

# UNITED STATES VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

## HOMEOWNER RECONSTRUCTION AND REHABILITATION PROGRAM POLICIES AND PROCEDURES

**VERSION: 3.0**

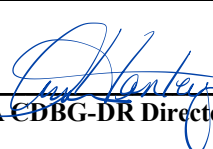
**July 2022**

Prepared by:

Virgin Islands Housing Finance Authority – CDBG-DR Program Division



The policies stated in this manual are current as of July 12, 2022. This Manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies, which shall provide general guidance for the operation of the Homeowner Rehabilitation and Reconstruction Programs. All manuals will be reviewed periodically and will be updated. Therefore, you are strongly urged to visit our website [www.vihfa.gov/disaster-recovery](http://www.vihfa.gov/disaster-recovery) to ensure that you have the latest version.

<b>SUBJECT: Homeowner Reconstruction and Rehabilitation Policies and Procedures</b>	
<b>Version Number</b>	3.0
<b>Revised Date</b>	July 12, 2022
<b>Effective Date</b>	July 12, 2022
 _____ VIHFA CDBG-DR Director of Programs	<u>02.01.2023</u> _____ Date

**Table 1: Homeowner Reconstruction and Repair Program Version Control**

<b>VERSION NUMBER</b>	<b>DATE REVISED</b>	<b>DESCRIPTION</b>
<b>1.0 (DRAFT)</b>	1/24/2019	Version 1 Draft of Program Policies
<b>1.1</b>	6/6/2019	Homeowner Reconstruction and Rehabilitation Program Policy and Procedures – FINAL Version 1.0
<b>2.0</b>	8/26/19	<p>Clarification of procedures, addressing outstanding policy questions</p> <ul style="list-style-type: none"> <li>• Restructured sections to make more consistent</li> <li>• Updated definitions</li> <li>• Updated Duplication of Benefits language per new guidance</li> <li>• Section 2.0 - Clarified LMI language</li> <li>• Section 2.2.1 changed definition of Reconstruction and included language regarding demolishing</li> <li>• Section 2.2.2 Changed definition of Rehabilitation and increased cap to \$75,000.00</li> <li>• Section 2.3 Added language stating that Assistance will be within the total solution cap and removed reimbursement for lost rental income</li> <li>• Sections 3.5 and 3.6 – Clarified floodplain requirement from Federal Register notices</li> <li>• Section 4.0 - Added requirement for all applicants to sign 4506-T Request for Transcript for Tax Returns</li> <li>• Section 4.2 – W-2 wage statements as alternative income documentation and requirement for applicants with no income to execute a Certification of Non-Taxable Income Verification</li> <li>• Section 4.3 – Added requirement to provide current tax statement</li> <li>• Section 4.3.1 – Updated the requirements to prove ownership</li> </ul>

- Section 4.3.2.1.5 – Added documentation requiring proof of Legal interest for Death of Eligible Owner Occupant and Heirship
- Section 4.4 Added Mortgage Loan and Property Tax Documentation requirement
- Section 4.5 Removed utility bills, voter registration, and vehicle registration as proof of Primary Residency. Added “Other documentation will be reviewed on a case-by-case basis”
- Section 4.8 – Removed triplexes from eligible structure types
- Section 7.4.4. - Added Special Case Panel definition and process
- Section 8.4 – Removed two (2) or more consecutive failed attempts to visit the home
- Section 8.8 – Edited Priority Verification to allow applicants in subsequent rounds to stay in applicant queue
- Section 9.2 – Added as proof of Contractor Fraud complaint filed with Department of Licensing and Consumer Affairs
- Section 9.13.2 – Added contractors will be procured thorough a mini bid process
- Section 9.9 - Added Tiered Environmental Review including ‘stop work’ requirement for prospective work
- Section 10.1 Clarified Contractor Pool qualification process
- Section 11.1 Revised the Closing Process
- Section 11.1.1 Revised VIHFA Escrow process
- Section 11.1.3 Added Escrow Account process
- Section 12.1 Revised Inspection Process
- Section 12.2 – Revised Draw Request process
- Section 14 – Defined Three-Year Occupancy and Recapture Period
- Section 16.1 – Added Fair Housing / Civil Rights

		<ul style="list-style-type: none"> <li>• Section 16.2 – Added Prevention of Fraud, Waste, and Abuse language</li> <li>• Removed Homeowner Self-Managed option</li> </ul>
2.1		<ul style="list-style-type: none"> <li>• Removed Section 2.2.2.2 Homeowner Selected Contractor Option</li> <li>• Removed Section 13.0 Construction Process: Rehabilitation Homeowner Selected Contractor</li> </ul>
2.2	1/24/2020	<ul style="list-style-type: none"> <li>• Section 1.3 – Added definition of Special Case Panel</li> <li>• Section 2.2 – Removed reference to rounds of funding</li> <li>• Section 2.2.1 – Defined feasibility for reconstruction</li> <li>• Section 2.2.2 – Removed program cap for rehabilitation, defined feasibility</li> <li>• Section 4.0 – Added fraud language from Federal Register Notice</li> <li>• Section 4.2 – Added US Rural Development Disaster Loans</li> <li>• Section 4.3 – Added program initially restricted to income eligible LMI households</li> <li>• Removed Section 4.4.5 Transfer of ownership back to eligible owner occupant</li> <li>• Section 4.9.4 – Added additional requirements for condominiums</li> <li>• Section 6.1 – Increased award cap for rehabilitation to \$250,000 based on feasibility.</li> <li>• Section 8.6 – Shortened timeline for homeowner approval and grant signing</li> <li>• Section 9.8 – Edited timing for delivery of “stop work notification.”</li> <li>• Section 9.10 – Added language to clarify how “cost reasonableness will be initially determined using RAND formula.</li> </ul>
2.3	8/20/2020	<ul style="list-style-type: none"> <li>• Section 1.3- Removed VIHA from Acronym list</li> <li>• Section 2.3-Revised Optional Relocation Assistance</li> </ul>

	<ul style="list-style-type: none"> <li>• Section 4.6 Documents necessary to establish residency is changed two (2) forms of documentation to one (1)</li> <li>• Section 4.9.3-Added language to include Triplexes for owner occupied applicants</li> <li>• Section 7.3- Revised Grant Signing Agreement procedures</li> <li>• Section 7.4.1 Statement of Explanation of Facts has been added to the Appeals process to document unforeseen circumstances.</li> <li>• Section 7.4.3 Revised Construction Complaint and Grievance process</li> <li>• Section 10.0 Added review of Scope of Work</li> <li>• Section 11.2 Updated Review of Scope and removed prototype plans</li> <li>• 11.2.1 Removed model selections</li> <li>• 11.4 Add Construction Contractor Project Selection Process</li> <li>• Section 12.1 -Revised the Closing process</li> <li>• Section 12.2- Removed Builder's Risk Policy requirement</li> <li>• Section 12.2.1- Removed Builder's Risk Insurance policy reflecting VIHFA as Additionally insured</li> <li>• Section 13.2 Revised to reflect work beginning within 15 days of Notice to Proceed</li> <li>• 13.2 Updated Draw Request Process</li> <li>• 13.3 Add Change Order Notification language</li> <li>• Senior Construction Manager title is changed to Planning and Construction Assistant Director</li> <li>• Housing Senior Manager title is changed to Homeowner Senior Manager</li> </ul>
2.4	<p>2/23/2021</p> <ul style="list-style-type: none"> <li>• Section 3.5 Corrected Ineligible Activity to voluntary mortgage payoff</li> <li>• Renumbered Section 3.5 Requirements for Disaster Assistance to Owners Remaining in Floodplains to 3.6, with relevant subsections.</li> </ul>

2.5

07/26/2021

Section 11.1 Selection of Contractors updated to reflect all selection processes outlined in the VIHFA Procurement Policy and Procedures

3.0

07/01/22

- Moved language from Introduction pertaining to program solutions and administrative functions to Section 3.0 (Program Overview)
- Section 1.4 Added HQS to Minimum Housing Standards
- Section 3.2 Modified National Objectives to include “moderate income” 81 to 120% AMI
- Section 3.5 (Prioritization Criteria): Combined prioritization language from Section 8.0
- Moved Special Flood Hazard Area language to 3.7.1
- Section 4.0 (Eligibility): Incorporated all eligibility language as subsections under this section
- Section 4.3 (Ownership Eligibility): Incorporated language pertaining to applicants with mortgage loans.
- Section 4.3.1 (Ownership Verification): Added requirement that Life Estate Deed must be recorded with the Recorder of Deeds.
- Section 4.3.8 Added policy dealing with death of an applicant
- 4.3.12 (Manufactured Housing Unit): Incorporated additional eligibility language into this section
- Section 4.4 Changed policy for non-occupant owners
- Section 4.5.5 Remove requirement for stick built or modular homes in mobile home parks
- Section 4.6 Prohibited assistance to homes in floodway
- Section 4.6.1 Referenced elevation waiver for homes in Special Flood Hazard Areas
- Section 4.6.1 Flood insurance requirement
- Section 5.1 (Eligible Award Cap and Structure): Removed maximum award value and changed it to the value specified in the Action Plan. Also incorporated award calculation formula. Provided provision for exceptions by Special Case Panel

- Moved program application language from section 7.0 to create a new section 6.0 (Application Process), inclusive of subsections 6.1-6.3
- Section 6.2 Applicant approval
- Renamed Section 7.0 from Operating Procedures to Program Administration. Incorporated the following subsections:
  - Section 7.3 (Duplication of Benefits)
  - Section 7.3 Added use of affidavit to verify repairs and Subrogation Requirement
  - Section 7.3.2 Expanded definition of “forced mortgage payoff”
  - Section 7.4 (Grant and Covenant Execution)
  - Section 7.5 (Appeals). Incorporated updated appeals policy language, explained process for appeal of program cap
- Moved Work in Place language from Section 10.0 to under Section 7.3.2 as section 7.3.2.1
- Renamed Section 9.0 to Assessments, Inspections, and Environmental Review. Incorporated Section 9.4 (Environmental Review) under this section.
- Section 9.1 (Damage Assessment and Initial Site Inspection): Removed language pertaining to Estimated Cost of Repair and moved it to a new Estimate Cost of Repair section (9.2)
- Section 9.2 Added eligible costs.
- Section 10.1 Added covered items
- Created section 11.4: Pre-Construction Meeting. Incorporated Notice to Proceed language as Section 11.4.1. Added additional activities
- Construction Complaint and Grievance Resolution moved from Appeals (section) to Construction Process (Section 12.0) as subsection 12.6
- Section 12.3 Further defined change order process
- Section 12.6 Creation of online constituent contact log
- Section 13.0 Recapture upon death of

- applicant during construction
- Incorporated Appendices A and B



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## **1.0: CONTENT**

### **1.1: Version Policy**

Version history and dates of publication are tracked in the above table above. Substantive changes that reflect a policy change will result in the issuance of a new Version with a new primary version number, future policy changes and publications will result in additional revision Versions.

Non-substantive changes, such as minor wording and editing or clarification of existing policy that does not affect the interpretation or applicability of the policy, will be included in minor Version updates; such changes will result in a sub-Version number, such as 2.1, 2.2, etc.

### **1.2: Policy Change Control Board**

Policy changes for the U.S. Virgin Islands Housing Recovery Program are considered through a change control process, which includes a Policy Change Control Board (PCCB). The PCCB is composed of the CDBG-DR Legal Counsel, the Senior Policy Manager, the Case Management Manager, at least one Subject Matter Expert, and other program staff members representing Program leadership, as needed.

When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will submit a Policy Change Request Form or a Request for Decision Form for internal review by the PCCB. Within the PCCB, two members will separately perform a review to verify that all relevant information and any supporting documentation are included in the request. Upon PCCB concurrence by these two members that the request raises a policy issue, rather than a process issue, the Policy Change Request Form or Request for Decision is forwarded to the Policy Change Control Board for consideration. The requests are compiled and brought before the entire PCCB for a final policy change determination.

The PCCB meets as needed to consider all pending requests but may meet as frequently as necessary to consider critical policy decisions.

### 1.3: Agencies and Acronyms

<b>ACOP</b>	Admissions and Continued Occupancy Policy
<b>ADDH</b>	Affidavit of Death, Domicile and Heirship
<b>AMI</b>	Area Median Income
<b>CDBG</b>	Community Development Block Grant
<b>CDBG-DR</b>	Community Development Block Grant Disaster Recovery
<b>CFR</b>	Code of Federal Regulations
<b>COFR</b>	Change Order Request Form
<b>CPD</b>	Community Planning and Development
<b>DBRA</b>	Davis-Bacon and the Related Acts
<b>DOB</b>	Duplication of Benefits
<b>DOL</b>	Department of Labor
<b>DPNR</b>	Department of Planning and Natural Resources
<b>ECR</b>	Estimated Cost or Repair
<b>FEMA</b>	Federal Emergency Management Agency
<b>HCDA</b>	Housing and Community Development Act
<b>HCV</b>	Housing Choice Vouchers
<b>HQS</b>	Housing Quality Standards
<b>HUD</b>	Housing and Urban Development
<b>IMM</b>	Individual Mitigation Measures
<b>LAP</b>	Language Access Plan
<b>LEP</b>	Limited English Proficiency
<b>LIHEAP</b>	Low-Income Energy Assistance Program
<b>LIHTC</b>	Low Income Housing Tax Credits
<b>LLC</b>	Limited Liability Corporation
<b>LMA</b>	Low- and Moderate-Income Area
<b>LMH</b>	Low- and Moderate-Income Housing
<b>LMI</b>	Low- and Moderate Income
<b>LMJ</b>	Low- and Moderate-Income Jobs
<b>MBE</b>	Minority-owned Business Enterprise
<b>MWBE</b>	Minority- and Women-owned Business Enterprises
<b>NEPA</b>	National Environmental Policy Act
<b>NFIP</b>	National Flood Insurance Program
<b>NTP</b>	Notice to Proceed
<b>OMB</b>	Office of Management and Budget
<b>PCCB</b>	Policy Change Control Board
<b>POA</b>	Power of Attorney
<b>PII</b>	Personally Identifiable Information
<b>RFI</b>	Request for Information
<b>RFP</b>	Request for Proposals
<b>RFQ</b>	Request for Qualifications
<b>SFHA</b>	Special Flood Hazard Area
<b>UN</b>	Urgent Need
<b>URA</b>	Uniform Relocation Act
<b>USC</b>	United States Code

<b>USVI</b>	United States Virgin Islands
<b>WBE</b>	Women-owned Business Enterprise
<b>VIHFA</b>	Virgin Islands Housing Finance Authority

## 1.4: Definitions

**Adjusted Gross Income (AGI):** AGI is an individual’s total gross income minus specific deductions, based on the Internal Revenue Service (IRS) Form 1040. Adjusted gross income is derived by subtracting any of the five allowed deductions that apply to household from the household’s annual (gross) income. For elderly or disabled households, deductions for the type of household, dependent childcare, medical and disability assistance expenses are allowed; family households may deduct dependent, childcare and disability assistance expenses).

**Area Median Income (AMI):** Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

**Beneficiary:** An individual, person, family or household receiving advantage or assistance from the CDBG-DR funding.

**Builder/Contractor:** (Used interchangeably) A person who contracts to reconstruct or repair houses and or supervise building operations.

**Building Construction Standards:** Homes reconstructed must be built to meet the USVI building codes. The guidance document, *Construction Information for a Stronger Home, 4<sup>th</sup> Edition April 2018*, was developed by referencing the updated 2018 International Building Code, the 2018 International Residential Code, and the American Society of Civil Engineers, and is a guide only. Construction will comply with Green Building Standards as adopted by VIHFA to conform to needs of tropical climates.

**Case Management:** The collaborative process of providing services that include assessment, planning, facilitation, coordination and advocacy for reconstruction or rehabilitation to individual homeowner applicants to ensure they fully understand the Program’s housing solutions, resulting in clear and transparent determination of eligibility, reconstruction or rehabilitation options, assistance award amounts, the construction management process, documentation and ongoing compliance requirements. Program Counselors will work to decrease barriers for homeowners to participate in the program wherever possible. Program Counselors will explain the Program’s Solutions and provide information on the Reconstruction/Rehabilitation process in standardized formats.

**Common Area Under Roof:** The total area under the common roof is primarily interior, conditioned spaces and, for single-story homes is equal to the footprint of the house. The term is also synonymous with the eligible area. Exterior spaces such as detached porches and garages are considered *ineligible* areas.

**Damage Assessment:** A report resulting in a physical inspection of the housing unit to document damage from the event. The assessment must be conducted by a certified or licensed inspector and is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include a final estimated cost of repairs according to local code, an assessment of cost-effectiveness of each recommended activity (reconstruction or rehabilitation), lead, asbestos and mold remediation and the total amount of assistance needed to bring the home up to code at completion.

**Demolition:** The clearance and proper disposal of dilapidated building and improvements materials.

**Duplication of Benefits:** The amount determined by the Program that would represent financial assistance covering costs that have been received from another source. 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-DR funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source. A Duplication of Benefit amount determined by the Program would result in the reduction of an award amount.

**Environmental Review:** All qualified projects must undergo an environmental review process. This process ensures that the activities comply with National Environmental Policy Act (NEPA) and other applicable federal and territorial laws. 24 CFR Part 58 Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities as well as Related Federal Laws and Authorities Listings under 24 CFR 50.4 and 58.6 will be followed.

**Estimated Cost of Repair (ECR):** The report resulting from a damage assessment detailing the estimated project costs necessary to repair/or reconstruct the home to the US Virgin Islands Building Codes, and costs for mitigation and elevation efforts to reduce the impact of future storms.

**Federal Emergency Management Agency (FEMA):** The agency of the United States Department of Homeland Security with the primary purpose of coordinating the response to a disaster that has occurred within the United States and that overwhelms the resources of local authorities.

**FEMA-Designated High-Risk Area:** Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in the 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

**Flood Hazard Area:** The land area covered by the floodwaters of the base flood is the Special Flood Hazard Area (SFHA) on NFIP maps. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies. The SFHA includes Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V.

**Flood Insurance:** The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood



Insurance Program (NFIP). For property owners to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

**Floodplain:** FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

“100-year floodplain” – the geographical area defined by FEMA as having one percent chance of being inundated by a flooding event in any given year.

“500-year floodplain” – the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flooding event in any given year.

**Household:** A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family (including a family that consists of a single individual), two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the combined income of the household.

**Individual Mitigation Measures (IMM):** Activities designed to mitigate and/or reduce risk beyond the pre-disaster condition of a housing unit when the activities are beyond federal, state, or local units and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

**Low- to Moderate-Income (LMI) National Objective:** Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. The most current CDBG income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

**Major or Severe Damages:** \$8,000 or more of real property damage resulting from Hurricane Irma or Maria, or one foot or more of flood water on the first floor, as reported in a FEMA inspection. Inspection documentation must be maintained in the project file (a copy of the FEMA inspection, and date stamped photographic evidence of the floodwater damage).

**Manufactured Housing Unit (MHU):** A structure, transportable in one or more sections which in the traveling mode is 8 body-feet or more in width, and 40 body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis 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 contained therein.

**Minimum Housing Standards:** Assisted properties will meet the following standards upon project completion: each living unit will be used and maintained individually, having access such that it is unnecessary to pass through any other living unit, will include utilities and a water supply and

will meet the USVI building codes in place at the time of assistance. Fixtures and finishes will be of “standard” and not “luxury” quality. All rental housing is required to meet HUD Housing Quality Standards (HQS) upon completion, and for the entire term of the affordability period. ‘

**Mitigation:** Improvements made to a property specifically to reduce the possibility of future property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, creating a flood mitigation program such as an acquisition of at-risk flood-prone property/housing, and elevation of housing in high-risk floodplains are two visible and effective mitigation projects that can be taken to make residents and communities safe in the face of natural disasters.

**Modular Home:** A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

**National Flood Insurance Program (NFIP):** The National Flood Insurance Program aims to reduce the impact of flooding on private and public structures by providing affordable insurance to property owners, renters and businesses and by encouraging communities to adopt and enforce floodplain management regulations.

**New Construction:** The site preparation for, and the construction of, an entirely new residential structure in a location that did not previously contain a residential structure.

**Program Inspector:** A program inspector will conduct periodic inspections of work in progress.

**Reconstruction:** Demolition and rebuilding of a residential structure, including a modular housing unit, on the same lot and in the same footprint and manner as the previous housing unit (whether demolished with CDBG-DR assistance, or demolished prior to Program application). This activity also includes replacing an existing substandard site-built, modular housing, or manufactured housing unit (MHU). The number of units may not be increased, and the total square footage of the reconstructed structure may not be increased beyond the original principal residence square footage. However, the number of rooms within a unit may be increased or decreased based on the applicant’s current household size.

**Rehabilitation:** Repair or restoration of a storm-damaged housing unit to applicable USVI building and construction codes, and minimum property standards for a residential dwelling.

**Single Family Home:** A single unit containing any group of rooms located within a dwelling and forming a single habitable unit with facilities that are used or intended to be used for living, sleeping and cooking. A single-family home may be detached or attached to another single unit.

**Special Case Panel:** This panel will review any project where a determination regarding rehab versus reconstruction is in question, due to cost or other factors; or when the homeowner has objection to the determination. The decision of this team can be appealed through the program’s appeal process.

**Subrogation Agreement:** An agreement executed by the homeowner beneficiary agreeing to repay any duplicative assistance if the homeowner beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

**Substantial Damage:** Storm damage sustained by a structure whereby the cost of restoring the structure to its pre-storm damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred (44 CFR 59.1). Substantial damage includes properties that were fully destroyed by the storm events. A substantial damage determination may be issued in the form of a letter, or the determination may be made by the CDBG-DR Program based on the Estimated Cost to Repair.

**Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA):** URA applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program projects. The objective of the URA is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For the purposes of these guidelines, URA mostly applies to involuntary displacements from residential units (49 CFR Subpart B) and acquisition or reconstruction of multifamily damaged/occupied units that require the relocation of tenants.

**Urgent Need National Objective:** An activity that addresses an urgent need, defined as a situation where existing conditions pose serious and immediate threat to the health or welfare of the community and are recent or recently became urgent. The Territory, along with any and all subrecipient(s), must document no funds are available and costs cannot be financed for the activities. The CDBG certification requirements set forth in 24 CFR 570.208(c) and 570.489(d) have been waived per 83 FR 5844. The Territory and the subrecipients must document how each activity, program, and/or project funded under this National Objective category responds to a disaster-related impact. (See 24 CFR 570.208(c) and applicable Federal Register Notices that are 83 FR 5844 and 83 FR 40314.)

**United States Virgin Islands (USVI):** The Virgin Islands of the United States is an unincorporated and official territory of the United States.

## **2.0: INTRODUCTION**

The Virgin Islands Housing Finance Authority (VIHFA) has developed a Reconstruction and Rehabilitation program to assist eligible homeowners whose primary residence were damaged by Hurricanes Irma and/or Maria. This Program is designed to create a habitable living environment for homeowners whose primary residence was fully destroyed, or sustained substantial, major, or severe damage.

These solutions are designed to assist homeowners who were deemed Low and Moderate Income, whose households' total annual gross income cannot exceed 120% of Area Median Income (AMI) based on HUD's most recent income limits, adjusted for family size. Income limited for the island of St. John will be used for all three islands based on the HUD waiver granted (FR-6219-N-01), September 28, 2020).

To assist the maximum number of households, reconstruction and/or rehabilitation work and materials will be limited to those items necessary to make the home livable and code-compliant, using standard grade materials.

## **3.0: PROGRAM OVERVIEW**

The Virgin Islands Housing Finance Authority (VIHFA) Homeowner Reconstruction and Rehabilitation Program will offer homeowners two (2) solutions, Reconstruction or Rehabilitation. Based on the level of construction required, homeowners will be assigned to the respective Solution determined by the Program's Policy. VIHFA Program staff will coordinate with HFA's Disaster Recovery Construction managers, and any additional support personnel to provide seamless process for moving applicants from eligibility, through environmental review, damage assessment, grant signing and construction. Various methods will be used to secure a pool of qualified contractors to provide rehabilitation and/or reconstruction to EnVIision applicants.

VIHFA has procured Case Management services, which includes but are not limited to program outreach to potentially eligible homeowners, application intake, program eligibility verification (both for the household and property), Duplication of Benefits review, Verification of Benefits analysis, award calculation, and document execution. Housing Specialists will conduct Quality Assurance/Quality Control (QA/QC) of application intake and processing by presenting quality reviews at essential milestones in the grant management and construction process. Homeowners will also be afforded guidance on program guidelines and requirements. VIHFA will also conduct QA/QC review of program files at award and again at closeout to ensure compliance with program guidelines and federal requirements.

### **Reconstruction Solution**

Projects eligible for the Reconstruction Solution are those low- and moderate-income homeowners' residences that were destroyed or damaged, and the extent of damage and/or cost of rehabilitation results in reconstruction being the best alternative. This determination will be made following inspection by Program staff in consultation with the homeowner. A Special Case Panel will review any

instances where the homeowner is not in agreement with the recommendation of the inspector and Program Staff.

VIHFA Homeowner Reconstruction and Rehabilitation Program staff, Housing Specialists, and Construction Managers will act on behalf of the homeowner to manage the reconstruction process. Homeowners will be offered the most appropriate and cost-effective options to develop building plans for a structure that will fit within the foundation footprint for the reconstruction of their home. For fixed price reconstruction or replacement projects, the Program may fund necessary demolition at the lowest possible rate available in the in the fixed pricelist.

Applicants that have already demolished their storm-damaged homes must also provide documentation evidencing the following:

- Pre-storm structure type,
- Total square footage,
- That the damage to the home was caused by the storm.
- Notices of condemnation (if available)
- Substantial damage notifications (if available)
- Other notices requiring the property be demolished (e.g., demolition permits)

The estimated cost to reconstruct the home to the minimum housing reconstruction standards will be established after the design plans have been completed.

Under the Reconstruction Solution, the Program with input from the Construction Management will select the homebuilder construction contractor through a mini-bid or bulk procurement process and Program staff will execute the contract for the reconstruction of the storm-damaged house.

The Program will disburse grant proceeds directly to the homebuilder construction contractor in progress payments for work that has been completed, as documented in Progress Inspections.

### **Rehabilitation Solution**

Projects eligible for the Rehabilitation Solution will commence in tandem with the Reconstruction projects.

All Rehabilitation Solution applications will require documentation to support household and property eligibility. Construction Management staff and selected firm will oversee development of scopes of work and the procurement and/or assignment of a qualified construction contractor from the approved pool following the VIHFA procurement process. The construction process will be managed from beginning through completion.

Program Counselors, Construction Managers, and VIHFA staff will, on behalf of the homeowner, coordinate the initial property inspection; develop the project budget, scope of work, and estimated cost to repair; select the contractor and have the contract executed; coordinate with the contractor and homeowner; and manage the rehabilitation construction, inspections, and payment process through project completion.

If a homeowners' roof was not built to Virgin Islands Code and damage exceeds 50% of the roof area, a demolition of a roof membrane may be required by the Department of Planning and Natural Resources (DPNR). However, sound portions of masonry walls shall be retained.

Payments will be made directly to the construction contractor based on progress inspections.

### **3.1: Program Allocation**

CDBG-DR program funding allocations, including funding for the Homeowner Reconstruction and Rehabilitation Program, are outlined in the Action Plan and Action Plan Amendments, located on the Authority's website at: (<https://www.vihfa.gov/disaster-recovery/action-plan>).

### **3.2: National Objective**

The Homeowner Reconstruction and Rehabilitation Program will replace or rehabilitate permanent residential structures that were owner-occupied, primary residences at the time of the storms. Eligible properties are those occupied by Low- to Moderate-Income households defined as families and individuals whose incomes are at or below 80 percent of the median income of the area. In this instance the national objective will be low/mod housing. For applicants with incomes between 81 and 120% of AMI, the national objective will be Urgent Need.

Additional definitions and information about CDBG National Objectives are documented in the VIHFA General Administrative Policy and Procedures Manual.

### **3.3: Eligible Activities**

The following Housing and Community Development Act of 1974 (HCDA) activities are eligible for CDBG-DR assistance under the Homeowner Reconstruction and Rehabilitation Program:

- Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4));
- Public Services (HCDA Section 105(a)(8));
- Financial Assistance to Homeowners (HCDA Section 105 (a) (24));
- Housing Counseling (HCDA Section 105 (a) (20));
- Relocation (HCDA Section 105 (a) (11)).

The applicant and the property must meet all eligibility requirements specified in Section 4.0 of this manual.

### **3.4: Ineligible Activities**

The following activities are *ineligible* and CDBG-DR grant funds *cannot* be used for any portion:

- According to Federal Register Notice 6066-N-01, HUD precludes assistance for homeowners living in a floodplain for which "(a) the combine household income is greater than 120% AMI

or the national median, (b) whose property sustained damage in the hurricanes and was located in a floodplain at the time of the disaster, and (c) the owner did not maintain flood insurance on the damaged property, even if the property owner was not required to obtain and maintain such flood insurance”;

- Voluntary mortgage payoffs;
- SBA home/business loan payoffs;
- Funding for second homes;
- Compensation payments.

### **3.5: Prioritization Criteria**

The Program will fund eligible low- and moderate-income homeowners up to 120% AMI based on the island of St. John’s income limits.

Guidance will be provided to homeowners on the requirements of this program. All those applying for reconstruction/rehabilitation assistance during the open application period will be processed and, if eligible, served based on the availability of funds. Priority will be given to households meeting the federal low-to-moderate income (LMI) requirements using HUD’s most recent income limits, which is updated annually based on HUD’s income threshold publication. Based on the waiver provided by HUD (FR-6219-N-01, September 28, 2020), the income limits for St. John may be used for all three islands.

The income information verified during the application process. At the time that final eligibility is determined prior to grant signing, a re-verification of income will take place to ensure that the applicant is still eligible to be served. If it is determined that any information provided on the application must be modified, based upon the application verification, the result could be a priority change for that applicant and/or the application could be placed on hold. Should a priority change be necessary, the applicant may be required to wait until their new priority is open for application before further proceeding in the process.

### **3.6: Supportive Services**

Supportive services may include funding assistance to eligible service providers who provide critical resources necessary for housing recovery, including but not limited to legal services to assist LMI homeowners in overcoming legal obstacles, obtaining necessary recovery assistance, and housing and financial counseling.

Applicants may be referred to nonprofit resources, or the program may procure providers for applicant support services. The Program will work to incorporate available housing assistance resources.

## **4.0: ELIGIBILITY**

The applicant qualifying for the Homeowner Reconstruction and Rehabilitation Program must have been the owner and occupant of the subject property at the time of the storm. The property must have been destroyed or sustained substantial or major and severe storm damage. Applicants will be required to submit documentation to verify the following:

- Ownership
- Primary Residency
- Household composition
- Occupancy at time of the storm
- Citizenship and legal residency status (e.g., birth certificate, passport, Certificate of Naturalization, etc.)
- Property Structure/Type
- Property Location
- Disaster Damage
- Income
- Additional benefits received (FEMA, SBA, private insurance, nonprofit assistance)
- Property Tax Status

Housing Specialists will verify whether households meet the Program requirements prior to receiving assistance. Applicants may be required to make full restitution to VIHFA if it is found that documentation or information submitted was inaccurate to meet eligibility requirements.

Conflicts between information submitted by homeowners and received from validation sources/services must be resolved. Program Counselors will work with household applicants and VIHFA Program staff, on a case- by-case basis, to determine the necessary resolution. Failure to disclose accurate and complete information may affect applicant eligibility. Some of the information submitted by applicants will be validated through third-party sources during the eligibility process.

Applicants to the Homeowner Reconstruction and Rehabilitation Program must meet all Program eligibility criteria. Program Counselors will be available to help applicants to complete applications at Recovery Centers. Applicants may also complete the application using the following:

- Website: <https://vistormrecovery.com/>
- Appointment scheduling: 888-239-3387
- Mobile application
- In-person home visit
- At one of the recovery centers

Other reasonable accommodations may be available as needed.

#### **4.1: Income Eligibility**

Homeowner Reconstruction and Rehabilitation Program requires owner-occupied applicant households to meet the Low- to Moderate-Income (LMI) National Objective or to have incomes between 81 and 120% AMI. Based on the waiver provided by HUD (FR-6219-N-01), September 28, 2020), the income limits for St. John may be used for all three islands.

Prior to receiving assistance, applicants will be screened for household income eligibility through submission of specific required income documentation or third-party data sources. The test of meeting the low to moderate income objective is based on the total adjusted gross income (AGI) of all of household members.



The Program will use the most recent Internal Revenue Service (IRS) Form 1040 or Social Security Award letter, as the primary source of verification of income for all household members.

The Program will use the following rules to determine which household members will be included in the household income calculation:

- Unearned income attributable to a minor is included in the household income calculation (Examples include payments from trusts, stocks, bonds, etc. if the payments are taxable at the Federal level). Earned income of minors, including foster children (under 18) is not counted.
- Temporarily absent family members are counted in the annual income, regardless of the amount the absent member contributes to the household. Temporarily absent family members are also counted as a member of the household when determining the household size.
- In situations where family members are permanently absent such as when a spouse is in a nursing home, the head of household has the choice of excluding the individual in the household composition, as well as any taxable income they receive. However, if the absent family member is included in the household composition, the taxable income must also be included in the total household income calculation.

Under the following special circumstances, the income of the referenced individuals will be excluded from the total household income calculation:

- Persons who are temporarily (six months or less) living with the applicant.
- Persons who are employed by the household as a live-in aide and/or are a child of that aide. Note: A live-in aide/caregiver that is related does not qualify. In such cases, their income will be included in the total household income calculation and the live-in aide, and any child of the aide will be included in the total household composition.
- If an applicant is married and their spouse is absent from the household, the income absent spouse will not be included in the total household income if verifiable documentation of a separate residence for the absent spouse is provided. These verifiable documents must meet the same standards as documentation provided for participation in the Program.

There may be situations where a household member may have had no obligation to file a return, have not yet filed it, or filed an extension. If any household member did not file a prior year income tax return, the household member is required to submit current documentation that reflects their current income.

If the household member does not have IRS Form 1040 for the current tax year, then one or more of the following additional documents can be used to verify income:

**Wages:**

- All paystubs from most recent 90-day period prior to date of application.
- W-2 Wage statements for all income.

**Retirement/Social Security:**

- Current Social Security Benefits letter (including benefits paid to minors)
- Current Pension/Retirement Benefit letter (if applicable), or prior year 1099
- Current Annuity Payment letter (if applicable), or prior year 1099

**Self-Employment Income:**

- Most recent tax return (1040 or 1040 A), to include Schedule C
- Current year profit and loss statement

**Rental Income:**

- Current lease agreements

**Unemployment Benefits:**

- Current benefit letter with gross benefit amount

**Court Ordered Alimony/Spousal Maintenance:**

- Copy of court order documentation

**Taxable Interest and Dividends (including amounts received by, or on behalf of minors):**

- Most recent statement or prior year 1099

**No Income:**

- Certification of Non-Taxable Income Verification (required for anyone residing in the household over the age of eighteen not receiving Social Security benefits who has no income.)

Documentation for other less common types of income that may be taxable at the federal level and will be assessed by the Program based on type of income reported.

**4.2: Damage Eligibility**

The home must have sustained damage, as a direct result of one of the 2017 Severe storm events, which took place on September 6, 2017, and September 20, 2017. Disaster damage is defined as rain, wind, and/or flood damage received as a direct result of the disaster to the damaged property plus subsequent damage related to the original disaster damage. Applicants will provide reasonable confirmation of damage to their property from the disaster at the application stage.

Information provided by FEMA and SBA, or insurance assessments may be used to verify disaster-related levels of damage. Verification of a benefit paid to the applicant for damage to their property will be attempted using third Party data to expedite the determination process. A data search for information will be conducted, but not limited to, the following items:

- FEMA (third party data match will suffice to prove damage, no other documentation needed).
- SBA (third party data match will suffice to prove damage, no other documentation needed).
- NFIP (third party data match will suffice to prove damage, no other documentation needed).

If the information provided by FEMA or SBA is unclear or if the information is not available, a Program Inspector from Construction Management or a VIHFA staff person will attempt to confirm whether a home experienced damage within the structure.

Applicants lacking FEMA or SBA verification can provide one of the following for documentation:

- FEMA letter documenting any storm damage
- SBA Loan documentation or denial
- NFIP Claim
- Private Insurance Claim or denial for storm damage
- Litigation payment resulting from a denied Insurance Claim or potential payment due to pending litigation
- Photos (date stamped) submitted by the applicant, and attested to as disaster-damage, as part of the application
- Results of inspection by local government entity
- supporting photos (date stamped), other documents to verify storm damage or reports from building officials to support the tie to the storm.

In the absence of any of the above referenced items, a qualified Program inspector will perform a damage assessment complete with photos and written assessment of the damage to confirm the presence of disaster related damage to the property, if any. If disaster related damage to the property cannot be confirmed by the damage assessment and the applicant is unable to provide documentation to confirm damage, the property will be deemed ineligible for assistance.

If the home has been demolished, the applicant must provide sufficient documentation from the items listed above or supply alternate documentation, such as private, certified third party property inspection completed prior to the demolition of the structure.

### **4.3: Ownership Eligibility**

To be eligible for the Homeowner Reconstruction and Rehabilitation Program, applicants must have owned and occupied the property at the time Hurricanes Irma and Maria occurred; and must be maintaining the home as their current primary residence.

Prior to receiving assistance, homeowners must provide evidence that all property taxes are current with a copy of a current tax statement. If taxes are not current prior to assistance, applicants must provide proof, within 30 days, that they have entered into a payment plan and/ or bring the taxes current. If the applicant is unable to provide proof of a payment plan within the 30 days, the applicant will be notified their application has been placed in “inactive” status.

Applicants of homes with mortgage loans secured against the property must provide a copy of their most recent loan statement. Mortgage accounts must be current; account cannot be delinquent or in foreclosure. Lenders will be provided with a Lender Notification informing them that the applicant has been approved for the program.

All applicants must sign the initial applications and certifications. An individual Power of Attorney (POA) can be used to execute the initial application documents; and a POA may be used for the execution of grant documentation.

#### **4.3.1: Ownership Verification**

The Program Counselor will validate pre-storm property ownership by comparing the documentation submitted by applicants with property information obtained through third-party services. Ownership is established when the applicants' names and property address information match and the tax rolls show ownership at on or before September 2017. If necessary, applicants may supply supplemental documentation to the Program Counselors. If household applications contain more than one applicant name, only one owner occupant name is required to be matched.

A third-party title search will be required if the applicant cannot produce one of the following documents to confirm proof of ownership:

- Deed or official ownership record for the home,
- Mortgage loan documents,
- Property tax receipts or tax bill.

Validation of ownership of the damaged property will include the use of recorder of deeds or legal firms, which will access the Office of the Recorder of Deeds. To expedite applicant processing and minimize costs to the program, ownership will be validated through the following searches:

- Name match on tax records AND evidence of Homestead Exemption,
- Ownership, encumbrances, tax information and sale or transfer history,
- Abbreviated title search to include ownership, tax and property liens, mortgage history, and recorded covenants or restrictions.

Alternative forms of ownership documentation may be considered:

- Life Estate Deed: must show the applicant as "grantee" (if property ownership was transferred upon the death of another, a certified copy of the death certificate of prior owner is required) and the deed must be recorded with the Office of the Recorder of Deeds;
- Probated Will, Court Order, or judgment granting applicant an ownership interest in the damaged property (copy of the appropriate documents must be submitted);
- Divorce Decree: if ownership was obtained as result of divorce, the copy of the final divorce decree property settlement agreement must specify the property was granted to the applicant;
- Deed (Sale or Lease/Rent to Own): If the applicant purchased the property in a private owner sale via sales or purchase contract for deed, or a lease or rent to own contract, the contract must be satisfied and a warranty deed granting the property to the applicant must be recorded with the Office of the Recorder of Deeds.
- Other documentation that will be reviewed and considered on a case-by-case basis.

If an applicant owned a damaged structure, such as a mobile home unit, as of the date of disaster, but did not own the land where the structure is/was located, the applicant may still be considered eligible. The owner occupant must present an executed agreement indicating that the owner of the land permitted

the applicant to have the structure on the land, that they owned or had an ownership interest in the damaged structure.

#### **4.3.2: Special Ownership Circumstances**

Applicants with special ownership circumstances related to the damaged property may be considered on a case-by-case basis. The following special ownership circumstances have been identified:

#### **4.3.3: Properties owned by a Limited Liability Corporation**

Properties owned by a Limited Liability Corporation (LLC) at the time of the disaster event are only eligible when at least one member of the LLC occupied the property as his/her primary residence at the time of the storm and the date of application.

Applicants who transferred their damaged property to an LLC by sale or act of donation after the disaster event and that meet all eligibility criteria, including proof that they occupied the damaged property as their primary residence at the time of the storm, can transfer the title back to original pre-disaster ownership so that they can receive Program benefits if one of the following conditions is met:

- The applicants transferred property to an LLC that is held in their name.
- The applicants transferred property to an LLC that is held by an immediate family member (mother, father, son, daughter, or spouses).
- The applicant must continue to maintain the home as their primary residence after the transfer returning ownership to the applicant.

Other properties owned in an LLC that do not meet the aforementioned conditions are NOT eligible.

#### **4.3.4: Property Secured by a Reverse Mortgage**

Applicants whose property is encumbered with a reverse mortgage at the time of the storm event are eligible to apply, provided the borrowers were occupying the property as their primary residence at the time of the storms.

#### **4.3.5: Purchase or Sales Contracts in Effect during Hurricanes Irma and Maria**

Applicants who are buyers in a purchase contract will still be required to provide proof of occupancy of the damaged property as their primary residency at the time of the storm to be eligible for the Program.

- Bond for deed
- Contract (Purchase or Sales) for deed
- Lease to own contract

In addition, they must provide proof that a contract has been completed and title conveyed to the purchaser as provided by one of the following:

- a. A notarized, executed conveyance document from the seller to the contract purchaser
- b. Evidence of recordation of the title in the name of the applicant in the Clerk of Courts Office for the Territory

#### **4.3.6: Trust**

A property held in Trust refers to a real estate asset that has been placed into a fiduciary relationship between a trustor and a trustee for a designated beneficiary. An applicant may be eligible for Program assistance if at least one of the occupants at the time of the storm was the owner of the Trust or a current beneficiary of the Trust. The trustee's powers must include control of the damaged property. If the trustee's powers do not include the ability to affect the damaged property, the beneficiaries with an interest in the damaged property must sign the grant agreement documents along with the Trustee.

The following documentation is required to confirm eligibility:

- The applicant must provide a copy of the trust document.
- Copy of the Deed stating that the property is in the Trust's name.
- The trust document or an abstract or extract of the trust must be recorded in the Office of the Recorder of Deeds of the Territory in which the damaged property is located. This recordation in the Office of the Recorder of Deeds may be recorded post-storm if necessary.
- The applicable grant agreement and/or covenants must be executed by trustees unless the trust distributes the property to a beneficiary, in which event the beneficiary receiving the property will execute the applicable grant agreement and/or covenants.

If the property was not serving as the primary residence for the current beneficiaries or trustee, the applicant is not eligible for assistance.

#### **4.3.7: Foreclosure or Seizure of Property**

Applicants whose property is in the foreclosure process or has been foreclosed and is still in redemption will not be eligible to receive program benefits. An applicant will only be deemed eligible if they can provide documentation recorded in the Office of the Recorder of Deeds showing that the Foreclosure has been discontinued, and evidence all mortgage debts are current at the time of application, and at grant agreement execution.

#### **4.3.8: Death of Eligible Owner Occupant and Heirship**

In the event of the death of an applicant that has been determined as eligible but prior to grant execution, the heirs who are able to document that they were occupants of the residence at the time of the disaster and can prove current ownership through heirship will be eligible to apply for Program assistance.

If the applicant's heir wishes to continue with application process after the owner of record died, the applicant may be eligible for assistance if they can demonstrate they have an ownership interest in the damaged property AND document the damaged property was their primary residence at the time of the disaster. The applicant must submit one of the following items:

- Deceased applicant lists heir as a co- applicant or household member on the application, and
- heir submits a recorded Will or Trust which states that they are a potential heir to the damaged property. The recorded Will or Trust must grant the property to the applicant's heir in the administration.

- A copy of the death certificate
- Proof of legal interest

The following are not acceptable as proof of legal interest:

- An un-recorded Will;
- Payment of property tax where the heir is not listed as the owner on the property tax bill.

Heirs who were not occupants at the time of either disaster event are not eligible for Program assistance.

In the event that an applicant dies after repair or reconstruction has started, if there is no heir that meets the requirement of occupancy at the time of the storm, an income-eligible heir (with the approval of all other heirs) may occupy the home for the balance of the affordability period. If there is no heir that meets these conditions, the estate must repay the program for the investment of federal funds in the home.

#### **4.3.9: Incapacity or Infirmary of Applicant**

After completing the application process, if a homeowner applicant is incapacitated due to illness or other infirmity, someone that has the legal right to make decisions for the homeowner applicant, with a power of attorney, may execute grant documents on behalf of the applicant, if the applicant intends to reoccupy the home following construction. If the homeowner is unwilling or unable to continue to occupy the home as his/her primary residence, and construction as not commenced, the applicant will be administratively withdrawn from the program.

#### **4.3.10: Active Military Duty**

Active-duty military personnel who own a primary residence that was damaged in the storms and were assigned to duty away from the USVI at the time of the disaster are eligible to apply, even if they are currently assigned to duty away from home.

#### **4.3.11: Site-built homes on leased land**

An applicant's ownership requirement may be fulfilled if they are the lessor on a lease of the real property which has a term equal to requirements in the covenant. Applicants whose site-built home is located on leased land must provide a copy of a document showing ownership that was recorded in the Office of the Recorder of Deeds prior to the disaster event and which states the applicant owns the site-built home. Examples of such documents include:

Lease for land on which site-built home is located which includes reference to fact that the applicant owns the site-built home (recorded prior to disaster event)

- Title found in the land records for the manufactured home
- Copy of lease
- Approval from owner of land to replace a manufactured home.
- Notarized documentation from the landowner giving permission to erect a stick-built home on the property.
- Written transfer of the home (recorded prior to disaster event)

- Notarized bill of sale which provides ownership to applicant of the site-built home (recorded prior to disaster event)
- 2017 tax record for the site-built home on leased land

Signed affidavit from the applicant stating they were owner of the site-built home at the time of the disaster event AND two of the following as supporting ownership documentation from the time of the disaster event:

- Insurance policy in name of applicant insuring the structure,
- Territory tax assessment for the structure,
- Lease agreement for the land, beginning prior to the disaster event and with a term of 99 years or longer.

#### **4.3.12: Manufactured Housing Unit (MHU)**

The owner occupant must present evidence of ownership interest in the MHU damaged by one of the storms. Ownership documentation for MHUs may include, but are not limited to, one the following items:

- Property title or mobile home Certificate of Title
- Bill of Sale dated prior to the disaster showing applicant name as owner
- Title found in the land records for the manufactured home
- Other forms of MHU ownership, which may be considered on a case-by-case basis.

Manufactured and mobile homes are eligible for the Reconstruction Solution only, on their existing site. As a default, the Program will treat all Manufactured Homes that are feasible as either a stick- built reconstruction or modular home.

#### **4.3.13: Manufactured Homes on Leased Land**

Applicants of manufactured homes on leased land must provide the following ownership documentation, including one of the following dated pre-storm events:

- Title found in the land records for the manufactured home
- Notarized bill of sale which provides ownership of the manufactured home
- 2017 tax record for the manufactured home on leased land
- Copy of lease
- Notarized documentation from the landowner giving approval to the lease holder to erect a manufactured home on the property.

### **4.4: Occupancy and Primary Residency Eligibility**

Applicants must have occupied the damaged property as their primary residence on the date of one of the storms (Hurricane Irma September 5, 2017; Hurricane Maria September 16, 2017). Second homes, vacation homes, and rental properties are not eligible for the Homeowner Reconstruction and Rehabilitation Program. Owners who are not occupants are required to sign a form that gives permission for the applicant owner to secure grant assistance. The non-occupant owners are not required to provide any



income or other documentation but will be required to sign the form that gives permission for the owner occupant to apply to the program. The Program is not liable for any dispute arising between owner occupants and non-occupant owners.

Occupancy will be primarily verified from a homestead exemption in the applicant's 2017 property tax record. In the absence of the exemption, the following documents can be accepted (all occupancy documentation must be from the time of the storm event):

- 2017 federal income tax return listing the damaged property address as the filer's residence.
- 2017 US Virgin Islands income tax return listing the damaged property address as the filer's residence.
- FEMA Individual Assistance award letter for damaged property address.
- SBA Disaster Home Loan award letter for damaged property address.
- Driver's license or state-issued identification card showing the damaged property, issued prior to and expiring after the disaster.
- Insurance documentation, such as a homeowner's endorsement, indicating the property as primary residence and for the period of the storms.
- Employment statements, including paystubs or notices of payment, for the period immediately preceding the storms, indicating the property address as the employee's address.
- Title search results that yield proof of homestead exemption.
- Receipt of government benefits received for at least one month between the three months before or after the qualifying storm showing applicant's name and damaged property address. (Social Security, Medicare, Medicaid, WIC, Unemployment, Low-Income Energy Assistance Program (LIHEAP))
- Other documentation that will be reviewed and considered on a case-by-case basis.

Applicants will be required to execute a grant agreement certifying that the applicant was the owner occupant at the time of the disaster event.

#### **4.4.1: Primary Residency Verification Procedures**

All documentation will be reviewed to ensure the documents include the applicant's name, the damaged property address, and is dated at the time of the disaster (if applicable) to substantiate the damaged property was the applicant's principal place of residence at the time of the disaster.

#### **4.4.2: Primary Residency Exceptions**

Exceptions to this Policy include the following:

An owner occupant that is/was in the United States military and was deployed outside of the Territory may still qualify for an award if he or she was not renting the property to a tenant.

An owner occupant was temporarily living (on or off island) in a nursing or rehabilitation home, assisted living facility or other medical facility.

#### **4.5: Property Eligibility**

To qualify as a Program-eligible structure type, the impacted home must be a single-family dwelling, duplex, manufactured home, or condominium. Eligible structures with verified ownership will be considered eligible, regardless of whether the applicant owns the land on which the housing structure is situated. Structure type will be verified during the property damage assessment or inspection process. Any applicants with damaged properties on leased land will be required to provide a copy of an executed lease indicating they have permission for rebuilding on the land, and that the property met all zoning and building requirements of the Territory (it was not an illegal structure prior to the storm). Recreational vehicles (RVs), houseboats, and campers are not eligible, even if the applicant occupied one of these as a primary residence.

#### **4.5.1: Single Family (Detached)**

A stand-alone house (also called a single-detached dwelling, detached residence, or detached house) that is a freestanding residential building.

#### **4.5.2: Duplexes**

*Single Owner:* Applicants who own and occupy one unit of a duplex and rent the other unit are eligible to apply to the Program. Applicants will be allowed to use grant funds to repair both units. Duplexes where both units are used for rental purposes, and the owner is not an occupant of at least one of the housing units, are *not eligible* for this program.

*Tenants:* Applicants are prohibited from evicting existing tenants to apply for assistance. Any applicant found to have evicted a tenant to participate in the Program will be ineligible for assistance and is responsible for any damages sustained by the evicted tenant, including, but not limited to any relocation costs. Applicants will be required to affirm in their application whether there was a tenant on the date of the storm. Any applicant who had a tenant in residence will be required to conform to all tenant relocation and Uniform Relocation Act requirements related to notice. The program will assume costs related to temporary or permanent relocation. (See also VIHFA's Administrative Guide's Relocation Policy for additional information and requirements.) Eligible owner occupants can receive assistance for both units as long as they occupy one unit.

*Multiple Owners:* Duplex structures that have joint owners who occupy separate units, each unit is treated as a separate unit and each owner occupant is eligible to apply to the Program.

#### **4.5.3: Triplexes**

Triplexes are not eligible. However, in the event that the Rental Rehabilitation & Reconstruction Program closes permanently, the program may assist homeowner applicants. If this occurs, only the owner-occupied unit will be allowed to be rehabilitated. Other owner-occupied triplexes will be referred to the Rental Rehabilitation and Reconstruction Program under this program.

#### **4.5.4: Manufactured Homes**

Owners of manufactured home owned by the applicant, whether located in a mobile home park (rented space), on leased land, or on land owned by the applicant can apply to the program. The applicant must

have occupied the home as their primary residence at the time of the storms. If the home is in a mobile home park, the replacement will be a mobile home, unless the owner of the park is willing to allow a stick build or modular home and provide a long-term lease.

#### **4.5.5: Condominiums**

Condominium owners who occupy the unit as their principal residence may apply for assistance. Demonstrable progress of completion of the common area items to decent, safe, and secure standards must have taken place. Applicants must provide a copy of the master condo insurance policy and written permission from the homeowner's association.

### **4.6: Requirements for Disaster Assistance to Owners Remaining in Floodplains**

#### **4.6.1: Special Flood Hazard Area (SFHA)**

A Special Flood Hazard Area, or 100-year floodplain, is 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. Homes located in Special Flood Hazard Areas must meet either elevation requirements or alternatives laid out in waiver request currently pending with HUD.

VIHFA will review all substantially damage or undergoing substantial improvement projects located within the 100-year floodplain during the Tier II Site-Specific Environmental Review to determine if the structure can be relocated on the existing site. Homes that cannot be relocated on the existing site and are substantially damaged or undergoing substantial improvement will be elevated 2 feet above the base flood elevation level which will be identified utilizing the Advisory Base Flood Elevation Map. No homes that are in floodways can be assisted by the program consistent with Federal requirements.

#### **4.6.2: National Flood Insurance Reform Act**

Per Section 582 of the National Flood Insurance Reform Act, as amended, recipients of Federal Disaster Relief Assistance prior to Hurricane Irma or Maria, cannot use federal disaster relief assistance (neither loans nor grants) to repair, replace, or restore residential property if the property is located in a flood disaster area and the property owner ever received federal flood disaster assistance that was conditioned on first having obtained flood insurance and subsequently failed to obtain or maintain the required food insurance. This prohibition is enforced for the Homeowner Reconstruction and Rehabilitation Program.

#### **4.6.3: Assistance Provisions for Properties Located Within a Floodplain**

In accordance with the Stafford Act, applicants who are owners of property located in a flood hazard area, and who previously received any federal flood disaster recovery assistance after September 14, 1994, are required to obtain and maintain adequate and necessary flood insurance coverage.

Prior to executing a grant award, Program Counselors must verify whether a homeowner has received prior disaster recovery assistance, obtained, and maintained flood insurance, if required.

Any homeowner who is assisted by the program and whose property is located in a floodplain will be required to obtain and maintain flood insurance in perpetuity. VIHFA will ensure this requirement is enforced by filing a covenant on the property, thus informing any subsequent owners of the requirement.

## **5.0: LEVEL AND TERMS OF ASSISTANCE**

### **5.1: Eligible Award Cap and Structure**

The maximum award is the amount specified in the Action Plan for reconstruction. Rehabilitation will be considered if it is determined to be feasible and more cost effective than reconstruction. Repair or reconstruction costs that exceed the amount specified in the Action Plan and/or subsequent amendments, can be exceeded only upon approval of the Appeal Committee, after presentation of just cause and documentation to support the increased expenditure. Reconstruction and rehabilitation activities will run concurrently, allowing the maximum number of homeowners to be served with currently available funds.

The maximum award will be determined by (a) an assessment of work completed at the time of application to the program, and/or (b) an assessment of work remaining to be completed to return the home to a habitable state, less any duplication of benefits. Both assessments are based on economy/standard grade building materials as calculated by the program. Further, the maximum award provided will be adjusted based on any Duplication of Benefits.

The formula below is how the Program will calculate an applicant's award:

1. Identify the total need for assistance prior to any assistance being provided
2. Identify eligible cost of work completed prior to application, Work in Place (WIP)
3. Identify all potentially duplicative assistance to be deducted out of completed work.
4. Deduct assistance determined to be duplicative
5. Identify eligible repair costs/need for prospective work.
6. Determine maximum allowable CDBG-DR award (Lesser of Cap or cost of remaining work).

The Homeowner Reconstruction and Rehabilitation Program Award Calculation Template is provided in Appendix A.

If the amount needed to complete the project after DOB calculation exceeds the award cap, then the Homeowner must be notified and advised that the project cannot move forward until the remaining funding has been identified and confirmed as available by program staff.

For those applicants who are disabled, a review and analysis of the cost reasonableness of any potential special accommodations, over the standard repair estimate, will be made. Upon completion of the review, if necessary, the applicant can be granted an exception to the cap to provide for needed accommodations.

### **5.2: Upgrades to Program Scope of Work**

Because of limited resources and the prioritization of applicants with the least number of resources, the Program will not offer upgrades.

## **6.0: APPLICATION PROCESS**

### **6.1: Application Intake**

Program Counselors will be available to help applicants to complete applications at Recovery Centers. Applicants may also complete the application using the following:

- Website: <https://vistormrecovery.com/>
- Appointment scheduling: 888-239-3387
- Mobile application
- In-person home visit
- At one of the recovery centers

Other reasonable accommodations may be available as needed.

Once a person has completed an application, they will be an applicant to the program. From that point forward, applicants must abide by all Program policies and procedures outlined in this manual and sign all program forms.

### **6.2: Application Processing and Case Management**

Program Counselors will review inquiries and applications received from homeowners, provide guidance and technical assistance to applicants about the process, requirements, and progress, and ensure the system has the most up to date information daily, allowing applicants to check their application status via the online web system. Program Counselors will verify that all required documentation is present for the application.

CDBG-DR program staff will be responsible for reviewing and approving the applicant's case file, as well as QA/QC. Applicants are advised that additional information may be required for the Program to properly calculate the Grant Amount and that applicants should maintain all records, receipts, invoices, and other documentation related to any rehabilitation, construction, or clean-up of the damaged home. The Program reserves the right to request additional documentation and the applicant is obligated to be responsive to these requests and produce such documentation, when requested. This obligation continues even after reconstruction and rehabilitation has been completed and all award funds have been distributed to the applicant.

If an Applicant transfers the damaged home or any interest in it, either voluntarily or involuntarily, to an individual who did not occupy the home at the time of the storm, the Application will be deemed ineligible, and the Applicant withdrawn from the program.

### **6.3: Communications with Applicants**

The Program will ensure that all applicants have updated information regarding the status of their

application and award. The Program will use various methods of communication including but not limited to the following:

- Phone calls
- Written correspondence (e-mail, direct mailings, or texts as defined appropriate by program)
- In-person meetings
- Mobile-friendly website
- Web App
- Applicants requiring special accommodations at the Recovery Centers or wish to inquire about accommodations at the Recovery Centers, please contact the Recovery Center.

Persons applying to the Program for assistance have the responsibility to keep the Program informed of current contact information and to update their records if their income situation changes.

Applicants are expected to respond to program staff requests in a timely manner. Program staff will contact applicants to obtain or review documentation, schedule damage assessments or to execute grant or other program documents. Applicants are responsible for actively participating in the process and providing access to their property for damage assessments, lead-based paint testing, and construction progress inspections. Applicants that miss appointments or do not respond or provide requested documentation will be notified that their continued participation in the Program may be in jeopardy. The Program will make every attempt to remain in contact with each applicant via phone, e-mail, and U.S. Postal Service written correspondence.

If applicants show a demonstrated pattern of unresponsiveness, the Program will institute a communication due diligence procedure, after which applicants will be notified that their continued participation in the program may be in jeopardy. The due diligence procedure includes all of the following:

- Three consecutive unreturned phone calls;
- E-mail notification of attempted phone calls; and
- request for applicant contact through U.S. Postal Service notification via certified mail with return receipt required.

If after the full succession of these communication attempts an applicant still fails to contact the program within 30 days of the U.S. Postal Service notification mail date, the applicant will be placed on an inactive status. The applicant will be notified by e-mail and certified mail that they are on an inactive status. If the applicant does not contact the program within 30 days of notification of inactive status, the applicant's file will be closed (and the online application will be updated to reflect such), and re-activation to active status will only be considered on a case-by-case basis, allowing the limited grant funds to be provided as quickly as possible to responsive and participative applicants.

### **6.3.1: Limited English Proficiency (LEP)**

Applicants whose primary language is Spanish and French Creole will be provided Program documents (e.g., brochures and any relevant forms) as well as other tools for guidance in Spanish and French Creole. By translating and receiving Program documents in their native tongue, such applicants are

given reasonable opportunity to understand Program requirements. A Spanish speaking Customer Service Representative will be available by phone as needed and a French Creole translator will be available through an interpretation service. VIHFA monitoring staff will oversee and monitor the implementation of the Language Access Plan by VIHFA and its contractors. Applicants whose primary language is other than English, Spanish or French Creole will be provided translation services.

### **6.3.2: Special Needs Applicants**

Necessary accommodations will be made to ensure that eligible elderly persons and persons with special needs can successfully participate in the program. These accommodations could include the use of American Sign Language, oral presentation of documents, and home visits by the Program staff if the applicant is unable to come to the Recovery Center. All Recovery Centers will provide barrier-free access and accommodations for persons with disabilities. The rehabilitation or reconstruction of homes of special needs applicants will include any necessary physical adaptations.

## **7.0: PROGRAM ADMINISTRATION**

### **7.1: VIHFA Role as Grantee**

VIHFA will administer and oversee all activities and expenditures in connection with the CDBG-DR funds. VIHFA employees, along with contractors procured to aid VIHFA staff, will ensure that the activities undertaken meet all program requirements, including: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, and procurement regulations.

VIHFA will monitor the activities in accordance with HUD, CDBG-DR and VIHFA monitoring and compliance requirements so that each activity funded will meet the disaster threshold and one of HUD's national objectives, with emphasis on eligible activities achieving the rehabilitation or reconstruction of eligible homeowner properties, primarily benefiting low- and moderate-income persons. The Virgin Islands Housing Finance Authority (VIHFA) may from time to time may solicit through competitive bidding processes a Case Management provider, a Construction Management Services firm, and a pool of licensed, qualified contractors to assist the Territory in implementing the Program.

### **7.2: Outreach Plan**

The Territory and VIHFA are committed to affirmatively furthering fair housing through established affirmative marketing and outreach activities. VIHFA's General Administrative Guide includes the Authority's overarching Affirmative Marketing and Outreach policies for all programs.

For the Homeowner Reconstruction and Rehabilitation Program, the Case Management Provider is tasked with implementing a detailed outreach plan to ensure that outreach and communications efforts reach eligible survivors from all racial, ethnic, national origin, religious, familial status, the disabled, "special needs," and gender groups and that they are given the opportunity to reconstruct or rehabilitate their primary residence that sustained damages due to the disaster.

### **7.2.1: Deadlines**

Deadlines will relate to the dates upon which the application period will close, grant agreements must be executed, and construction activities must be completed. Additional deadlines for other Program activities not included may also be established.

### **7.3: Duplication of Benefits (DOB)**

The Program will conduct a Duplication of Benefits (DOB) review as part of the scope and budget review and award calculation process. The requirements of the Robert T. Stafford Act (Stafford Act), as amended, prohibits any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source.

The following are sources of funding assistance provided for structural damage and loss that may be considered a DOB and under federal law must be deducted from the assistance provided:

- FEMA Individual Assistance (IA)
- FEMA National Flood Insurance Program (NFIP) and/or Increased Cost of Compliance (ICC)
- Private Insurance
- Small Business Administration (SBA) for structure repairs
- Charity

Program applicants must report all third-party assistance they have received towards repairing the damages to their homes. Funds that applicants have received from these sources for permanent repairs to the damaged residence and how the applicant used them, must be considered when the amount of the Program grant is determined. If receipts for repairs are not available, applicants may sign a declaration of facts to that effect and, during damage assessment, inspectors will verify if repairs were made. At the time of grant reconciliation and closeout, an additional DOB analysis will be conducted. A DOB analysis will be conducted after the Mini Bid process, which determines the grant amount. A final DOB review will be conducted prior to close out of the project. Any identified duplications of benefit must be recaptured; the amount must be repaid to VIHFA. Applicants will be required to sign a Subrogation Agreement at the time of grant signing.

#### **7.3.1: Calculating Potential Duplication of Benefits**

In accordance with the Stafford Act, Program Counselors will use the following framework to assure that any funds provided by the Program are not a DOB:

- Step 1: Identify the total need for assistance prior to any assistance being provided.
- Step 2: Identify all potentially duplicative assistance received or to be received.
- Step 3: Identify the use of all potentially duplicative funds by the homeowner
- Step 4: Deduct assistance determined to be duplicative.
- Step 5: Determine the maximum eligible award (Step 1 minus Step 3).
- Step 6: Determine the Program cap (if applicable).
- Step 7: Determine a final Program award (cannot exceed the program cap).



Examples of DOB calculations for Reconstruction and Rehabilitation are provided in Appendix B.

Program Counselors will also identify assistance not available for the activity such as forced mortgage payoff, funds from private loans not guaranteed by the SBA (forgivable loans are duplicative) and any other asset or line of credit available to the applicant such as checking and savings accounts, stocks, etc. These funds are not considered duplicative and may be excluded as a duplication of benefit.

VIHFA's Compliance and Monitoring staff will review regular updates of project information for duplicative assistance and will alert program staff if actions are required on an applicant file. Any duplicative assistance will require an adjustment on the calculation and either a reduction in award or grant recapture conducted in accordance with the program subrogation agreement.

### **7.3.2: Allowable Activities**

Any portion of DOB funds that has been determined to have been spent by the applicant on Allowable Activities, as defined below, will reduce the amount considered to be a DOB. The applicant will be responsible for accurately reporting the specific amounts spent on the Allowable Activities. Such activities include:

- Repair expenses (Work in Place), including emergency and/or temporary repairs, as evidenced by dated receipts or verified through inspection
- Repair expenses for items not covered by the program (debris removal, demolition/repair of auxiliary structures)
- Contractor fraud
- Forced mortgage payoffs, as evidenced through mortgage company correspondence
- Legal fees, supported by dated receipts
- Temporary living expenses, supported by dated receipts reflecting dates of occupancy

#### **7.3.2.1: Work in Place (WIP)**

Work in Place (WIP) refers to repair activities already completed by the homeowner at the time of the initial site inspection. WIP will be reviewed as part of the Duplication of Benefits (DOB). 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.

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 expenditures were reasonable.

Date stamped photos of all homeowner reported repairs, as well as any identified by the assessor during the site inspection, will be documented and included in the assessment report. In the absence of a receipt for any given repair, the damage assessor will assign a value of the cost of repairs to the home (including labor) based on the program's price list. 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 the basic livable standards as established as the Program Minimum Standards.

Copies of dated receipts that support repairs to the home may be provided to the Program to document eligible expenditures in support of the inspection. All receipts will be reviewed for fraud and/or post-dating. Invalid receipts will not be included in cost of repairs. Applicants will be required to document repairs made to the home if a construction inspector is unable to validate the repairs on site. An affidavit may be used to collect and document repairs made by the homeowner, given the length of time that has passed since the initial damage.

Applicants will be able to deduct any SBA, FEMA, and insurance funds from their DOB if those funds were spent to repair their home from damage by the Disaster or for some other housing related expenditure. Copies of dated receipts and/or paid invoices, or documentation validated by construction inspector can be used. This documentation will be included in the applicant's file.

Examples of potentially allowable eligible repair expenses include the following:

- Structural repairs (roof, foundation, electrical, plumbing, and windows)
- debris removal
- Mold remediation
- Labor, material, and equipment rental to repair the damaged residence (carpeting, cabinetry, appliances, flooring, fixtures, doors, walls, and ceilings) permanently or temporarily
- Demolition costs
- Installation of wells, cisterns, septic tanks, cisterns, electricity, HVAC, and plumbing
- Grading or leveling of property
- Rental of disposal and removal equipment (backhoes and dumpsters)
- Other costs or expenses associated with repairing, stabilizing, or reconstructing the property
- Tree/shrub removal if tree/scrub blocked access to the home or presented a safety hazard
- Appliances needed for food preparation (i.e., refrigerator)
- Temporary lodging if the home was not habitable

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

Other items 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.

Costs incurred for items listed below are ineligible. Costs for ineligible work will not be estimated during the WIP assessment. Ineligible items include, but are not limited to:

- )
- Decorative landscaping and paving
- Outdoor sprinkler systems
- Pools and hot tubs
- 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.

- Post storm additions (rooms added to original pre-storm structure)
- Outdoor showers
- Outdoor fireplaces

The damage assessor's professional opinion will determine whether the item should be considered repaired.

#### ***7.3.2.2: Contractor Fraud***

If an applicant was a victim of contractor fraud, the amount paid to the contractor will not be counted as a DOB. The following documentation is required to allow the Program to determine if any amount paid to a Contractor can be excluded in the DOB calculation:

- Police report or complaint OR
- Complaint filed with Department of Licensing and Consumer Affairs
- Proof of cancelled check (if applicable)
- Bank payment reflecting payment (if applicable)
- Contract between applicant and contractor (if applicable)

Reported Contractor fraud will be verified through review of the police report and complaint or Department of Licensing and Consumer affairs complaint.

#### ***7.3.2.3: Forced Mortgage Payoff***

In the event an applicant's mortgage requires any insurance proceeds to be applied to reduce the lien balance, the mortgage holder (not the homeowner) is considered to have legal control over those funds making the homeowner legally obligated to use insurance proceeds for that purpose. Under these circumstances, the amount of the insurance proceeds required by the mortgage company to be applied to the mortgage balance will be excluded from the DOB calculation.

To be considered for exclusion, the applicant must provide a copy of the correspondence or letter from the mortgage company on company letterhead and signed by an authorized representative stating the applicant was required to use the disaster assistance funds for this purpose. This will demonstrate they were required to apply the insurance proceeds to their mortgage balance. A check from the insurance company to the mortgage holder that does not include the homeowner as a co-payee is also considered documentation of a forced mortgage payoff.

#### ***7.3.2.4: Legal Fees***

Legal fees/expenses incurred by the applicant due to litigation related to an Insurance policy claim for the named disaster will be excluded from the DOB calculation. To be considered for exclusion, an applicant must submit at least one of the following documents:

- Evidence of payment to a legal firm (Attorney Fee and Expense Statement)

- Settlement agreement (if applicable)

The Program will review submitted documentation and verify if the amount paid to the Attorney can be excluded and reduce the DOB. Alternative forms of documentation will also be considered.

#### ***7.3.2.5: Temporary Living Expenses***

Funds spent by an applicant for temporary housing from the date of the storm, which can be established by the Program can be deducted from the DOB total.

Required documentation includes, but is not limited to:

- Hotel dated receipts;
- Dated apartment leases;
- Dated rental agreements;
- Rental receipts reflecting the dates and address of occupancy;
- Proof of payment for other temporary living arrangements.

A calculation of all monthly payments made by the applicant may be necessary. If sufficient documentation for Temporary Living Expenses is provided, the DOB total will be reduced.

### **7.4: Grant and Covenant Execution**

Program staff will meet with applicants in person to review all Program requirements. Prior to receipt of federal grant funds, applicants will execute grant agreements, along with a covenant (when required). This covenant will be recorded in the Office of the Recorder of Deeds to satisfy the Program requirement to notify subsequent purchasers of the requirement to maintain flood insurance. The covenant will also include the provisions of the three-year occupancy requirement. The Program will accept a properly executed Power of Attorney to assist owners who cannot attend the grant execution. Sample grant agreement documentation is included in Appendix C.

#### **7.4.1: Pre-Award Verifications**

Applicants are responsible for providing truthful, accurate and complete applications to the Program. However, prior to making an award, the Program is responsible for reviewing each applicant file to verify all information is complete, applicant eligibility is verified, and all benefit calculations are completed correctly. CDBG-DR program staff will review and verify the documentation and award calculations prior to grant signing.

#### **7.4.2: Homeowner Notification**

The program staff will notify the homeowner once the following steps have been successfully completed and initial eligibility determined:

- Completed application

- Submission of all required documents (to include a copy of flood insurance or declination letter)
- Duplication of benefit analysis completed
- Program eligibility verified.

Following an eligibility determination, the following steps are completed prior to computing grant award:

- Tier 2 environmental review completed
- Property inspected, and scope of work determined
- Program Counselor conducts final duplication of benefits analysis

The homeowner is notified with information about their potential eligible award, award calculation, their damage assessment documentation, explanation of scope of work to be completed, and the appeals process. It also identifies any funding gap that must be filled by the homeowner prior to grant execution and initiation of construction and establishes the day and time for the grant signing appointment.

Should the homeowner have questions regarding the award calculation, damage assessment and/or proposed scope of work, program staff will arrange for a meeting with the applicant and any other relevant program staff (e.g., construction inspectors) to answer these questions.

When an applicant is deemed ineligible, they will receive a letter stating the reason and outlining the appeal process detailed in Section 6.5.

### **7.4.3: Grant Signing Appointment**

A grant signing is conducted before any grant funds are paid on behalf of an applicant. With the notification of award, the homeowner is given a day and time to come to the Recovery Center to sign the grant agreement and other required documents. Prior to receiving and executing the grant agreement, applicants will:

- a) Review and approve the Scope of Work with the program staff and the Construction Management team.
- b) Have the grant agreement reviewed and explained by the program staff
- c) Have an affirmative obligation to notify the Program if they receive notice of default or seizure after receipt of award from the Program.
- d) Have the covenant, occupancy requirements, and all other program requirements explained to them in detail.

Applicants, who do not sign their grant awards at the grant signing appointment, must sign the Notification of Grant Signing Deadline. Applicants will be given 15-calendar days from their initial grant appointment to return to the Recovery Center and sign the grant award.

Program staff will explain the following to the applicant:

- Provide specific date for homeowner by which grant award must be signed (15 days from date of appointment).
- Failure to meet this 15-day deadline will result in application being moved to the waitlist, so that the VIHFA may continue to serve additional homeowners waiting in the program.

- This may result in funding not being available for your application when moved to the waitlist and that this action is not appealable.
- Encourage applicants to schedule an appointment within the next two weeks to return to sign the grant award.

The Grant Agreement requires the Homeowner to certify to the truthfulness of the information that has been provided on which program eligibility is based; and to sign provisions on which the grant agreement is predicated:

- **Homeowner Award Calculation**, which explains how other resources determined to be a potential DOB were managed and how the grant was calculated. The award will be calculated using the ECR. This may be completed in an Addendum to the Grant Agreement.
- **Flood Insurance Requirement**, which informs the homeowner of the requirement to maintain flood insurance and pass that obligation on to the subsequent owners.
- **Subrogation and Assignment Agreement**, in which the homeowner agrees that any additional funds the homeowner may receive from potential DOB sources belongs to the Program.
- **Ownership Retention Agreement**, committing that they will continue to reside in the home as their primary residence for three years from the date the Certificate of Occupancy is issued.
- **Hold Harmless Indemnification**. Homeowner agrees to indemnify and hold harmless VIHFA and its agents, staff, employees, officers, directors, affiliates, successors and assigns, of and from any and all claims, demands, debts, contracts, expenses, causes of action, lawsuits, damages, and liabilities of every kind and nature, including any claims of owner or employee negligence, whether known or unknown, in law or equity, including any claims against and/or regarding the Contractor or subcontractors, which they have, ever had or may have (“Claims”), arising from or in any way related to contractor’s obligations under the agreement with respect to the Project. This includes reasonable attorneys’ fees in enforcing this hold harmless indemnification. However, this indemnification does not apply to any acts of gross negligence, or intentional, willful or wanton misconduct of VIHFA.
- **Sufficient Funds Acknowledgement**, in which the homeowner attests to the best of their knowledge that he/she, will provide sufficient funds beyond their grant award as required to complete their project.

If escrow funds are required, the homeowner is made aware that funds will need to be placed in escrow before construction can begin. The Grant Agreement may also include a declaration of covenants and restrictions that the homeowner agrees to abide by. (See DOB and Escrow Policy for additional detail)

## 7.5: Appeals

The Program has implemented a thorough process for homeowner appeals, which will be documented and posted on the CDBG-DR Housing Recovery website at <https://vistormrecovery.com/>. Program staff will provide an Appeal Form and detailed instructions on how to file an appeal to all homeowners as part of their initial discussions of the program. The appeal process will also be detailed in all award

letters or letters communicating ineligibility.

Applicants can file an appeal for one or more of the following reasons:

- Program Eligibility Determination
- Determination of rehabilitation versus reconstruction
- Scope of Work
- Duplication of Benefits components

Applicants may not appeal policies that have been approved and incorporated by the Program, such as the Program's process for assessing the value of materials eligible under the Program. In addition, applicants may not appeal the award amount after grant agreement execution. Furthermore, statutory and regulatory requirements and guidelines may not be appealed.

Applicants may file an appeal by completing the Appeal Form from their Program Counselor. The Program Counselor can assist the applicant in completing the form.

The Special Case Panel may review instances where the grant amount (cap) is not sufficient to cover the cost of all required repairs or reconstruction. Exceptions to the program cap may be granted.

### **7.5.1: Appeals Timeline**

The Appeal Process is slated to be a maximum of thirty business days (not inclusive of the thirty calendar days to file an appeal).

The appeals team will log all appeals received, including the date received and reason(s) for the appeal. The appeal form and all supporting documentation will be uploaded into the System of Record.

The applicant's entire file will undergo a review. The review will not be limited to the issue for which the appeal was filed, which may result in a positive or negative change to the status of the file or amount of the award. During the review, the committee may request additional documentation from an applicant (see timeline above) before rendering a decision. All appeals will be finalized within thirty business days.

If the applicant wishes to have the decision of the committee reviewed, they may, within fifteen business days, submit a written request to the committee stating their reasons for review along with all supporting documents. If the committee determines that the decision was erroneous, the committee will transmit a letter reversing the decision to the applicant. Relevant program staff will make the necessary adjustments for the applicant if a decision is reversed. A review of an appeal can only be requested once, however the Committee reserves the right to review any appeals as it deems necessary.

## **8.0: RECORDKEEPING**

VIHFA Operations and Housing Recovery Staff (including contractors) will comply with twenty-four C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of personally identifiable information (PII) by:

- Minimizing the use of PII on program documents and records.

- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all employees and contractors as part of their onboarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, VIHFA follows the records retention as cited in 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records are maintained for five years after closeout of the grant between HUD and VIHFA. VIHFA established requirements in its sub-recipient and contractor agreements for compliance with all HUD cross cutting requirements outlined in 2 CFR 200: Appendix II, including record keeping requirements.

Owner occupants are advised that additional information may be required to properly calculate the Grant Amount and that owner occupants should maintain all records, dated receipts, invoices and other documentation related to any repairs, construction, or clean-up of the damaged home for three years from the date VIHFA closes the CDBG-DR program with HUD.

## **9.0: ASSESSMENTS, INSPECTIONS, AND ENVIRONMENTAL REVIEW**

### **9.1: Damage Assessment and Initial Site Inspection**

The purpose of the Damage Assessment and Initial Site Inspection is to confirm existing site conditions and to collect information about the project site to be utilized in making property eligibility determinations and in performing Tier 2 environmental reviews. Data collected will be used to recommend a preliminary feasibility determination whether the project is to be a rehabilitation or reconstruction.

Applicants will be given a “stop-work” notification from the Program prior to the damage assessment. This requirement will be referred to as the “stop-work requirement.” Any applicant subject to the stop-work requirement will be notified by their Program Counselor and the applicant will sign an acknowledgement of the stop-work order. All ongoing work shall cease under this order.

#### **9.1.1: Initial Site Inspection**

The initial site inspection is composed of four key tasks. Responsibility for performance of these tasks is noted with each step.

The Construction Managers and/or Construction Management Contractors will perform an inspection to determine the Estimated Cost of Repair (ECR) in accordance with the Homeowner Reconstruction Rehabilitation Program inspection protocols and program specifications.

1. This inspection will result in a construction recommendation for one of the following:
  - a. Reconstruction for homes that are structurally unsafe to enter or that existing conditions are such that the cost to repair makes reconstruction the cost-effective option.
  - b. Rehabilitation for homes that are determined to be feasible for habitation after repairs



are completed.

2. The construction recommendation and ECR will determine the factors evaluated by the Tier 2 environmental review.
3. Contracted Environmental Firms will perform assessments for deteriorated paint, lead- based paint hazards (i.e., dust-lead and soil-lead) and asbestos-containing materials (presumed or confirmed).
4. Construction Managers and/or Construction Management Contractors will 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.

The Program Counselors will provide the Program Construction Manager documents and information collected during the application process or intake meeting including the property address along with a Right of Entry letter, Duplication of Benefits Questionnaire, and homeowner contact information.

The Construction Manager will contact the applicant to schedule an appointment for the initial site inspection, providing at least 72 hours advance notice. The Program will establish a Program wide protocol for addressing non-responsive applicants that will be included in the Inspections Standard Operating Procedure (see Inspections SOP). All communications and attempted communications will be documented in the system of record.

Staff conducting the initial inspection will collect enough data to determine the feasibility for rehabilitation and other key tasks. The damage assessor will collect information from the homeowner regarding damage as well as work that has been initiated or completed. He or she will conduct a room-by-room inspection to document storm damage and identify any repairs needed to bring the home into compliance with construction specifications. The damage assessor will observe and document damages with notes and at a minimum of the following photos:

- 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 outbuilding)
- Obvious environmental issues

## **9.2: Estimated Cost of Repair**

The Estimated Cost of Repair (ECR) will include the estimate of funds necessary for the repair and/or reconstruction of the residence and mitigation and elevation efforts to reduce the impact of future storms and/or to repair the storm damage to the home.

The Program will use standard grade fixtures and materials to determine the value of total repairs needed for each property. The Program will not provide additional funding for costs related to the use of higher-grade materials. The Program will use standard grade materials for the rehabilitation or reconstruction of an eligible home.

The following items will NOT be included in the ECR (non-exhaustive list, see Inspections SOP for more detailed listing):

- 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 Program standard quality material)
- Repair or replacement of fencing or security systems
- Replacement of window air conditioner units
- Any product upgrades or repairs in excess of the applicable Housing Rehabilitation Standards
- Dwellings inhabited by disabled or elderly persons (as verified by Program Counselors) 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 the bath areas will be included in the scopes of work, if applicable.

See VIHFA Construction Policy for further details on the methodology to develop construction unit pricing.

### **9.3: Feasibility Determination for Reconstruction or Rehabilitation**

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

Homes that have been destroyed or have major/severe damages (as determined by either a FEMA designation or has a damage which meets the Territory's threshold for substantial damage), and cannot be repaired given the program cap, will be reconstructed with the standard priced model house of an equal number of bedrooms.

For homes that experienced damages, and requires Rehabilitation, the ECR will identify quantities and scope of work required to repair or replace storm-damage items and to bring the remainder of the structure/site to compliance with applicable Housing Rehabilitation Standards.

#### **9.3.1: Feasibility Reconsiderations**

The homeowner may appeal the feasibility decision up until grant signing. After grant signing, only upon a determination of the Construction Manager, and approval by the Program, will the feasibility determination be changed based on the original feasibility approach no longer being valid or cost reasonable. Exceptions to Feasibility Reconsiderations include the following:

1. The local building authority requires the home be demolished
2. The Construction Manager makes an updated determination that the house cannot be elevated (if elevation is required).

If the project is adjusted from its original feasibility determination from rehabilitation to reconstruction, a revised environmental review must be prepared prior to the expenditure of funds.

If the homeowner is not in agreement with the feasibility determination, that the structure does not require reconstruction or if the applicant is unwilling to concur with a reconstruction determination, the application will be referred to the Special Cases Panel. The determination of the Panel is final. If the homeowner agrees with the determination, they will proceed to grant signing. If they do not agree, they will be administratively withdrawn from the program.

## **9.4: Environmental Review**

All activities funded by CDBG-DR are subject to the provisions of the National Environmental Policy Act of 1969 (NEPA), as well as to the HUD environmental review regulations at 24 CFR Part 58. The primary purpose of this Act is to protect and enhance the quality of our natural environment. The HUD environmental review process and all necessary consultations must be completed before any funds are committed and disbursed for eligible expenses. Thus, prior to funding reconstruction or rehabilitation, the Program will conduct an environmental review on each property, which includes a site inspection.

24 CFR Part 58 states that the Responsible Entity (RE), in this case VIHFA CDBG-DR Program may tier its environmental reviews and assessments to eliminate repetitive discussions of the same issues at subsequent levels of review. Tiering is appropriate when there is a requirement to evaluate a policy or proposal in the early stages of development or when site-specific analysis or mitigation is not currently feasible, and a narrower or focused analysis is better done later.

The Program will follow a tiered Environmental review process that allows for an initial “broad” review of all environmental factors that will be shared by properties in a given geographic area. Based on this broad review (Tier I), the funds will be released for the program activity contingent upon completing a “site specific” review (Tier II) once a potential property is identified and determined eligible. The Tier II review will identify specific project related issues and likely environmental effects associated with the proposed project. VIHFA Environmental Team will collect all required data and information and complete the Tier II review. A Tier II must be completed for each property prior to project bidding or taking any choice limiting actions on the proposed project site.

Before a Tier II can be finalized, the Environmental Manager will complete a Quality Control Checklist to ensure that the Tier II is consistent with the requirements and procedures established in the Tier I, and that it satisfies all applicable documentation and procedural requirements. The Program Manager will conduct a final review of the Tier II and ECR to ensure that the scope of work documented within the Tier II is consistent with that of the ECR.

Mitigation Measures developed as part of the Tier II will be documented within the Tier II Checklist and uploaded to the project management system. As project development is monitored through the management system, implementation of mitigation measures will be verified and documented. Supporting documentation for all mitigation measures will be added to the ERR prior to Close-Out.

### **9.3.1 Environmental Re-evaluation**

According to 24 CFR 58.47, the environmental determination must be re-evaluated any time that

substantial changes in the nature, magnitude, or extent of the project are proposed. The re-evaluation is used to determine whether the original findings of the environmental review are still valid. As new ECR versions become available, an initial review will be conducted to determine the need for a re-evaluation.

Re-evaluated Tier II's will be documented utilizing the Homeowner Reconstruction and Rehabilitation Program Tier II Re-evaluation Document (Appendix \_). A Re-evaluation Portfolio will be submitted to the Program Manager to document new findings and mitigation measures.

New ECR versions which do not require a full re-evaluation will be documented through a memo to the Environmental Review Record.

### **9.3.2 Reference Maps and Documents**

The Environmental Department will utilize an ArcGIS Online Viewer developed specifically for the EnVIsion Tomorrow Program and the MapGeo Online Viewer developed by the USVI Lieutenant Governor's Office as reference maps for the EnVIsion Tomorrow Program.

1. The ArcGIS Online Viewer includes the following maps: GeoCBRA authored by US Fish and Wildlife Service, Ecological Services
2. FEMA Effective NFHL and FEMA Preliminary NFHL authored by Federal Emergency Management Agency
3. Advisory Based Flood Elevation Map authored by the Federal Emergency Management Agency and provided by the Department of Planning and Natural Resources
4. USVI Coastal Zone Tier One authored by USVI Department of Planning and Natural Resources, Department of Coastal Zone Management
5. EPA Envirofacts Facility Locations authored by EPA OEI Contractor
6. National Wetland Inventory authored by US Fish and Wildlife Service

The MapGeo Online Viewer will be utilized to verify applicant locations using their property tax identification number, and to review the best available floodplain data.

## **9.5: Environmental Inspection Request and Clearance**

Once the initial feasibility is determined, each property is required to secure a Tier 2 Environmental Clearance. Program environmental team will complete the Tier 2 checklist clearances and work with a third party to conduct environmental clearances. If the Construction Manager and/or Environmental Specialist identifies significant issues that will limit the ability for an applicant to proceed with the reconstruction or rehabilitation of their home, the Program Counselor will notify the Program of the specific concerns that will need to be addressed in order to secure environmental clearance. The Program will work with the Construction Management Services firm to 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. See Environmental Policy and Procedures for details.

### **9.5.1: Lead-Based Paint Risk Assessment**

If the home was constructed prior to 1978 and in accordance with 24 CFR 35.930(a), paint on all surfaces are presumed to be regulated and will therefore be evaluated. In accordance with 24 CFR

35.940(b) for residential properties receiving an average of more than \$5,000 per unit in Federal Rehabilitation Assistance per the HUD definition, the program will perform paint stabilization of positive components being disturbed by rehabilitation in accordance with §§ 35.1330 (a) and (b). Projects determined to be reconstruction projects are required to be evaluated for lead hazards to determine Resource Conservation and Recovery Act (RCRA) applicability.

When remediation is required, it must be conducted by an EPA certified lead remediation contractor, and the lead clearance performed by an EPA Certified Lead Risk Assessor. The contractor doing the abatement cannot perform assessment and clearance.

### **9.5.2: Mold Assessment and Remediation**

Mold assessment will be performed by contractors procured for the project. Mold assessment and/or testing of the existing structure is not performed on reconstruction projects. If a visual inspection reveals the presence of mold, then 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 Construction Manager. If testing is approved, testing for mold should always be performed by a qualified person. The qualified person shall be trained industrial hygienist or an indoor air quality/environmental professional. Testing services will only be provided to homeowners who have signed their grant award.

Visual inspection is the most important initial step in identifying a 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. 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 undamaged building materials.

Mold is present everywhere in the environment and there are no governmental standards pertaining to acceptable levels of indoor airborne mold spores and structures.

For all projects, identified moisture sources should be eliminated prior to further remediation. Post remediation dehumidification may be necessary to dry the remaining structural framing materials prior to any rehabilitation. In cases where this occurs the Construction managers will incorporate the cost into the ECR. Areas where mold was or is identified as part of the ISI, the Walk Through or construction will be required to be remediated by the contractors with photo evidence provided to VIHFA. Materials harboring mold will be cleaned or replaced.

### **9.5.3: Asbestos Survey Requirement**

In accordance with Federal and Territorial 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.

Proper removal and disposal of ACMs will be included in the ECR. 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 Territorial regulations by firms and individuals properly licensed for the work. If asbestos should become apparent once construction begins, procedures aligning with Territorial abatement procedures and HUD and the Environmental Protection Agency (EPA) requirements will be followed. HFA will conduct a mini bid to select and retain a qualified and certified 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 handled as a change order to the Construction Contractor. All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. The contractor will provide HFA and the Construction Manager with a copy of the Asbestos Waste Disposal Manifest, in accordance with RCRA, for all ACMs removed from the site, as a condition precedent to final payment.

## **10.0: CONSTRUCTION AND ESCROW AGREEMENTS**

### **10.1: Construction Agreements**

The Program Manager will assemble a form contract, the construction agreement to be executed between the program applicants and assigned construction contractors pertaining to the reconstruction or rehabilitation activities.

The Construction Managers are responsible for managing the proper sequencing of construction projects for homeowners who have program assigned construction contractors to ensure proper controls are in place by the Construction Contractor 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 of the initiation of construction and avoid any construction project starting without the proper permit or authorization. Only the Construction Manager shall issue an NTP to the Construction Contractor.

In addition to approved construction costs, the program will cover the cost of POD storage of applicant's belongings during the course of construction. It will also cover up to 2 years of flood insurance for applicants unable to afford the coverage.

Temporary relocation costs will be considered on a case-by-case basis based on demonstrated need, and as a last resort after the homeowner has exhausted all other options. If the program is to pay temporary relocation costs, the Homeowner must execute a separate addendum to the grant agreement covering the cost, duration, and conditions under which relocation is covered.

### **10.2: Escrow Agreements**

VIHFA has established escrow accounts and controlled procedures for homeowners to contribute any DOB funds that must be used first in funding CDBG-DR assisted reconstruction and rehabilitation. The VIHFA Collections and Services Unit is responsible for the management of the escrow accounts and applicable procedures. All work utilizing escrowed funds must be inspected by the Construction Manager and evidence of payment, along with a signed lien release, will be required to support payments have been received by the construction contractor for work completed.

For more information, please see the CDBG-DR DOB Escrow Policy and Procedures document.

## **11.0: PRE-CONSTRUCTION ACTIVITIES**

### **11.1: Procurement Processes for Contractor Selection**

Construction contractors will be chosen from all allowable procurement methods outlined in VIHFA Procurement Policy. Refer to the VIHFA Procurement Policies and Procedures for Allowable Procurement Methods.

### **11.2: Initial Scope Review**

Upon receipt of the environmental clearance and prior to the scope review and execution of the Grant Agreement, program staff will coordinate an initial scope of work meeting with the homeowner and the construction manager. This meeting with the homeowner involves a detailed review of the scope for the reconstruction, including elevation details (if applicable) and discussion of the next steps.

For the Reconstruction Solution, the meeting to review Scope will include the following, as appropriate:

- Agreements will be executed with the assigned A/E and builder who will initiate a house fit study including completing a site survey and assessing elevation requirements.
- Upon completion of the initial site survey, determine which reconstruction plans will be available for each site, ensuring that the plans reflect the number of bedrooms determined by the Program.
- Prepare sample floor plan and street façade elevations for applicant review.
- Builder will also have a copy of completed environmental clearance report, geotechnical survey report and site survey.
- Builder will also provide guidance on ADA or special needs requirements to be added as determined by applicant and Program Counselor.

#### **11.2.1: Applicant House Selection Process for Reconstruction Solution**

The Program will offer homes of one, two, three- and four-bedroom configurations in sizes that will serve as a standard home. Based on the number of bedrooms and the existing footprint of the damaged home, the Construction Manager, A/E firm and/or Builder will present all allowable plan sets that meet the requirements for the standard home and include footprints up to the current square footage. On a case-by-case basis, where the original foundation and infrastructure of the home remain, plans will be developed for that specific site. The homeowner may work with the Construction Manager to adjust to a plan that works in their particular circumstances. Applicants, who meet the criteria for accessibility features, may work with the Construction Manager to select standard features to support individual accessibility needs.

Upgrades to finishes or material upgrades will not be permitted.

The applicant will be allotted reasonable time to review materials and make final selections.

### **11.3: Builder Pricing for Rehabilitation/Reconstruction Projects**

The Construction Managers will secure pricing for each project through a unit pricing process using VIHFA historical data and current material price list. VIHFA will provide the Construction Contractor with a Scope of Work that contains a fair and reasonable unit pricing for each project. The Construction Manager will provide a cost proposal applying proposed unit pricing and proposed quantities for each line items of work, resulting in a Total Construction Cost.

#### **11.3.1: Construction Contractor for Rehabilitation/Reconstruction Projects and Scope Walk Through**

Upon assignment of a project, construction contractors must attend a scope walk that is scheduled by the Construction Manager. The scope walk is performed to ensure that the Construction Manager and the Construction Contractor agree to any required modification 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 Construction Manager must provide the Scope of Work with at least 48 hours of notice to the Construction Contractor for the scheduled scope walk, and the Construction Contractor will need to arrange to attend with subcontractors, if needed. The Construction manager will assign established pricing to each line items within the scope to derive the overall construction costs for the project. The established pricing will utilize data methodology selected by VIHFA and approved by HUD.

### **11.4: Pre-Construction Meeting**

The Pre-Construction Meeting will be scheduled with the Construction Manager, Program Manager, Homeowner, and selected Construction Contractor:

1. Homeowner will execute the Addendum to Grant Agreement reflecting the final construction price, and final grant amount.
2. The Construction Contractor will execute the Reconstruction/Rehabilitation Construction Services Contract.
  - a. Upon execution of the required documents and the Construction Contractor and Homeowner satisfying all program requirements, the Construction Manager and program staff will assist the applicant to secure a POD and remove personal belongings that may be in the path of construction activities.
  - b. Once the property is empty and vacant the Construction Manager will issue a Notice to Proceed to initiate construction.
  - c. The contractor will be provided a pre-construction package to include the copy of the building permits and architectural drawings for the project (if required), copies of standard field operational forms, a mobilization payment, in addition to the notice to proceed.

#### **11.4.1: Notice to Proceed (NTP)**

The NTP process is composed of four key tasks:

1. The Construction Manager gathers information and develops an NTP package.



2. The Construction Contractor gathers necessary information, documentation of bond and conducts activities to prepare for demolition (if needed) and construction initiation (e.g., obtains necessary permits).
3. Homeowner deposits funding into escrow account (if additional construction cost is required).
4. Program staff assist homeowner to secure PODs and ensure that belongings are removed from the home to clear the path for construction.
5. Construction Manager issues NTP.

***11.4.1.1: Procedure for the Issuance of Notice to Proceed (NTP) when Demolition is not required***

The following procedures will be followed by the Construction Manager for issuing any NTP when demolition is not required:

1. The Construction Manager will verify with the Program Staff that all Program required agreements and documents have been fully executed and no additional documents are required from the beneficiary
2. The Construction Manager will develop an NTP package to include:
  - a. NTP checklist and all supporting documents required for the subject property to ensure a complete package is on file prior to construction
  - b. Submit the construction package for review by the appropriate program staff
  - c. Upload all documents into the system of record
3. The Construction Contractor will gather necessary information for inclusion in the NTP Construction Package and takes necessary steps to initiate all construction work. After the contract execution the Construction Contractor initiates the administrative requirements to provide bonds, secure permits, disconnect utilities and have the homeowner move out of the dwelling (if applicable). The Construction Manager will provide proof that the following NTP Conditions have been met:
  - a. Valid performance and payment bonds have been submitted to the Program
  - b. Applicant and belongings have been removed from the home
4. For projects in excess of \$100,000 construction value, the Construction Contractor will provide an overall bonding letter to the Construction Manager, 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 the NTP is issued.
  - a. All insurance policies are active as required by the contract.
  - b. Zoning and land use approvals have been obtained.
  - c. Utilities have been properly disconnected and retired (if required).
  - d. All construction permits are obtained.

- e. Homeowner and any occupants have moved out OR a contents removal plan has been agreed upon between the Construction Contractor and the homeowner (if required).
  - f. Contractor holds all valid Registrations and Warranty Program Registrations.
5. The Construction Manager issues an NTP for reconstruction or rehabilitation, based on project requirements. The NTP will be issued in writing using the appropriate form. The NTP will be provided in hard copy, or a scanned version is e-mailed to the Construction Contractor and the scanned version is uploaded into the homeowner's file.

***9.4.1.2: Procedure for the Issuance of Notice to Proceed (NTP) – Demolition Required***

When the property needs to be demolished prior to the start of reconstruction, if the local municipality will not issue zoning approval and building permits until the demolition is completed, the additional NTP steps listed below will be followed. All other NTP steps will remain. The NTP process in section 9.4.1 is followed; however, the NTP is only issued for the demolition of the existing structure. The only variance in submittal requirements included the following:

- Zoning and land use approval is not required at the demolition stage
- Verification that all homeowner's belongings have been removed from the home, and
- Demolition permit MUST have been received.

Once the Construction Contractor satisfactorily completes demolition and gathers the necessary information for the NTP Package, the following procedures must be followed:

1. The Construction Contractor will obtain the required permits, ensure the appropriate zoning, and land use approvals are obtained and submit all permits and any waste manifest (where asbestos abatement of the demolished structure is involved), required product/material submittal and the construction schedule.
2. Upon receipt of all required documents, the Construction Manager will validate that the Construction Contractor met all NTP conditions to proceed with new construction.
3. The Construction Manager issues the NTP in writing using the appropriate form in hard copy or by e-mailing the scanned version and will upload the scanned version into the applicant's file.

**12.0: CONSTRUCTION PROCESS: RECONSTRUCTION AND REHABILITATION**

The Construction Manager's responsibilities include maintaining and creating paperwork for assignments, overseeing contractor pre-construction meetings, and conducting on site progress inspections. Construction Managers will upload the results of all progress inspections to the system of record and indicate pass/fail status to be used by VIHFA staff for Construction Contractor invoice and draw request processing.

The Program will monitor and track information concerning homeowner, progress through construction and draw request using the System of Record.

## **12.1: Inspections**

Construction contractors are responsible for contacting the Construction Manager to request an onsite progress inspection during construction. Inspections will be conducted to verify the work being invoiced has been performed in a workmanlike fashion, and that all materials billed are installed in the structure.

When construction is complete, and prior to release of the final 10% retention payment, a final inspection will be conducted. Further details regarding interim and final inspections can be found in the Inspections SOP, which will include milestones required to be achieved for reconstructions, methodology for rehabilitation inspections, etc.

After the final inspection, the contractor and the Construction Manager will develop the punch list, a list of items written as specifications, which constitute the work necessary to complete the contract:

- The Program will make sure that the homeowner receives all warranties and instruction booklets for installed equipment.
- After all items on the punch list have been satisfactorily completed, and all warranties issued, the project can be completed. Both the homeowner and the Program must document in writing that all punch list items have been satisfactorily completed, that the work has been accepted, and that the homeowner has reoccupied the home
- Disbursement of the final payment to the contractor will be made pending receipt of a Final Affidavit of lien from each contractor and a list of all subcontractors.

## **12.2: Draw Request Process**

Once the permits have been issued for a specific site, the Construction Contractor is expected to begin work on the project within fifteen (15) days from the Notice to Proceed and is expected to submit draw requests for payment based on milestones set by the program.

The Construction Contractor submits Draw Request to the Construction Manager, who schedules an inspection to verify that the work was completed. Once the inspection is completed and qualities are agreed upon from the site inspection, the Construction Manager prepares an inspection report to accompany the Draw Request. The Draw Request, along with accompanying Inspection report, is submitted to the program staff for review. Once the program staff determine the submission to be complete, it is submitted for approval. If approved, the Payment Request and Inspection Report is electronically filed with Accounting Unit via System of Record. Upon approval, the payment request is forwarded to the Finance Unit for review, approval and check processing in accordance with VIHFA financial policies and procedures.

The program will withhold 10% from each draw for retainage excluding mobilization and any applicable gross receipt tax. Schedule of draw request and the associated payment will be detailed in the construction agreements.

### **12.3: Change Orders**

The purpose of the change order is to communicate and record changes to the contract document, contract amount, milestones and/or contract time. Change orders are issued when the initial agreed upon scope and/or pricing requires modification. The contractor must complete a Change Order Request Form (CORF) and the homeowner must sign, acknowledging they are aware of and approve the requested changes. The CORF and all supporting documentation must be delivered to the Construction Manager for approval. Homeowner-initiated changes in scope of work will not be accepted after the contract closing unless the change is related to an accessibility issue that has developed since the time of closing.

The Construction Manager will review and approve all requests for change orders. The Construction Manager will notify the contractor in writing of either approval or denial of the contractor's proposed change order. No change order, regardless of whether there is a cost involved, shall be deemed valid if it is not approved in writing. The change order will be prepared by the contractor, approved by the Construction Manager, and signed by the contractor before the Program's approval. The Housing Specialist must be notified of all Change Orders. Work completed without written authority will be considered unauthorized and at the contractor's expense. Any Change Orders, exceeding the 10% contingency, must be supported by a cost reasonableness analysis and will consist of:

- The reason the change is necessary;
- The type and scope of work needed;
- The estimated cost; and
- The estimated number of days to complete.

The Construction Manager will transfer the approved Change Order and all supporting documents to the Housing Specialist for recalculation of award amount. If the change results in a modification to the grant agreement between VIHFA and the homeowner, the grant agreement will be amended in addition to the construction agreement. Changes that result in a change to the grant amount will require VHIFA approval to modify the grant agreement.

Costs included in approved change orders are invoiced on the final draw only.

### **12.4: Construction Warranty**

Construction contractors must provide all warranties at the time of project Close Out. Warranties must meet all HUD Retrofit Green Building Standards and all construction standards established by VIHFA. Photographs of the construction work will be taken for documentation purposes. The homeowner will be provided instruction booklets and a warranty information binder with an acknowledgement form they have reviewed it with their Construction Contractor.

### **12.5: Design Services**

The Program will fund the design of prototypical homes to be used in the Reconstruction Solution. There will be a minimum of two designs for each of the two-, three- and four-bedroom models. Additional

design services required in Reconstruction and Rehabilitation Program Managed Option will be incorporated into the ECR and funded with the individual award.

Design services procured by the homeowner for the Rehabilitation Homeowner Manager Solution will not be funded by the award. If the homeowner has plans prior to joining the program, and these plans meet the program's standards, they may be utilized provided that there are no copy right issues, and the architect agrees in writing to permit their use.

## **12.6: Construction Complaint and Grievance Resolution**

Applicants may file a complaint or grievance if they have issues with the construction contractor; the reconstruction/rehabilitation work is not following the approved scope or if there is an issue with the quality of the workmanship. Construction complaints and grievances should be written and submitted within 15 days of the incident in order to correct problem early in the construction process and to not slow down completion of the project. Applicants may not file a grievance after sign-off of final construction payments. Written grievances can be submitted to the Program Counselor.

The federal statute that governs CDBG-DR programs requires for local governments, as part of its citizen's participation, to "provide citizens the address, phone number, and times for submitting complaints and grievances, and provide timely written answers to written complaints and grievances, within fifteen (15) working days where practicable." 24 C.F.R. § 91.115(h). Federal Register Vol. 83 No. 28 (February 9, 2018), 83 FR 5844 introduces citizen participation waiver (which include the aforementioned statute) and alternative requirements; it, however, keeps the fifteen (15) days language: "[t]he grantee will provide a timely written response to every citizen complaint. The response must be provided within fifteen (15) working days of the receipt of the complaint." 83 FR 5844. The program staff will maintain an applicant contact log within the system of record.

Grievances should include the following information in order to expedite resolution:

- applicant name; and
- contact information.
- Detailed explanation of grievance;
- if applicable, date stamped photos of work
- damaged property address;
- desired remedy requested;
- Previously contacted individuals concerning complaint;
- Any supporting evidence.

Upon the receipt of a complaint, a timely, substantive written response will be provided within the established period of fifteen (15) working days, as per 24 C.F.R. § 91.115(h).

### **12.6.1: Special Case Panel**

The Program will consider and respond to citizen concerns, suggestions, requests and other issues pertaining to its Homeowner Reconstruction and Rehabilitation Program by utilizing a Special Case Panel (SCP). The SCP will consist of the CDBG-DR Director of Programs, Housing Specialist, Legal

Counsel, and any other subject matter expert deemed necessary.

An Applicant can submit a written request within 15 days of the incident, with corresponding evidence to the Program. The SCP will review circumstances such as:

- Demonstrable hardship requests that may prevent an applicant from complying with program policies
- proposed construction in excess of established program pricing guidelines;
- requests for assistance type changes from rehabilitation to reconstruction or from reconstruction to rehabilitation;
- priority or eligibility appeals as requested by the Housing Specialist or Construction Manager.

The SCP will review the request and provide a determination within 90 days of their receipt of the formal request. After the SCP reviews the case, a letter with the Final Determination will be issued to the applicant.

### **13.0: THREE-YEAR OCCUPANCY AND RECAPTURE REQUIREMENTS**

Homeowners that receive reconstruction or rehabilitation assistance are required to maintain the property as their principal residence for a minimum of three (3) years following receipt of a Certificate of Occupancy. Homeowners must provide documentation to prove primary residency, to include evidence property taxes are paid current with the property address, owner name(s).

If the owner either vacates the property or sells the property within the first thirty-six months after project completion, he/she will be required to repay a proportional amount of the assistance provided.

If the homeowner occupies the property as his/her principal residence for the entire three-year period, no recapture requirements will apply. However, if the owner sells the property, or rents the owner's unit of a duplex, or vacates the property, the VIHFA shall recapture a pro-rated amount of assistance as indicated under the Recapture Requirements. Other reasons for recapture include but are not limited to the following:

- Providing false or misleading information to the Program;
- Any instance of fraud;
- Withdrawal from the program prior to completion of the project;
- Failure to complete construction and re-occupy the home;
- Non-compliance with the approved scope of work in a manner that would make the home ineligible (e.g., did not comply with lead paint abatement requirements) and/or
- Failure to report the receipt of additional insurance, SBA, FEMA, ICC, non-profit assistance and/or any other duplication of benefits received after award.
- Voluntary or involuntary relinquishment of ownership in the property prior to successful completion of a final inspection and issuance of a Certificate of Occupancy.
- Death of an applicant during construction has been completed and there are no income-eligible heirs willing to live in the home for the three-year affordability period.

## **14.0: CROSS-CUTTING REQUIREMENTS**

### **14.1: Fair Housing/Civil Rights**

The Fair Housing Act requires all grantees, sub-recipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status. VIHFA complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act and the Fair Housing Law.

### **14.2: Conflict of Interest**

All Program staff and contractors are required to make a full disclosure to the CDBG-DR Director of Programs of any interests, relationships, and holdings, which could potentially result in a conflict of interest. Potential conflicts of interest may include relationships with neighbors, acquaintances, friends, family members, and other members of the community. As soon as a project team member is aware, they have a current or prior relationship or familiarity with a potential applicant they are required to immediately notify their Team Lead. Team Leads will ensure project team members do not process or interact with applications where the potential conflicts of interest exist.

This separation of responsibility will ensure an unbiased approach to the processing of all applications and final eligibility determinations. The goal is for every citizen to have confidence their application is being processed with expedient efficiency and integrity. In the event a potential or actual conflict is reported, the Program Manager will review the circumstances in depth and be responsible for determining the course of action to be taken if a conflict is found to exist. If a team member has any doubt as to whether a current or prior relationship poses a potential conflict of interest, they should escalate the matter to their Team Lead for guidance.

Given the size of the Territory, all VIHFA staff and all hired contracted Case Management and Construction Management staff will be required to attend Conflict of Interest and Personally Identifiable Information (PII) training, and to complete a certification stating they attended the training and understand the ramification and consequences of not complying with the requirements of the Conflict of Interest and PII policies. These certifications will be maintained in the personnel records.

For more information, please refer to the VIHFA Conflict of Interest Policy.

### **14.3: Prevention of Fraud, Waste and Abuse**

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, sub-recipients, sub-grantees, applicants or outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with VIHFA.

Fraud is an intentional, wrongful act to obtain either money or some other advantage or benefit from government programs. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, obtaining contracts through collusive arrangements, and similar devices.

Waste is an appropriate action or omission by those with controls over government resources that result in taxpayers not receiving reasonable value for money in connection with any government- funded activities. Waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is an administrative violation of judiciary, court unit, or organization regulation that impairs effective and efficient operations. The violation may result in federal losses, or denial or reduction of lawfully authorized federal benefits to participants.

All applicant forms and agreements should carry the following:

**Warning:** *Any person who knowingly makes a false claim or statement to HUD or the USVI may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729. Under penalties of perjury, I/we certify that the information presented above is true and accurate to the best of my/our knowledge and belief. I/We further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in my ineligibility to participate in this program or any other programs that will accept this document. Title 18, Section 1001 of the U.S. Code states that a person is guilty of a FELONY if he/she knowingly and willfully makes a false statement to any department of the United States Government.*

#### **14.3.1: Actions that Constitute Fraud, Waste and Abuse**

This Fraud, Waste, and Abuse Prevention Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Authority in the administration of all VIHFA programs and the Authority's internal procurement. Some actions constituting fraud are as follows:

- Any dishonest or fraudulent act;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering because of insider knowledge of the Authority's activities;
- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Authority.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity.

It is the intent of the Authority to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Authority.

#### **14.3.2: Management Responsibility**



Management is responsible for the effectiveness and efficiency of operations, including the protection of Authority assets from fraud, waste, and abuse. Management has the responsibility for the implementation of internal controls to deter and detect fraud and also responsible for assisting in the deterrence and detection of fraud, waste, and abuse by examining and evaluating the adequacy and the effectiveness of the Authority's systems of internal control, commensurate with the extent of the potential risk in the various segments of the organization. Management has primary responsibility for the request for investigation of fraudulent acts committed by or against the Authority.

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and will be on alert for any indication of irregularity.

### **14.3.3: Role of Internal Auditor**

VIHFA has designated the Internal Auditor, to serve as the department's Accountability Officer. Any irregularity that is detected or suspected must be reported immediately to the Internal Auditor who coordinates all investigations with the Legal Department, and other affected areas both internal and external. The Internal Auditor reports directly to the Board of VIHFA. The Internal Auditor has a specific role in detecting fraud, waste, and abuse, which is itemized as follows:

- To support management in its effort to establish a culture that emphasizes and encourages sound moral ethics, honesty, objectivity and integrity;
- To assist management with the evaluation of internal controls used to detect and mitigate fraud and to make recommendations to strengthen internal controls;
- To evaluate the organizational risk for fraud and pursue fraud investigations;
- To assess the effectiveness of the control environment, its processes and procedures that mitigate the occurrence of fraud on an ongoing and continuous basis;
- To make recommendations to management for improvement of the areas that represent a risk for fraud;
- To maintain an open line of communication with the Executive Director and the Board of Directors to facilitate the reporting of all fraudulent activities or areas that present a risk of fraud;
- To investigate incidences of fraud and to report such occurrences to the Executive Director and the Board of Directors.

### **14.3.4: Fraud Risk Management**

To establish an effective system of internal control, program audit and evaluation processes that provide assurances and safeguards concerning disbursement of all VIHFA's funds, the VIHFA's Audit Division, in conjunction with other departmental personnel, will conduct a thorough and comprehensive enterprise-wide risk assessment. The risk-assessment will serve as the basis for the audit and compliance plans that will address the following:

1. Audit of paper application files for anomalies through risk-based sampling;
2. Evaluate and test selected internal controls, including any IT-related controls;

3. Deliver training to all staff responsible for monitoring or administering all funds that will focus on identification of risk factors, identification of fraud indicators, and the implementation a system of internal control that provides reasonable assurances that funds are being administered in accordance with law, code and policy. The training sessions will emphasize that sound internal controls require the efforts of all departmental personnel, not only auditors and compliance staff;
4. Ensure that anti-fraud brochures and posters that include a fraud tip-line to the Authority are distributed and prominently displayed throughout the agency's offices in the Territory, satellite offices and construction sites;
5. Consult with applicable Federal and Territorial law enforcement authorities concerning the disbursement of federal and local funds;
6. Implement a comprehensive and effective compliance program that includes investigative protocols, whistleblower procedures, and a process to refer matters to local authorities;
7. Ensure that the Authority's auditing, monitoring and evaluation process effectively mitigates the risk of fraud, waste and abuse and the disbursement of funds is transparent to all stakeholders;
8. Establish a Quality Assurance mechanism to ensure all federal and local reporting of funds are accurate and timely;
9. Develop and implement policies and procedures to assist in ensuring that program requirements are met, including preventing a duplication of benefits, and measures to detect and prevent fraud, waste abuse and mismanagement of funds; and
10. Comply with Federal Territorial laws, and DRGR requirements.

#### **14.3.5: CDBG-DR Compliance and Monitoring Section**

Pursuant to 21 VIC Ch. 2 Section 103, the Virgin Islands Housing Finance Authority is a body corporate and politic constituting a public corporation and autonomous governmental instrumentality of the Government of the Virgin Islands (the "Authority"). Section 103(x) authorizes the Authority the power to "administer the Community Development Block Grant (CDBG) Program authorized by the Department of Housing and Urban Development". Section 103(m) also authorizes the Authority to do all things necessary to carry out its purposes and exercise the powers granted in Chapter 2.

It is required that all departments administering federal resources including, but not limited to federal reconstruction resources, CDBG, Community Development Block Grant Disaster Recovery (CDBG-DR), HOME Investment Partnership Program (HOME), Emergency Solutions Grants Program (ESG), HOUSING TRUST FUND, and local funds, follow a framework that will provide comprehensive and stringent safeguards to ensure that all federal resources are utilized through an ethical and transparent process. Among other things, such safeguards shall include:

- Each program shall submit all potential procurements involving expenditure of federal reconstruction resources to the CDBG-DR procurement division for review prior to the commencement of the procurement process. The CDBG-DR procurement officer shall determine whether the proposed procurement process complies with applicable public contracting laws, rules and regulations.
- Procurement of goods and services for which local funds will be utilized, must fully comply with the Authority's Procurement Policy.

VIHFA follows a comprehensive fraud-waste-abuse prevention program which consists of integrity monitoring, internal controls assessments, and investigations in order to create a series of “check and balances” to mitigate risks and ensure compliance with Federal and State regulations.

Areas that may require additional oversight or have been identified as problematic areas including duplication of benefits, contracting and procurement, monitoring and fraud reporting, will be subjected to additional monitoring, impromptu visits and inspections. Follow up of these areas and the staff involved will be routinely scheduled. A status of these visits will be appropriately reported with recommendations made for corrective action.

The CDBG-DR Monitoring & Compliance Section is structured to allow for coordination between, and monitoring of, all CDBG-DR programs and internal operations. The primary purpose of CDBG-DR Monitoring & Compliance Section is to ensure that all programs and contractors administering CDBG-DR programs, departments, and sub-recipients comply with applicable State and federal regulations. It also serves as a layer of oversight to mitigate any potential risks, proactively detect and identify areas to prevent and minimize fraud, waste and abuse, and effectively fulfill the goals set forth in the Action Plan.

The CDBG-DR Compliance and Monitoring Section will report in writing, any suspected instance of fraud, waste and abuse to the VIHFA Internal Auditor. The VIHFA Internal Auditor will review received reports for further investigation. Should there be substantial concern, the VIHFA Internal Auditor will ensure that the VIHFA Board of Directors are updated on all reports of fraud, waste and abuse through a monthly report.

#### **14.3.6: Fraud Training and Awareness**

Comprehensive fraud training for all employees will occur on an annual basis through training seminars, online webinars, conference calls, or other means and will be repeated periodically to keep employees alert to the potential for fraud. Fraud, waste, and abuse training is designed to meet the following objectives:

- To help establish a sound anti-fraud culture.
- To educate employees about fraud, what to look for, and how to report it.
- To heighten employee awareness, which increases the likelihood that fraud, waste, and abuse will be reported.
- To send a message that the Authority is proactively looking for fraud, that dishonest acts will be detected, and that perpetrators will be held accountable and punished.

#### **14.3.7: Commitment to Confidentiality and Anonymity**

The Authority will attempt to ensure that anonymity of the reporter is maintained. When you report, please remember the following concerning confidentiality and anonymity:

- Even if you report anonymously, once the report has been made and the investigation begins, your coworkers or others who are familiar with the situation you are reporting may still be able

to guess your identity.

- Whether you report anonymously or not, the Authority will treat your report confidentially.
- It is not possible to guarantee absolute confidentiality in all circumstances. In certain cases, disclosure to others inside or outside the Authority may be required by law.

Please do not let these possibilities discourage you from reporting an incident.

#### **14.3.8: Whistleblower Protection**

Retaliation against an employee who in good faith filed a report of alleged fraud, waste, or abuse or who participated in an investigation is a violation of this Policy.

#### **14.3.9: Procedures for Reporting**

##### ***14.3.9.1: Internal Reporting***

Any employee who has knowledge of fraud, waste, or abuse, or who has good reason to suspect that such conduct has occurred, shall adhere to the procedures outlined below.

When suspected fraudulent activity, waste, or abuse is observed by, or made known to, an employee, the employee shall immediately report the activity to the Internal Auditor. An employee may also report fraudulent activity, waste, or abuse via the Fraud Hotline. The employee shall not make any attempt to investigate the suspected activity prior to reporting it. An employee shall not destroy, or allow to be destroyed, any document or record of any kind that the employee knows may be relevant to a past, present, or future investigation. An employee must be able to provide adequate information to support an investigation. Mere speculation does not suffice. The report must be made in good faith. An employee who knowingly makes a false or bad faith complaint will be subject to disciplinary and/or legal action.

##### ***14.3.9.2: External Reporting***

The Authority cannot compel citizens and customers (non-employees) to report suspected instances of fraud, waste, or abuse. However, the Authority strongly encourages them to do so by calling the VIHFA's Fraud Hotline 1-800-347-3735, via the VIHFA website or the complaint form available at the VIHFA office.

The Internal Auditor can access the VIHFA's Fraud Hotline and follow through on complaints and tips received. The Internal Auditor is exposed to key processes throughout the organization and as such maintains an open line of communication with the Executive Director and the Board of Directors of the VIHFA to facilitate the reporting of all fraudulent activities and/or areas that present a risk for fraud. Decisions will be made on a case-by-case basis for incidences of fraud, waste and abuse that may need referral to VIHFA's Legal Counsel and/or the Office of the Inspector (OIG) for further action. The legal department shall recommend to the Internal Auditor whether the matter should be considered fraud, waste, or abuse and if so, the matter should be referred to the OIG at 1-800-347-3735 or via email at [hotline@hudoig.gov](mailto:hotline@hudoig.gov).

## Appendix A: HRRP Award Calculation Template

*Revised VIHFA Grant Agreement*

VI-HRR-00386

*Date:*

*Page*

### **AWARD CALCULATION (including Duplication of Benefits documentation) Duplication of Benefits Analysis**

The Virgin Islands Housing Finance Authority, in accordance with the Stafford Act for Community Development Block Grant Disaster Recovery Grantees calculates any potential Duplication of Benefits received by program applicants. The Duplication of Benefits (DOB) is calculated by determining applicant's post disaster unmet recovery need and reducing the need by the amount of funding previously received for the same purposes. The remaining amount and any associated program caps are what the program is able to award. The DOB (if any) is calculated and documented below:

#### **Assistance Type and Amount Verified/Documented:**

FEMA: \$15,280.30  
NFIP: \$0.00  
SBA Home: \$0.00  
SBA Business: \$0.00  
ICC: \$0.00  
Charitable Organizations: \$0.00  
Private Insurance: \$0.00  
Other: \$0.00  
Total Assistance Received: \$15,280.30

#### **Allowable Offsets of Assistance Received**

Inspection – Verified Repair Expense: \$0.00  
Repair Receipts: \$0.00  
Contractor Fraud: \$0.00  
Forced Mortgage: \$0.00  
Legal Fees: \$0.00  
Temporary Living Expenses: \$0.00  
SBA Declined: \$0.00  
SBA Cancelled: \$0.00  
Total Allowable Offsets of Assistance: \$0.00

#### **Duplication of Benefit Amount Due from Homeowner**

Total DOB Gap after offsets: \$15,280.30

#### **Calculation of Eligible Award**

Construction Work Order Amount: \$0.00  
Applicant Provided Funds: \$15,280.30

#### **Total Eligible Award Amount:**

Applicant:

Co-Applicant:

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Signature

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Name (Print)

Date: \_\_\_\_\_

---

Signature

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Name (Print)

Date: \_\_\_\_\_

## Appendix B: Duplication of Benefits Sample Calculations

### DOB Calculation Examples

The following provide examples of the DOB review:

1. The homeowner is eligible for the homeowner assistance program and will have their home reconstructed for \$100,000. The homeowner received \$10,000 from their private insurance and was able to demonstrate through receipts and the inspection report on the home, that repairs were made. The homeowner is still eligible for the full \$100,000.

Calculation of Eligible Award	
1. Identify Applicant's Total Need Prior to Any Assistance (ex: Recon Cost, Acquisition payoff amount)	\$ 100,000.00
2. Identify All Potentially Duplicative Assistance	
a. FEMA Housing Repair	\$ -
b. SBA	\$ -
c. Insurance	\$ 10,000.00
d. Other (ex: nonprofit, charity, etc.). Provide funding source:	\$ -
Received Assistance Total	\$ 10,000.00
3. Expenditures (Receipts/Support Documentation)	
a. Confirmation of repairs with Inspection Report	\$ 10,000.00
b. Forced Mortgage Payoff	\$ -
c. Contractor Fraud	\$ -
Expenditure Total	\$ 10,000.00
4. Deduct Assistance Determined to be Duplicative (Received Assistance Total Minus Expenditure Total)	\$ -
5. Funding Adjustments	

a. Applicant Provided Funding	\$ -
Total Adjustments	\$ -
6. Maximum Eligible Award (Item 1 minus Item 4 plus Item 5)	\$ 100,000.00

2. A homeowner is eligible for repairs to their home for \$50,000. They received \$1,000 from their local church and received an SBA loan for \$40,000. The homeowner has received \$5,000 from this loan. The homeowner did not spend the full amount of the received funds. The inspector only verified \$3,000. The homeowner will pay the GAP in funding at the pre-construction meeting.

Calculation of Eligible Award		
1. Identify Applicant's Total Need Prior to Any Assistance (ex: Recon Cost, Acquisition payoff amount)		\$ 50,000.00
2. Identify All Potentially Duplicative Assistance		
a. FEMA Housing Repair		\$ -
b. SBA		\$ 5,000.00
c. Insurance		\$ -
d. Other (ex: nonprofit, charity, etc.). Provide funding source:	Church	\$ 1,000.00
Received Assistance Total		\$ 6,000.00
3. Expenditures (Receipts/Support Documentation)		
a. Confirmation of repairs with Inspection Report		\$ 3,000.00
b. Forced Mortgage Payoff		\$ -
c. Contractor Fraud		\$ -
Expenditure Total		\$ 3,000.00
4. Deduct Assistance Determined to be Duplicative (Received Assistance Total Minus Expenditure Total)		\$ 3,000.00
5. Funding Adjustments		



a. Applicant Provided Funding	\$ 3,000.00
Total Adjustments	\$ 3,000.00
6. Maximum Eligible Award (Item 1 minus Item 4 plus Item 5)	\$ 50,000.00

3. A homeowner is eligible for reconstruction of their home. The average price for the floorplan the homeowner is eligible for is \$150,000. The homeowner received FEMA assistance to repair their home in the amount of \$15,000. The homeowner did not use the funds for their intended purpose and is not financially able to pay back the funding. The homeowner has elected to accept a smaller floorplan in order to cover the GAP amount. The lesser floorplan has less square footage and is \$130,000.

Calculation of Eligible Award	
1. Identify Applicant's Total Need Prior to Any Assistance (ex: Recon Cost, Acquisition payoff amount)	\$ 150,000.00
2. Identify All Potentially Duplicative Assistance	
a. FEMA Housing Repair	\$ 15,000.00
b. SBA	\$ -
c. Insurance	\$ -
d. Other (ex: nonprofit, charity, etc.). Provide funding source:	\$ -
Received Assistance Total	\$ 15,000.00
3. Expenditures (Receipts/Support Documentation)	
a. Confirmation of repairs with Inspection Report	\$ -
b. Forced Mortgage Payoff	\$ -
c. Contractor Fraud	\$ -
Expenditure Total	\$ -
4. Deduct Assistance Determined to be Duplicative (Received Assistance Total Minus Expenditure Total)	\$ 15,000.00
5. Funding Adjustments	

a. Applicant Provided Funding	\$ -
Total Adjustments	\$ -
6. Maximum Eligible Award (Item 1 minus Item 4 plus Item 5)	\$ 135,000.00