manufactures guidance and recommendations, and applicable requirements of the instruments Performance Characteristic Sheet. Paint chip collection (if performed) must be performed according to American Society for Testing and Materials (ASTM) Designation E 1729-05, Standard Practice for Field Collection of Dried Paint Samples for Subsequent Lead Determination, or its HUD-approved equivalent.

Dust sampling will be performed following requirements of the American Society for Testing and Materials (ASTM) Designation E 1728, Standard Practice for Field Collection of Settled Dust Samples Using Wipe Sampling Methods for Lead Determination by Atomic Spectrometry Techniques, or its HUD-approved equivalent. A minimum of eight dust wipe samples should be collected near room or building entry areas, friction or impact spots, or in areas nearest to deteriorated paint. IRA should document in his or her field log notes included as part of the final deliverable when such conditions exist preventing the collection of the minimum number of dust wipe samples. Dust wipe samples will be collected by the IRA in the following dwelling units and common areas:

- Entrance floor;

- Selective room equivalents – floor or window sill; and
- Testing combinations of floor or window sill in selected areas where defective paint is identified.

Soil sampling will be performed following requirements of ASTM Designation E 1727, Standard Practice for the Field Collection of Soil Samples for Lead Determination by Atomic Spectrometry Techniques, or its HUD-approved equivalent. Areas sampled for lead in soil include:

- Each exterior children’s play area where bare soil is present;
- Drip-line/foundation where bare soil is present.

Building components with deteriorated paint will be documented, along with their deterioration cause, and included inside the final deliverable Lead (Pb) Risk Assessment Report. All deteriorated painted surfaces will be corrected during RREM rehabilitation project by the assigned general contractor. At the conclusion of all rehabilitation activities, all painted surfaces are required to be intact. Lead (Pb) Risk Assessment recommendations, including the correction of deteriorated paint and lead hazard controls, will be included in the ECR.

Occupant/owner questionnaires will not be included as part of the Lead (Pb) Risk Assessment site visit.

The RREM Program Lead (Pb) Risk Assessment includes:

1. The presumption that all paint, stain, shellac, and varnish in target housing (housing constructed prior to 1978, housing with an unknown date of construction or a “not provided” date of construction) is lead-based paint and is regulated under both Federal and State rules.
2. Performing a Lead (Pb) Risk Assessment: Lead (Pb) Risk Assessment will only be performed by New Jersey lead evaluation contractor (N.J.A.C. 5:17) employing New Jersey certified inspector/risk assessor(s) (IRA) (N.J.S.A. 26:2Q and N.J.A.C. 8:62).
3. Generating all final deliverable(s) within five (5) business days of “on-site” completion.
 - Lead (Pb) Risk Assessment Report
 - Notice of Risk Assessment with Summary (24 CFR § 35.125)
 - XLS version of “Raw” inspection Data (i.e. spreadsheet) as applicable
 - Visual Assessment of Paint Conditions
 - XRF Testing Results
 - Dust-lead Analysis
 - Soil-lead Analysis
4. Providing a digital copy of all deliverables listed in item 2) above and delivery confirmation listed in item 4) below for documentation inside the RREM program management tool within five (5) business days of “on-site” completion.

5. Providing a hardcopy of the final report Lead (Pb) Risk Assessment and Notice of Risk Assessment to the homeowner using a commercially available delivery service within 15 days of delivery confirmation within 15 days of Final Deliverable(s) report date.

Mitigation of Lead-based Paint Hazards and Deteriorated Paint. The RREM program includes the rehabilitation of target housing. Target housing is any housing constructed prior to 1978 (including construction dates of unknown), except for housing for the elderly or persons with disabilities (unless a child of less than six years of age resides in or is expected to reside in such housing for the elderly or persons with disabilities) or any zero-bedroom dwelling. Each rehabilitation project that is determined as target housing will have a current lead-based paint risk assessment performed to determine existing lead-based paint hazards (i.e. dust-lead and soil-lead). All identified lead-based hazards and areas of defective paint will be corrected during the course of the rehabilitation project using appropriate lead-based paint hazard control options.

Rehabilitation projects may, through normal operations, create or expose additional lead-based paint hazards during the activity. Original painted walls and ceilings underneath new sheet materials such as drywall, for example, which were inaccessible during the risk assessment, may be disturbed during rehabilitation work. The RREM program has therefore required (in-line with applicable Federal and State regulations listed in section 1.3) the use of accredited firms employing properly trained individuals to complete all rehabilitation work including lead-based paint hazard control.

ECR will account for the use of licensed/accredited firms employing licensed/certified individuals performing lead hazard control options. All pricing will include estimated incremental costs associated with lead hazard control options. All rehabilitation projects performed on target housing will include such estimated incremental costs. The estimated incremental costs will ensure the construction contractor has the means to effectively treat all identified, assumed, or potentially created lead-based paint hazards according to published regulation and/or applicable portions of industry guidelines.

The ECR will include a scope of work meeting program requirements for each rehabilitation project which has been determined to be target housing. Various line items on the ECR will be adjusted to reflect an incremental cost associated with lead hazard control options. These options include, but are not limited to, paint stabilization, component removal, substrate repair, ensuring smooth and cleanable surfaces, turf establishment to treat soil-lead hazards, and specialized cleaning of the work areas with the use of a HEPA vacuum to treat dust-lead hazards. The ECR will include a provision for a Clearance Examination following routine maintenance and renovation activities to document that property is free of deteriorated paint, dust-lead, and soil-lead upon completion of the restoration activities. These actions may be done as part of the rehabilitation activity, an abatement activity, or both - as determined on a case-by-case basis.

In accordance with 24 CFR § 35.930(c), residential property receiving an average of more than \$5,000 and up to and including \$25,000 per unit in Federal rehabilitation assistance the ECR will include a scope of

work to perform interim controls of all lead-based paint hazards identified from the Lead (Pb) Risk Assessment, implement safe work practices during rehabilitation work, and repair any paint that is disturbed and is known or presumed to be lead-based paint.

In accordance with 24 CFR § 35.930(d), residential property receiving an average of more than \$25,000 per unit in Federal rehabilitation assistance the ECR will include a scope of work to abate all lead-based paint hazards identified from the Lead (Pb) Risk Assessment, implement safe work practices during rehabilitation work, and repair any paint that is disturbed and is known or presumed to be lead-based.

Interim controls are acceptable on exterior painted surfaces that are not disturbed by rehabilitation. Abatement is only required on the surface are with hazardous conditions.

Historical Properties and Lead-based Paint Hazard Abatement. Where abatement of lead-based paint hazards is required in accordance with 24 CFR § 35.930(d) *Residential property receiving an average of more than \$25,000 per unit in Federal rehabilitation assistance* and the property is listed or has been determined to be eligible for listing in the National Register of Historic Places or contributing to a National Historic Register District, the RREM Project Manager may implement interim controls instead of abatement, if requested by the State Historic Preservation Office.

Soil-lead hazards and abatement: In accordance with 24 CFR § 35.1330(d)(f)(1) and (2) interim controls shall be utilized to control soil-lead hazards. Soil-lead concentrations identified to be equal to or greater than 5,000 µg/g of lead shall be abated in accordance with 40 CFR 745.227(e).

Use of Properly Certified Firms and Certified Individuals Required

Rehabilitation. All firms performing, offering, or claiming to perform renovations for compensation in target housing must comply with EPA's RRP Rule and EPA's Lead-Pre Renovation Education (Lead-Pre) Rule. Regulatory requirements can be found at 40 CFR Part 745 Subpart E – Residential Property Renovation. This means that all general contractors performing rehabilitation assistance in this CDBG-DR disaster recovery program must be EPA certified firms. EPA has published a list of frequently asked questions which can be accessed on the website: <http://www2.epa.gov/lead/fqs-rrp-rule>.

EPA Certified Renovation Firms and Certified Renovators must also comply with additional requirements of HUD's Lead Safe Housing Rule when performing interim controls or standard treatments. All workers must successfully complete either a one-day RRP course or another lead-safe work practices course approved by HUD, unless supervised by a New Jersey Department of Health Permitted Lead Abatement Supervisor who is also an EPA Certified Renovator. A list of approved courses is located at: <http://www.hud.gov/offices/lead/training/hudtraining.pdf>.

Lead-based Paint Hazard Abatement. In accordance with 24 CFR § 35.930(d), residential property receiving an average of more than \$25,000 per unit in Federal rehabilitation assistance the ECR will include a scope of work to abate all lead-based paint hazards identified from the Lead (Pb) Risk Assessment. All lead-based paint hazard abatement work must comply with the New Jersey Lead Hazard Evaluation and Abatement Code (N.J.A.C. 5:17).

If lead abatement is required as determined by the RREM Project Manager, the assigned general construction contractor is responsible for procuring a New Jersey state-certified lead abatement firm to conduct the abatement work using state-certified lead abatement supervisor(s) and state-certified lead abatement worker(s). For applicants who maintain pre-existing contractors, that general contractor must ensure that either (1) a state-certified abatement supervisor overseeing project or (2) every worker has attended HUD/EPA lead safe work practices training and that firm is lead registered with the EPA. General contractors in the pre-approved contractor pool will have already been verified to meet this compliance.

Clearance Examination(s). All rehabilitation projects in this program are funded by Federal assistance. Therefore, clearance examination is required for all identified target housing structures, which have not been determined to be free of lead-based paint (24 CFR § 35.1340). At the conclusion of all rehabilitation activities, including (if required) lead-based paint hazard abatement, the assigned general construction contractor will request a clearance examination from the RREM Project Manager. The RREM Project Manager will be responsible for conducting and obtaining an independent clearance examination.

Where the scope of work (documented within the ECR) does not disturb painted surfaces of a total area more than that set forth in § 35.1350(d) (HUD's De Minimis Levels) and no lead-based paint hazards (i.e. dust-lead and soil-lead) or areas of deteriorated paint on presumed lead-based painted building components were identified during the initial Lead (Pb) Risk Assessment, the rehabilitation assistance project is exempt from the requirement to perform a clearance examination.

Clearance examinations following lead-based paint hazard abatement shall be performed in accordance with New Jersey Lead Hazard Evaluation and Abatement Code (N.J.A.C. 5:17). Clearance examinations following other activities, such as the rehabilitation of target housing, shall be performed in accordance with 24 CFR § 35.1340 paragraphs (b) through (g). All clearance examinations will be performed by a New Jersey lead hazard evaluation firm utilizing a New Jersey certified inspector/risk assessor (IRA).

Lead Hazard Evaluation Contractor will implement an adequate quality control protocol to be followed by each IRA while performing lead-based paint activities, including clearance examinations. A written quality control plan should be developed that ensures the authenticity,

integrity, and accuracy of samples, including dust, soil, and paint chip or paint film samples. Adequate quality control also includes provisions for representative sampling.

Dust sampling will be performed following requirements of the American Society for Testing and Materials (ASTM) Designation E 1728, Standard Practice for Field Collection of Settled Dust Samples Using Wipe Sampling Methods for Lead Determination by Atomic Spectrometry Techniques, or its HUD-approved equivalent. Soil sampling will be performed following requirements of ASTM Designation E 1727, Standard Practice for the Field Collection of Soil Samples for Lead Determination by Atomic Spectrometry Techniques, or its HUD-approved equivalent. Areas sampled for lead in soil include:

1. Each exterior children's play area where bare soil is present.
2. Drip-line/foundation where bare soil is present.

The RREM program clearance examination includes:

1. Performance of a clearance examination will only be performed by New Jersey lead evaluation contractor (N.J.A.C. 5:17) employing New Jersey certified inspector/risk assessor(s) (IRA) (N.J.S.A. 26:2Q and N.J.A.C. 8:62).
2. Generating all final deliverable(s) within five (5) business days of "on-site" completion:
 - a. Clearance examination report;
 - b. Notice of lead hazard reduction and clearance with summary (24 CFR § 35.125);
 - c. XLS version of "raw" inspection data (i.e. spreadsheet), as applicable;
 - d. Visual assessment of paint conditions;
 - e. Dust-lead analysis, as necessary; and
 - f. Soil-lead analysis, as necessary.
3. Providing a digital copy of all deliverables listed in item 2) above and delivery confirmation listed in item 4) below for documentation inside the RREM program management tool within five (5) business days of "on-site" completion.
4. Providing a hardcopy of the final clearance examination report and notice of lead hazard reduction and clearance to the homeowner using a commercially available delivery service with delivery confirmation within 15 days of final deliverable(s) report date.

Lead-based Paint Deliverables. CDBG Disaster Recovery Funding used for rehabilitation of target housing where hard costs are greater than \$5,000 per homeowner require the designated party (New Jersey DCA) to perform a Lead (Pb) Risk Assessment. The results of the Lead (Pb) Risk Assessment will be used to determine the level of regulatory compliance intended to reduce or eliminate lead-based paint hazards with recommendations to the property owner / property owner representative to correct lead-based paint hazards. Lead-

based paint hazards are defined by EPA. A detailed definition of a lead-based paint hazard can be located at 40 CFR §745.65.

All rehabilitation projects in this program are funded by Federal assistance; therefore, clearance examination is required for all identified target housing, which have not been determined to be free of lead-based paint, (24 CFR § 35.1340). At the conclusion of all rehabilitation activities, including (if required) lead-based paint hazard abatement, the assigned general construction contractor will request a clearance examination from the RREM Project Manager.

Required Notices to Occupants. The RREM Project Manager or their lead hazard evaluation firm shall prepare all required notices to occupants in accordance with 24 CFR § 35.125 Notice of evaluation and hazard reduction activities. Notices shall be included as part of the final lead-based paint deliverables described in this section. Each notice shall be delivered to the homeowner using a commercially available delivery service with delivery confirmation within 15 days of final deliverable(s) report date.

Notice of Lead (Pb) Risk Assessment shall include:

1. A summary of the nature, dates, scope and results of the evaluation.
2. A contact name, address and telephone number for more information and to obtain access to the actual evaluation report.
3. Date of the Notice.

Notice of Hazard Reduction Activity and Clearance shall include:

1. A summary of the nature, dates, scope, and results (including clearance) of the hazard reduction activities.
2. A contact name, address, and telephone number for more information.
3. Available information on the location of any remaining lead-based paint in the rooms, spaces, or areas where hazard reduction activities were conducted, on a surface-by surfaces basis.
4. Date of the Notice.

APPENDIX F: Asbestos Survey Requirements

The Scope of an Asbestos Hazard Emergency Response Act (AHERA) Inspection

The technical aspects of an AHERA inspection will include the following:

- **Material Classification:** There are three main kinds of material according to EPA sampling guidelines. They are surfacing material, TSI, and miscellaneous material. The classification bears implications for number of samples to be collected. For surfacing materials, there is the 3-5-7 rule, meaning 3 samples collected from less than 1,000 square feet area, 5 samples from 1,000 to 5,000 square feet area, and 7 samples from greater than 5,000 square feet area. For TSI, with some exceptions, 3 samples should be collected from each homogeneous area. For miscellaneous material, at least one sample should be taken from each homogeneous material.
- **Recognition of Homogeneous Areas:** Homogeneous material means an area of surfacing material, TSI, or miscellaneous material that is uniform in color and texture. It should be pointed out that materials appear to be homogeneous and adjacent to each other may in fact have different contents in terms of asbestos and only laboratory testing will indicate whether they are really the same homogeneous area.
- **Differentiation of Friable vs. Non-Friable:** A material that contains asbestos is friable if the material, when dry, may be crumbled, pulverized, or reduced to powder by hand pressure, and includes previously non-friable material after such previous non-friable material becomes damaged to the extent that it meets the criteria as a friable material. The following proposal for inspection procedure is based on AHERA sampling protocol found under 40 CFR 763.86 Sampling.

Purpose

The following sampling guidance shall be specific for the New Jersey RREM program. The proposed sampling plan is intended to address and minimize potential environmental and personnel impacts and exposures. The goal of the proposed sampling guidance is to assist with the completion of asbestos inspections of homes damaged by Superstorm Sandy while meeting the applicable regulations. The following sampling plan meets the regulatory requirements for an AHERA inspection.

1. An accredited asbestos inspector conducts visual inspection of the facility and assumes all suspect asbestos-containing material (SACM) as ACM. No sampling is conducted. This option would be the least expensive upfront; however, result in significantly higher cost estimate for abatement and disposal.
2. An accredited asbestos inspector conducts an inspection and collects required number of samples of all SACM for laboratory analysis. This option would be most expensive upfront due to inspector time in completing the sampling, laboratory cost, burdensome to the home owner due to

increased inspection time, potential concerns regarding intrusive testing and repairs of roofing and various spaces. This option will result in an accurate abatement cost estimate.

3. An accredited asbestos inspector conducts a visual inspection and assumes certain non-friable and friable SACM as ACM (example: roofing and TSI) per Table 1 and collect samples of certain other suspect material (example: floor tile and plaster) per Table 2. This option would be less disruptive, less intrusive to the home owner while providing data for a fairly accurate abatement cost estimate.

RREM Project Managers shall implement Option 3, in the interest of controlling the cost of the assessment while providing protection to the environment, and personnel.

Sampling Protocol

Under AHERA, an inspector is required to collect the following number of samples:

1. Thermal System Insulation: Minimum 3 samples.
2. Miscellaneous Materials: Minimum 1 sample.
3. Surfacing Materials: 3 samples for area up to 1,000 square feet (SF), 5 samples for area between 1,000 SF and 5,000 SF, and 7 samples for areas greater than 7,000 SF.

The following tables present RREM Project Managers' proposed sampling protocol. Materials such as the majority of suspect TSI will be presumed to be ACM. The asbestos inspection will include materials that can be visually observed by the inspector without destructive testing. SACM shall be sampled with per sampling protocol as indicated in Tables 1 and 2. The sampling protocol will be to collect 2 samples for SACM listed below except plaster. The collected samples will be submitted to the laboratory with first positive stop instruction. Our proposal consists of the following:

1. TSI: Presume all TSI is ACM except fiberglass and rubber;
2. Miscellaneous Materials: Collect 1 samples for each of the materials listed in Table 2;
3. Roofing material, window caulking, and SACM on electrical systems shall be presumed ACM;
4. Surfacing Materials: Collect 3-5-7 samples of each surfacing material based on the square footage of each homogeneous area; and,
5. SACM less than 3 linear feet or 3 square feet per material type will be excluded from sampling.

Sampling Guidance

The following sampling guidance shall be specific for the New Jersey RREM program. The proposed sampling plan is intended to address and minimize potential environmental and personnel impacts and exposures.

Suspect Materials and PACM

The nature of the home asbestos inspection is to determine the location and extent of ACM that will be disturbed during construction or demolition activities. Certain materials shall be assumed as ACM based on the inspector’s experience and the guidelines below. In addition, any suspect material on an energized system (such as electrical wire insulation) shall be presumed. The following materials shall be presumed to be ACM and will not be sampled.

1. All pipe insulation other than fiberglass or rubber shall be presumed to be ACM. This includes air cell, magnesia block, cementitious insulation, etc.
2. Pipe fitting insulation other than fiberglass or rubber shall be presumed to be ACM. This includes mudded pipe fittings, magnesia block, etc.
3. Any cloth electrical wire insulation shall be presumed to be ACM. Rubber wire insulation is not SACM.
4. Electrical panel backing boards and/or bus boards made of Bakelite or similar material. Newer panels with plastic materials are not SACM.

If, in the opinion of the qualified asbestos inspector, materials presumed to be ACM (PACM) under the guidelines have a high probability of not being ACM, they may make the determination to sample those PACMs to resolve the lowest-cost remediation solution for the home.

The following table itemizes typical suspect materials that may be present in a residential home:

Exhibit 5-2: Suspect Materials Potentially Present in a Residential Home

Acoustical Plaster	Electrical Panel Partitions
Adhesives	Fireproofing Materials
Asphalt Floor Tile	Flooring Backing
Base Flashing	Heating and Electrical Ducts
Blown-in Insulation	HVAC Duct Insulation
Boiler Insulation	Joint Compounds
Breaching Insulation	Packing Materials (for wall/floor penetrations)
Caulking/Putties	Pipe Insulation
Ceiling Tiles and Lay-in Panels	Spackling Compounds
Cement Pipes	Spray-Applied Insulation
Cement Siding	Taping Compounds (thermal)
Cement Wallboard	Textured Paints/Coatings

Chalkboards	Thermal Paper Products
Construction Mastics (floor tile, carpet, ceiling tile, etc.)	Vapor Barriers in wall cavities
Decorative Plaster	Vinyl Floor Tile and Mastic
Door Caulking	Vinyl Sheet Flooring
Ductwork Flexible Fabric Connections	Vinyl Wall Coverings
Electric Wiring Insulation	Wallboard
Electrical Cloth	Window Glazing and caulking (Interior and/or Exterior)

*- This list is not intended to be comprehensive and any suspect material identified not on this list shall be either assumed as ACM or sampled accordingly.

Exhibit 5-3: Suggested Materials to Presume ACM (PACM) by Visual Inspection Only*

Material	Present?		Description and Location	Quantity (SF or LF)
	Y	N		
Cloth Electrical Wire Insulation	Y	N		
Non-Plastic Electrical Panel Bus board or terminals	Y	N		
Thermal System Insulation other than fiberglass, i.e. <ul style="list-style-type: none"> • Aircell or Magnesia Block Pipe Insulation • Any type of pipe joint insulation • Gaskets • Other 	Y	N		
Boiler Materials	Y	N		
Roofing Materials	Y	N		
Window and Door Caulking	Y	N		

***No sampling or destructive investigation techniques will be applied.**

Exhibit 5-4: Suggested SACM to Sample

Material	Friable/ Friable	Non	No. of Samples per homogeneous area	Description and Location	Quantity (SF or LF)
9" x 9" Floor Tile	NF		2		
9" x 9" Floor Tile Mastic	NF		2		
12"x12" Floor Tile	NF		2		
12"x12" Floor Tile Mastic	NF		2		
Adhesives	NF		2		
Blown-In Insulation, vermiculite protocol, depth of sample. Multiple samples into one composite sample.	F		2		
Ceiling Tiles	F		2		
Drywall	F		2		
Joint Compound	F		2		
Linoleum Flooring	NF		2		
Linoleum Flooring Mastic	NF		2		
Plaster	F		3-5-7		
Vapor Barrier	NF		3-5-7		
Building Siding material	NF		2		

Procedures for Performance of Asbestos Survey

Appointment and Site Visit.

1. After a homeowner has been determined to be eligible by DCA operations, the lead evaluation firm scheduling/logistical coordinator will contact the homeowner to schedule an appointment for an on-site asbestos survey (generally within 3 business days).

2. In cases where the homeowner has been nonresponsive to communications via his or her preferred communication method (phone/email/mail) for 3 business days, RREM contractor will notify DCA operations. These attempts to schedule the on-site asbestos survey will be fully documented. If contact is successful, an appointment is scheduled for the Lead (Pb) Risk Assessment and asbestos survey at the same time.
3. Upon receiving an assignment to conduct an asbestos survey, the accredited asbestos inspector will travel to the address provided for the homeowner to perform the assigned tasks. The inspector will verify that the address provided for the homeowner is correct. The homeowner will be encouraged to accompany the inspector during the asbestos survey and provide access to all living areas within the primary dwelling unit(s) for which rehabilitation assistance will be provided by the RREM program.
4. The accredited inspector is to perform an asbestos survey according to applicable regulatory standards established by EPA 40 CFR 763.86 (AHERA sampling requirements). The accredited asbestos inspector will make asbestos hazard determinations in accordance with 40 CFR 763. Asbestos activities will be performed in accordance with applicable work practice standards for an asbestos survey. Laboratories which process or evaluate samples will be recognized under the EPA National Voluntary Accreditation Program (NVLAP) by American Industrial Hygiene Association to analyze asbestos samples.
5. Asbestos survey contractor will implement an adequate quality control protocol to be followed by each inspector while performing asbestos activities including visual inspection and sampling. A written quality control plan should be developed that ensures the authenticity, integrity, and accuracy of samples, including various types of samples. Adequate quality control also includes provisions for representative sampling.
6. Asbestos content determinations will be performed, as necessary, by utilizing PLM, Point Counting and Transmission Electron Microscopy (TEM). Analytical procedures used must be conducted in accordance with EPA, State, and local regulations and recommendations, and applicable requirements of the instruments specifications. Asbestos analysis will be conducted using the following methods:
 - i. Bulk Material by PLM- EPA 600/R-93/116
 - ii. PLM- EPA 600/R-93/116 (400 point count)
 - iii. PLM NOB- EPA 600/R-93/116 (400 point count) with gravimetric reduction
 - iv. TEM- EPA NOB- 600/R-93/116b
 - v. "Positive Stop" - Laboratory will stop analyzing homogeneous area bulk samples for asbestos content once ACM is identified greater than or equal to 10% by PLM or greater than or equal to 1% by Point Count Method.

APPENDIX G: Construction Draw Request Process: For Use of a Program-Assigned Contractor

Reconstruction: 33% Draw Request Package Required Documents. Each draw request packet must contain the following:

- Progress Inspection Form: This report is completed by the RREM construction inspector and provided to the general contractor at the time of inspection. The homeowner's name, address, contract number, contractor name, address will be listed. The 33% inspection box will be checked. All items inspected during this period will be checked under "items inspected". The RREM construction inspector will determine if items reviewed have passed or failed inspection and will sign and date the Inspector's Verification Statement before delivering it to the contractor.
- Contractor Draw Request for Payment Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. The 33% draw request box will be checked. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Payment Statement will be signed and dated by the contractor's representative. Section II will contain the RREM Project Manager's Verification Statement and date of inspection. The RREM PM will sign and date this section; this date must match the date of the progress inspection report.
- Invoice: The following must be listed on the invoice: contractor's name and address, including the homeowner name and address. The RREM construction manager's name and draw request information. The dates of the invoices will be the date of the contract to the date of inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail (the total contract value), the amount invoiced this period, and the remaining balance must be complete and accurate. The amount invoiced cannot exceed 33% of the total contract value. Invoice shall reflect a 10% retention withholding.

Reconstruction: 66% Draw Request Package Required Documents. Verify the documents below:

- Progress Inspection Form: This report is completed by the RREM construction inspector and provided to the general contractor at the time of inspection. The homeowner's name, address, contract number, contractor name, address will be listed. The 66% inspection box will be checked. All items inspected during this period will be checked under "items inspected". The RREM construction inspector will determine if items reviewed have passed or failed inspection and will sign and date the Inspector's Verification Statement before delivering it to the contractor.

- Contractor Draw Request for Payment Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. The 66% draw request box will be checked. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Payment Statement will be signed and dated by the contractor's representative. Section II will contain the RREM Project Manager's Verification Statement and date of inspection. The RREM PM will sign and date this section; this date must match the date of the progress inspection report.
- Invoice: The following must be listed on the invoice: contractor's name and address, including the homeowner name and address. The RREM construction manager's name and draw request information. The dates of the invoices will be the date of the contract to the date of inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail (the total contract value), the amount invoiced this period, and the remaining balance must be complete and accurate. The amount invoiced cannot exceed 66% of the total contract value. Invoice shall reflect a 10% retention withholding.

Reconstruction: Final Draw Request Package Required Documents. The required paperwork for the final draw is as follows:

- Final Housing Inspection Form: Completed by the construction inspector, this form replaces the progress inspection form in the previous packets. The homeowner name, address, and contract number will be listed. The contractor's name, RREM PM, and construction inspectors name will also be listed. All items inspected must be checked as "pass". The homeowner will sign and date the Homeowners Certification section of this form, acknowledging satisfactory completion of their project. The construction inspector must sign and date the Inspector's Certification section of this form, acknowledging project completeness.
- Contractor Draw Request for Payment Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. The final draw request box will be checked. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Payment Statement will be signed and dated by the contractor's representative. Section II will contain the RREM Project Manager's Verification Statement and date of inspection. The RREM PM will sign and date this section; this date must match the date of the progress inspection report.

- Invoice: The following must be listed on the invoice: contractor's name and address, including the homeowner name and address. The RREM construction manager's name and draw request information. The dates of the invoices will be the date of the contract to the date of inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail (the total contract value), the amount invoiced this period, and the remaining balance must be complete and accurate. Invoice shall reflect a 10% retention withholding.
- Final Bills Paid Affidavit: The first two paragraphs include the contractor name, representative, representative title, and address. The third paragraph contains the homeowner name and address, and the nature of the project (single family residence). The contractor representative signature must be present and notarized. The notary date must be the same as the contractor signature.
- HUD 2516: This form lists the contractor total and the amount paid to each subcontractor. Box 4 must be checked. In column 7a, the contract and the activity number will be listed to each completed line of the form. In column 7b, the first line will be the total contract value; the remaining lines will be the amount paid to each subcontractor. For 7f, only the general contractor number should be present; in column 7h, the first line will remain empty, but all fields related to subcontractors should be complete. 7i should be complete and contractor and corresponding subcontractor information listed in column 7j.
- ENERGY STAR Certification: Plan review compliance.
- Warranties: The general contractor will issue a warranty with the client name and address at completion. Warranties must be signed by the homeowner to ensure receipt.

Reconstruction: Retainage Draw Request Package Requirements. The retainage draw can be submitted 30 days after the final inspection has been passed.

- Contractor Request for Retainage Release Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Retainage Release Statement will be signed and dated by the contractor's representative. Section II will contain the Homeowners Certification Statement. The homeowner will sign and date this section, acknowledging the acceptance of all work performed by the contractor.
- Invoice: The contractor name, address, and vendor number are required, in addition to the RREM Project Manager name, contract number, homeowner address, draw information, and the activity number. The service dates of the invoice will be the day after the previous inspection to the date

of the current inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail, the amount previously invoiced, and the amount invoiced this period must be complete; the remaining balance will be zero. The amount invoiced will be 10% of the total contract value or the remaining balance due.

Rehabilitation and Modular: 50% Draw Request Package Requirements. The draw requests for rehabilitated homes are very similar to those required for rebuild homes. The 50% draw request is the first inspection contractors can request payment during rehabilitation projects.

- Progress Inspection Form: This report is completed by the RREM construction inspector and provided to the general contractor at the time of inspection. The homeowner's name, address, contract number, contractor name, address will be listed. The 50% inspection box will be checked. All items inspected during this period will be checked under "items inspected". The RREM construction inspector will determine if items reviewed have passed or failed inspection and will sign and date the Inspector's Verification Statement before delivering it to the contractor.
- For Modular Only: The cost of the home delivered to the job site may be included as a cost invoice item at the 50% draw request.
- Contractor Draw Request for Payment Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. The 50% draw request box will be checked. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Payment Statement will be signed and dated by the contractor's representative. Section II will contain the RREM Project Manager's Verification Statement and date of inspection. The RREM PM will sign and date this section; this date must match the date of the progress inspection report.
- Invoice: The following must be listed on the invoice: contractor's name and address, including the homeowner name and address. The RREM construction manager's name and draw request information. The dates of the invoices will be the date of the contract to the date of inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail (the total contract value), the amount invoiced this period, and the remaining balance must be complete and accurate. The amount invoiced cannot exceed 50% of the total contract value. Invoice shall reflect a 10% retention withholding.

Rehabilitation and Modular: Final Draw Request Package Requirements. The final draw request for rehabilitation is similar to the final for reconstruction. The required paperwork for the final draw is as follows:

- Final Housing Inspection Form: Completed by the construction inspector, this form replaces the progress inspection form in the previous packets. The homeowner name, address, and contract number will be listed. The contractor's name, RREM PM, and construction inspectors name will also be listed. All items inspected must be checked as "pass". The homeowner will sign and date the Homeowners Certification section of this form, acknowledging satisfactory completion of their project. The construction inspector must sign and date the Inspector's Certification section of this form, acknowledging project completeness.
- Contractor Draw Request for Payment Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. The final draw request box will be checked. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Payment Statement will be signed and dated by the contractor's representative. Section II will contain the RREM Project Manager's Verification Statement and date of inspection. The RREM PM will sign and date this section; this date must match the date of the progress inspection report.
- Invoice: The following must be listed on the invoice: contractor's name and address, including the homeowner name and address. The RREM construction manager's name and draw request information. The dates of the invoices will be the date of the contract to the date of inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail (the total contract value), the amount invoiced this period, and the remaining balance must be complete and accurate. Invoice shall reflect a 10% retention withholding.
- Final Bills Paid Affidavit: The first two paragraphs include the contractor name, representative, representative title, and address. The third paragraph contains the Council of Government, the homeowner name and address, and the nature of the project (single family residence). The contractor representative signature must be present and notarized. The notary date must be the same as the contractor signature.
- HUD 2516: This form lists the contractor total and the amount paid to each subcontractor. Box 4 must be checked. In column 7a, the contract and the activity number will be listed to each completed line of the form. In column 7b, the first line will be the total contract value; the remaining lines will be the amount paid to each subcontractor. For 7f, only the general contractor number should be present; in column 7h, the first line will remain empty, but all fields related to

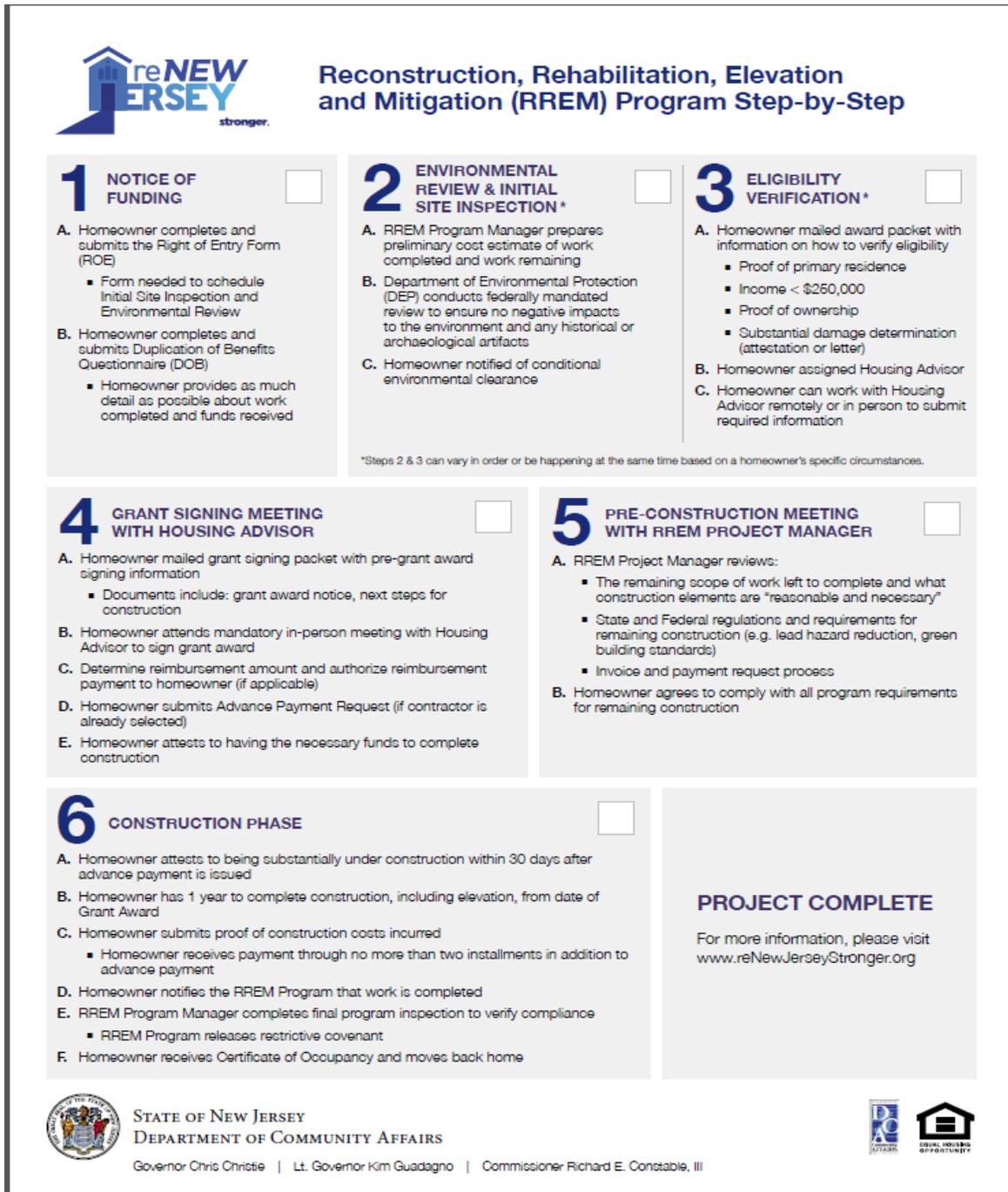
subcontractors should be complete. 7i should be complete and contractor and corresponding subcontractor information listed in column 7j.

- Warranties: The general contractor will issue a warranty with the client name and address at completion. Warranties must be signed by the homeowner to ensure receipt.

Rehabilitation and Modular: Retainage Draw Request Package Requirements. The retainage draw can be submitted 30 days after the final inspection has been passed.

- Contractor Request for Retainage Release Form: This form is completed by the contractor. The homeowner's name, address, and contract number will be listed; the contractor's name and address will also be provided. All information will be verified by the construction inspector. Section I will contain the Contractor's Certification and Request for Retainage Release Statement will be signed and dated by the contractor's representative. Section II will contain the Homeowners Certification Statement. The homeowner will sign and date this section, acknowledging the acceptance of all work performed by the contractor.
- Invoice: The contractor name, address, and vendor number are required, in addition to the RREM Project Manager name, contract number, homeowner address, draw information, and the activity number. The service dates of the invoice will be the day after the previous inspection to the date of the current inspection. The billing portion of the invoice will list four sections: the budget detail, the amount previously invoiced, the amount invoiced this period, and the remaining balance. For this draw, the budget detail, the amount previously invoiced, and the amount invoiced this period must be complete; the remaining balance will be zero. The amount invoiced will be 10% of the total contract value or the remaining balance due.

APPENDIX H: RREM Program Step-by-Step Diagram



APPENDIX I: Ineligible Costs

Please see the *RREM and LMI Guideline on Ineligible Costs*.

APPENDIX J: Ineligible Additional Scope

Please see the *RREM and LMI DOB Offset Guideline on Ineligible Additional Scope*.