

UNITED STATES VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

HOMEOWNER RECONSTRUCTION AND REHABILITATION PROGRAM POLICIES AND PROCEDURES

VERSION: 2.0
September 6, 2019

Prepared by:

Virgin Islands Housing Finance Authority – CDBG-DR Program Division



The policies stated in this manual are current as of September 5, 2019. 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 Infrastructure 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 to ensure that you have the latest version.

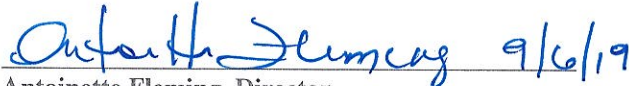
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Table 1: Infrastructure Program Version Control

VERSION NUMBER	DATE REVISED	DESCRIPTION
1.0 (DRAFT)	1/24/2019	Version 1 Draft of Program Policies
1.1	6/6/2019	Homeowner Reconstruction and Rehabilitation Program Policy and Procedures – FINAL Version 1.0
2.0	8/26/19	<p>Clarification of procedures, addressing outstanding policy questions</p> <ul style="list-style-type: none"> • Restructured sections to make more consistent • Updated definitions • Updated Duplication of Benefits language per new guidance • Section 2.0 - Clarified LMI language • Sections 3.5 and 3.6 – Clarified floodplain requirement from Federal Register notices • Section 4.8 – Removed triplexes from eligible structure types • Section 8.8 – Edited Priority Verification to allow applicants in subsequent rounds to stay in applicant queue • Section 9.9 - Added Tiered Environmental Review including ‘stop work’ requirement for prospective work • Section 12.2 – Revised Draw Request process • Section 14 – Defined Three-Year Occupancy and Recapture Period • Removed Homeowner Self-Managed option

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1.0 CONTENT

1.1 Version History

1.1.1 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 numbers, such as 2.1, 2.2, etc.

1.1.2 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 bi-weekly, as needed, to consider all pending requests but may meet as frequently as necessary to consider critical policy decisions. The schedule for PCCB meetings is expected to move to a lower frequency as the Program matures.

1.2 Agencies and Acronyms

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

WBE	Women-owned Business Enterprise
VIHA	Virgin Islands Housing Authority
VIHFA	Virgin Islands Housing Finance Authority

1.3 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, 4th 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.

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. Case Managers will work to decrease barriers for homeowners to participate in the program wherever possible. Case Workers will explain the Program’s Solutions and provide information on the Reconstruction/Rehabilitation process in standardize 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), 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 minimum housing rehabilitation standards, 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 above and 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 1 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 flood water 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.

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 substantially 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 substantially 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 which 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.

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 multifamily damaged/occupied activities 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 which 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 PROGRAM DESCRIPTION AND OBJECTIVES

2.1 Summary

The Virgin Islands Housing Finance Authority (VIHFA) has developed a program to assist eligible Homeowner Reconstruction and Rehabilitation Program participants whose primary residence was damaged by Hurricanes Irma and/or Maria. Program assistance, in addition to other funds received or to be received, will be used for the reconstruction or rehabilitation work necessary to make the home habitable and compliant with floodplain, environmental, and other local requirements described herein. Awards will be determined based on the estimated cost of repairs for a scope of work that includes standard grade materials, VIHFA's historical data plus a hurricane factor, and a duplication of benefits review.

The Program is designed to create a habitable living environment for homeowners with the most serious and significantly damaged homes, and to serve as many impacted households as possible. As such, the Program requires the use of standard building materials, which may not restore some damaged homes to pre-storm conditions if luxury materials were damaged in the storm. To ensure the funding will 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.

The FEMA Sheltering and Temporary Essential Power (STEP) program provided emergency assistance to eligible applicants for roof repairs needed after Hurricanes Irma and Maria, allowing people to live in their homes while repairs were being made, or helped people get back into their homes safely and quickly. Phase 1 of STEP was designed to provide emergency assistance for life sustaining, public health and safety needs, including emergency repairs to walls, roof, electricity and plumbing; Phase 2 allowed the facilitation of code compliant roofs for those with storm related damages.

Phase 1 of the Homeowner Reconstruction and Rehabilitation Program will start with two rounds. Round 1 will assist low- and moderate-income (LMI) homeowners in the Homeowner Reconstruction Solution; if funds are available after Round 1, Round 2 will assist LMI homeowners in the Homeowner Rehabilitation Solution. Eligible applicants in both Rounds 1 and 2 will meet the federal Low-to-Moderate Income (LMI) requirements based on HUD's most recent income limits, which are annually updated. LMI households' total annual gross income cannot exceed 80% of Area Median Income (AMI), adjusted for family size for the area where the primary residence is located. Additional Program rounds may be developed to address homeowners with incomes between 81% and 120% of AMI as Urgent Need, non-LMI applicants, if funding is increased or exceeds the needs of Rounds 1 and 2.

The Program will require that homeowners awarded under the program agree to a three-year occupancy period. Once the homeowner resides in the home for three consecutive years, the covenant requirement will be met. If, for some reason, a homeowner that receives an award decides to break the three-year occupancy covenant, the homeowner will be required to repay the CDBG-DR Program on a pro-rata basis based on the period of required occupancy time remaining. The amount due will be equal to one-thirty-sixth (1/36) of the program investment per month. For example, a homeowner that sold their reconstructed home six months after project completion would be required to repay 30 months worth of the assistance received. If the reconstruction

awarded was \$250,000, \$208,335 would be due (30 months remaining in the 3-year occupancy requirement X \$6,944.50 per month). A homeowner that received \$100,000 and sold their home in the 30th month after project completion would be required to repay \$16,667 (6 months remaining of the 3-year occupancy period X \$2,777.78 per month). A homeowner that sells their home in the 37th month, or later, would not have a repayment requirement since the occupancy period would have passed.

These resources will be treated as CDBG-DR Program Income (defined as gross income generated from the use of CDBG-DR funds). The Program will follow the CDBG-DR Program Income guidance in VIHFA's General Administration Manual.

2.2 Program Solutions

The Virgin Islands Housing Finance Authority (VIHFA) Homeowner Reconstruction and Rehabilitation Program will assign applicant homeowners to either the Reconstruction Solution or the Rehabilitation Solution, based on the level of construction required. The Solution assignment will be determined by the Program's Policy.

Reconstruction is the process of erecting a housing unit predominately on the existing foundation and within the footprint of the former structure. The construction process is a bottom-up process; the foundation, walls, roof. Reconstruction may also include placing modular housing on a site previously containing a site-built structure.

Reconstruction may be more cost effective since reconstruction begins at the foundation and builds upward, while rehabilitation often means the damaged sections of the structure must be hand demolished, up to and including the roof, and then rebuilt from the top down, which is far more time consuming and labor intensive.

The Reconstruction Solution will serve homeowners whose homes were substantially damaged (including fully destroyed) and the costs to rehabilitate the structure is greater than Seventy-Five Thousand Dollars (\$75,000.00).

The Rehabilitation Solution will be available to serve homeowners whose homes received Major or Severe damage but do not meet the definition of destroyed or substantially damaged. The Rehabilitation Solution will offer multiple options for management of the construction process, which are described in more detail below under the Rehabilitation Solution.

It is anticipated that there will be more eligible applicants than can be served with the available funds. The Program will first serve LMI homeowners in need of Reconstruction, which will be offered as Round 1. Once all eligible Round 1 Reconstruction applicants have been served, and if funding remains, then the second Program priority will be to fund LMI applicants in the Rehabilitation Solution, which will be offered as Round 2. If funds remain following Rounds 1 and 2, the Program may serve homeowners with incomes between 81% and 120% of AMI.

VIHFA procured a contractor to conduct Homeowner Reconstruction and Rehabilitation Program Case Management services, which includes 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

documentation execution. Case Managers will provide homeowners with guidance on program guidelines and requirements. The Case Management firm will conduct Quality Assurance/Quality Control (QA/QC) of application intake and processing. Case management responsibilities and other activities are further described in this document.

VIHFA directly oversees the case management contractor services, and VIHFA staff serve in key roles such as Program Manager, Inspector, Environmental Review, and Finance Manager. VIHFA procured Construction Management services for the CDBG-DR Housing Programs, including the Homeowner Reconstruction and Rehabilitation Program. Construction management includes conducting damage assessments, design services, developing scopes of work and costs estimates, progress inspections and contractor assessments. Construction managers will work closely with VIHFA Homeowner Reconstruction and Rehabilitation Program and QA/QC staff, Case Managers, contractors and homeowners throughout the reconstruction or rehabilitation process.

The QA/QC staff will provide quality reviews at essential milestones in the grant management and construction process such as reviewing award calculations, reviewing Grant Agreements prior to execution and review of completed project files prior to project close-out.

VIHFA Program staff will provide oversight to the Construction Management Services firm in both the Reconstruction Solution and Rehabilitation Solution (in the Program Managed option). VIHFA has also procured a pool of qualified homebuilder construction contractors to be available to homeowners participating in the program. The process to identify and manage the Program construction contractor pool is described a subsequent section.

The primary differences in the two Program Solutions is related to the amount of damage and if the home must be reconstructed or if it can be repaired. Each Solution is described in more detail below. Regardless of the Solution, many of the Program required tasks are the same for all properties including initial inspections, environmental reviews, review of Duplication of Benefits, Verification of Benefits, et al.

2.2.1 Reconstruction Solution

Projects eligible for the Reconstruction Solution, which is issued in Round 1, are those low- and moderate-income homeowners' residences that were destroyed or substantially damaged, and the cost of rehabilitation is more than Seventy-Five Thousand Dollars (\$75,000.00), as determined by the FEMA designation, local officials or by Program staff. On a case-by-case basis, a Special Case Team will determine if Reconstruction is needed or if the homeowner can be served through the Rehab Solution. To be eligible for Round 1 of the Reconstruction Solution, the homeowner must meet all eligibility requirements, including household income limits, continuous flood insurance coverage (if applicable), AND documentation for one of the 4 property criteria below must be submitted to and approved by the Case Managers:

1. Homeowners applied to FEMA and received a FEMA Individual Assistance (IA) designation showing the property was:
 - a. Destroyed,
 - b. Sustained Substantial Foundation Damage (>50%), or

- c. Sustained Substantial Roof Damage (>50% but not repaired by STEP).

OR

2. Homeowners applied to STEP, was rejected and received a designation letter stating:
 - a. The home structurally unsafe to enter, or
 - b. Sustained extensive structural damage.

OR

3. Received a letter of condemnation, substantial damage notification, or notice of requirements to demolish from any appropriate local government office.

OR

4. Submit evidence that the cost to repair the storm damage exceeds Seventy-Five Thousand Dollars (\$75,000.00). Evidence may include:
 - a. Insurance adjustor's report, or
 - b. Contractors estimate to repair (with date stamped photos)

Additionally, applicants that have already demolished their storm-damaged homes must also provide documentation evidencing the pre-storm structure type, total square footage, and that the damage to the home was caused by the storm. Applicants must also provide notices of condemnation, substantial damage notifications, or other notices requiring the property be demolished.

On behalf of participating homeowners, VIHFA Homeowner Reconstruction and Rehabilitation Program staff, Case Managers and Construction Managers will manage the reconstruction process for homes that were destroyed or substantially damaged. 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.

Demolition of a roof membrane may be required by the Department of Planning and Natural Resources (DPNR) if the roof was not built to Virgin Islands Code and if damage exceeds 50% of roof area. Sound portions of masonry walls shall be retained.

The estimated cost of repair to reconstruct the home to the minimum housing rehabilitation standards will be established after the design plans have been completed. If the estimated cost of repair is determined to be Seventy-Five Thousand Dollars (\$75,000.00) or less, the project will be placed in the Homeowner Rehabilitation Solution.

Under the Reconstruction Solution, the Program with input from the Construction Management will select the homebuilder construction contractor through a mini-bid 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.

2.2.2 Rehabilitation Solution

Once Round 1 project have been identified, Round 2, which is the Rehabilitation Solution, will be made available to low- and moderate-income homeowners for homes that received major or severe damage and the cost to repair is equal to or less than Seventy-Five Thousand Dollars (\$75,000.00). All Rehabilitation Solution applications will require documentation to support household and property eligibility.

The Rehabilitation Solution will provide homeowners with two construction management options for the repair of their home:

- 1) Program Managed Rehabilitation Option: Program staff working with the Construction Management firm will assign a qualified construction contractor from the approved pool following a mini-bid process and manage the construction process from start through completion,

OR

- 2) Homeowner-Selected Contractor Option: The homeowner selects a qualified construction contractor and manages the rehabilitation construction process from start through project completion in keeping with the guidelines of the Program.

2.2.2.1 Program Managed Option for Rehabilitation

In the Program Managed Rehabilitation Option, Program Case Managers, Construction Mangers, 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.

2.2.2.2 Homeowner Selected Contractor Option for Rehabilitation

With the Homeowner Selected Contractor Option, the homeowner selects a contractor from a Program-approved list of contractors. The homeowner will contract directly with the homebuilding contractor and the Program through a CDBG-DR grant agreement. The homeowner will manage their own rehabilitation construction process, with the Program providing construction advisory and inspection services in accordance with USVI Contractor Licensing Laws.

If a homeowner wishes to use a contractor that is not on the approved list, that Contractor must complete the Program approval process before a contract can be signed. The Program will vet the contractor to ensure that the contractor meets the minimum requirements for contractors including being licensed and the proper level of insurance for the project.

In both the Program Managed Rehabilitation and the Homeowner-Selected Contractor Options the payments will be made directly to the construction contractor based on progress inspections.

2.3 Optional Homeowner Voluntary Relocation Assistance

Federal funds may be used to provide relocation assistance payments to persons who voluntarily relocate to another location pursuant to 24 CFR Part 570.606(d). These persons are not subject to

the Displaced Person requirements found at 24 CFR Part 570.606. This section of the Policy Manual serves as the Program's Optional Homeowner Voluntary Relocation Plan. The Program has determined that certain types of projects will result in the voluntary displacement of owner-occupant households. Examples include:

- Reconstruction of a home,
- Abatement of hazardous materials such as lead or asbestos,
- Projects that require the interruption of gas, water or electric service,
- The detection of hazardous conditions in a home that pose a risk to occupants, or
- Elevation of a home.

The homeowner may qualify and receive assistance, if the homeowner:

- Is required to relocate as a result of Program construction for greater than 30 days.
- Occupied the home as their primary residence **and**:
- Homeowner's monthly housing costs in total are 30% or more of their gross monthly income.

The total amount of assistance will be within the total Solution award cap.

Optional relocation assistance can be made available to eligible homeowners for up to 9 months, with no single month of rental support exceeding the fair market rent for households of their size (assuming 1.5 persons/bedroom). Funding may be available for up to 3 additional months for a total of 12 months, if need is demonstrated and funds are available.

The Program may not provide relocation assistance to a household unless it first makes a determination of need. Overall construction duration of greater than 30 days shall not be an indicator of whether a household is eligible for relocation because many projects do not require relocation while construction is underway. Relocation assistance may be provided based on the type of rehab that will be conducted based on health and safety considerations. Accordingly, to be eligible for relocation assistance, the Program must determine that it is likely that the household will be required to vacate their home for more than 30 days.

The Program establishes the start date and end date for relocation based upon estimated construction durations. Accordingly, the relocation start date may precede the actual start of construction to ensure that the Program can begin construction when permits are approved, and contractors become available. In certain cases, the relocation end date may extend past the completion of construction to ensure that all work is inspected and approved prior to occupancy. Relocation assistance may be provided to applicants that voluntarily relocate from their homes because of the presence of dangerous conditions or in order to facilitate a construction project that will occur in the future.

Relocation Assistance will not start until after the signing of the grant agreement and the total amount of assistance will be subject to the total Solution award cap. Assistance will be provided only during the time of relocation due to construction. It will only be provided if the applicant is paying for temporary housing costs. The total payment amount will take into account any other remaining temporary housing benefits the applicant has received previously or will receive.

Benefits provided may include:

- Reimbursement for expenses incurred to rent replacement housing (apartments, rental homes, hotels and other temporary lodging arrangements). Reimbursement will not include payments for brokers fees, security deposits, and pet fees.
- Reimbursement for basic utility expenses (electricity, hot water, heat, gas) incurred if the cost of utilities is included in the cost of the rental. If utility costs are not included in the rental lease, the Program will not reimburse applicants for utility costs incurred. Utility costs are subject to the cap on rental expenses as stated above.

2.4 Supportive Services

Support 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. VIHFA anticipates entering into an agreement with Legal Services of the Virgin Islands to provide assistance to low-to-moderate homeowners.

The Program will also work to incorporate available housing assistance resources.

3.0 PROGRAM REQUIREMENTS

3.1 Program Administration

The Virgin Islands Housing Finance Authority (VIHFA) has solicited 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. The contractors will only be allowed one tier of subcontracting to assist with oversight of responsible entities for work performed.

3.2 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>).

3.3 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. In Rounds 1 and 2, 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. The LMI National Objective sub-code is represented as Low- to Moderate-Income, or LMI.

If after serving Rounds 1 and 2 LMI funding is available, households whose homes were either destroyed or substantially damaged who have a total combined income between 81% AMI and 120% AMI may be served under the Urgent Need National Objective.

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

3.4 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)), and Relocation (HCDA Section 105 (a) (11)).

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

3.5 Ineligible Activities

The following activities are *ineligible* and CDBG-DR grant funds *cannot* be used for any portion: Assistance for homeowners whose home was in a flood hazard zone and previously received federal flood disaster assistance and failed to maintain the required flood insurance.

According to Federal Register Notice 6066-N-01, HUD precludes assistance for homeowners living in a floodplain for which “(a) the combined 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”;

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

3.5 Requirements for Disaster Assistance to Owners Remaining in Floodplains

3.5.1 Recipients of Federal Disaster Relief Assistance prior to Hurricane Irma or Maria

Section 582 of the National Flood Insurance Reform Act of 1994, as amended, **prohibits** flood disaster assistance in certain circumstances. In general, it provides that no federal disaster relief assistance (neither loans nor grants) can be used 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 flood insurance. This prohibition is in force for the Homeowner Reconstruction and Rehabilitation Program.

3.5.2 Assistance Provisions for Properties Located Within a Floodplain

CDBG-DR Federal Register Docket No. FR-6066-N-01 contains an alternative requirement that preclude assistance for reconstruction or rehabilitation of residential properties located in a floodplain if: (a) the combined household income is greater than 120% AMI or the national median, (b) the property was located in a floodplain at the time of the disaster, and (c) the property owner did not maintain flood insurance on the damaged property, even when the property owner was not required to obtain and maintain such insurance.

In implementing this alternative requirement, HUD is ensuring that adequate recovery resources are available to assist lower income homeowners who reside in a floodplain but who are unlikely to be able to afford flood insurance. Higher income homeowners who reside in a floodplain but failed to secure or decided to not maintain their flood insurance should not be assisted at the expense of lower income households.

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 Case Managers must verify whether a homeowner has received prior disaster recovery assistance, obtained and maintained flood insurance, if required.

4.0 PROGRAM ELIGIBILITY

The Homeowner Reconstruction and Rehabilitation Program is designed to assist homeowners whose primary residence was fully destroyed, or sustained substantial, major or severe damage.

Individual homeowners who meet income qualification requirements, owned and occupied a property as their primary residence prior to the storm, and sustained damage during the storms, may be eligible for the Homeowner Reconstruction and Rehabilitation Program. Applicants will be required to provide complete and accurate information regarding their household composition, household income, and housing situation.

Homeowner applicants will be required to sign an IRS Form 4506-T, which is a Request for Transcript for Tax Returns.

Warning: Any person who knowingly makes a false claim or statement to HUD or to the VIHFA for any application for funds provided under CDBG-DR may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729.

Failure to disclose accurate and complete information may affect eligibility requirements. Some of the information submitted by applicants will be validated through third-party sources during the eligibility process.

Conflicts between information submitted by homeowners and received from validation sources/services must be resolved. Program Case Managers will work with household applicants and VIHFA Program staff, on a case- by-case basis, to determine the necessary resolution requirements.

Applicants may be required to make full restitution to VIHFA if it is found that documentation or information submitted was inaccurate or incomplete information in order to appear to meet eligibility requirements. Each application will be reviewed for the following eligibility:

- Ownership
- Primary Residency
- Occupancy at time of the storm
- Citizenship and residency status
- Property Structure/Type
- Property Location
- Disaster Damage

Round 1 Reconstruction Solution homeowner applicants must meet all Program eligibility criteria, which includes income limits, AND the property must meet one of the four criteria listed below. Program staff must review the property documentation to confirm the property requires Reconstruction (and not rehabilitation). Homeowners must have:

1. Applied to FEMA and received a FEMA IA designation of either:
 - a. Destroyed,
 - b. Foundation substantially damaged (>50%),
 - c. Roof substantially damaged (>50% but not repaired by STEP).

OR

2. Applied to STEP, been rejected, and received a designation of:
 - a. Home structurally unsafe to enter, or
 - b. Extensive structural damage.

OR

3. Received any letter of condemnation, substantial damage notification, or notice of requirements to demolish from an appropriate local government office.

OR

4. Submitted evidence that the damages were sustained in the storm and the cost to rehabilitate the structure is greater than Seventy-Five Thousand Dollars (\$75,000.00). Evidence may include:

- a. Insurance adjustor's report with pre-storm value, and
- b. Photos (date stamped), and
- c. Contractors estimate to repair.

4.1 Applicant Eligibility Criteria

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, which was either destroyed or sustained substantial or major and severe storm damage. Applicants will be required to submit documentation to show verify identity, citizenship and residency status, income qualifications, ownership and primary residence, sustained storm damage from Hurricanes Irma and Maria, and the structure must be an eligible property type (single family, double unit, mobile home or condominium). Case Managers will verify households meet the Program requirements prior to receiving assistance.

4.2 Income Requirements

Rounds 1 and 2 of the Homeowner Reconstruction and Rehabilitation Program require owner-occupied applicant households to meet the Low- to Moderate-Income (LMI) National Objective. If additional funding is available in subsequent Rounds, households with incomes from at 81% AMI to at or below 120% AMI may be served under the Urgent Need national objective.

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 Program will use the Internal Revenue Service (IRS) Form 1040 as the primary source of verification of income. Form 1040 will be utilized as the definition of income, as set forth in HUD regulations, for determining all applicants' eligibility for this CDBG-DR funded Program. The IRS Form 1040 method of calculating income is often referred to as the Adjusted Gross Income or AGI method.

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, two or more families living together, or any other group of related or unrelated persons who share living arrangements. Household members are all persons (minors and adults) who were living in the damaged home at the time of the disaster. For housing activities, the test of meeting the low to moderate income objective is based on the total adjusted gross income of all of household members.

Information on HUD's most recent income limits may be found at:

www.huduser.gov/portal/datasets/il.html

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

Minors: 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.

The income of temporarily absent family members is 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 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.

The Program will allow use of the previous tax year's tax return in determining household AGI and no other documentation will be required. (For example, an applicant applying for disaster recovery assistance on May 1, 2019, will provide 2018 tax returns).

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. The following income documentation will be required for each applicable household member only if the type of income is and if a prior year income tax return is not available. If the household member does not have IRB Form 1040 then they may utilize the following documentation, along with an executed Request Tax Transcript (4506-T):

Wages:

- Three paystubs from most recent 90-day period prior to date of application (they do not need to be consecutive unless pay frequency is monthly).
- 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)
- 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

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. IRS Form 4506-T must be signed at the time of application for all household members

4.3 Ownership

To be eligible for the Homeowner Reconstruction and Rehabilitation Program, applicants must have owned and occupied the property as their primary residence at the time Hurricanes Irma and Maria occurred. 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, the homeowners must have entered into a payment plan and will be required to provide evidence of current taxes throughout the Recapture period.

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, after the initial application has been completed and signed by the owner occupant applicant.

4.3.1 Ownership Verification

Program Case Managers will validate pre-storm property ownership by comparing the documentation submitted by applicants with property information obtained through third-party services. Property taxes are assessed on an annual basis; current tax records include property owners' names, physical and mailing addresses. 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 Case Managers. If household applications contain more than one applicant name, only one owner occupant name is required to be matched.

Validation of ownership of the damaged property will include the use of the following:

- Name match on tax records AND evidence of Homestead Exemption,

- Deed or official ownership record for the home,
- Office of the Recorder of Deeds,
- Mortgage loan documents.

A third party title search will be required if applicant ownership cannot be confirmed by one or more of the above searches or documentation.

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);
- 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 evidence, such as a title, 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:

4.3.2.1 Property 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 each member of the LLC was an occupant of the damaged property at the time of the storms; documentation must be provided in the 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 4.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 are NOT eligible.

4.3.2.1.1 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.

4.3.2.1.2 Purchase or Sales Contracts in Effect at the Time of Hurricanes Irma and Maria

Applicants who are the buyer in a purchase or sales contract (contract) that was in effect at the time of the Hurricanes, where the property was damaged, and the contract is still in effect are only eligible if the purchasing applicant converts the contract to full ownership prior to executing the grant agreement. These applicants have an interest in the property; that is, the seller in the transaction could not sell the property to anyone else without written approval by the purchaser applicant, although they do not clear title ownership.

Although buyers in the scenarios described below have an ownership interest in the property, they do not have full ownership; the terms of the contract may not have been fulfilled and an ownership transfer conveyance has not been recorded. If the buyer meets the terms of the contract, most often with an exchange of funds, an ownership transfer conveyance will be record in the Office of the Recorder of Deeds, becoming fully (not just partially) vested in the property. 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
- Rent to own contract

Evidence for Purchase or Sale Contracts may be furnished by the following documentation:

1. Proof that an applicant was purchasing a home through a contract as identified above may be documented by both of the following:
 - a. A notarized Contract dated and executed prior to the storm event for review
 - b. A notarized and executed Contract that was filed in the Clerk of the Courts prior to the disaster event
2. Proof that a contract has been completed and title conveyed to the purchaser is 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

4.3.2.1.3 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 a current beneficiary of the Trust. The trustee's powers must include the ability to affect the damaged property. If the trustee's powers do not include the ability to affect the damaged property, the beneficiaries with an interest in the damaged property must sign the grant agreement documents along with the Trustee.

The following documentation is required to confirm eligibility:

The applicant must provide a copy of the trust document.

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.

4.3.2.1.4 Foreclosure or Seizure of Property

An applicant whose property is in active foreclosure proceedings or is being seizure for any reason will need to provide documentation sufficient for to demonstrate the default has been cured and no further foreclosure actions will proceed. Applicants whose property will be foreclosed upon or whose property is foreclosed upon will not be eligible to receive program benefits. The program will accept the 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.

4.3.2.1.5 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, their heirs who are able to document 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 an owner occupant of a property damaged by Hurricanes Irma and/or Maria has passed away, their heirs may apply for Program assistance, provided they are able to submit evidence the damaged property was also the heir's primary residence at the time of one of the storms. Documentation required will include a copy of the death certificate with a power of attorney and legal interest; neither a will or payment of property tax will be accepted as proof of legal interest.

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

If the applicant is applying for a property of where the owner of record died after the disaster, 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 to prove an ownership interest in the property:

A Probated Will for the deceased owner, which is legally enforceable, granting the property to the applicant in the administration.

An Heirship Affidavit that has been recorded in the Office of the Recorder of Deeds public records demonstrating the applicant is a direct heir to the deceased owner of the property, accompanied by a copy of a death certificate and warranty deed or other proof to show the deceased's ownership of the property.

4.3.3 Incapacity of Infirmary of Applicant

After completing the application process, if a homeowner applicant is incapacitated due to illness or other infirmity, someone with a legal right to bind that person, such as a power of attorney, may execute grant documents on behalf of the applicant.

4.3.4 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.

4.3.5 Transfer of ownership back to eligible owner occupant

On a case by case basis, applicants who transferred their damaged property to another party 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 the applicants transferred property by sale or act of donation to an immediate family member (mother, father, son, daughter, or spouse).

The applicant must continue to maintain the home as their primary residence after the transfer returning ownership to the applicant.

4.3.6 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)

Written transfer of the home (recorded prior to disaster event)

Document from the landowner creating the rights to 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,
- Unrecorded lease agreement for the land, beginning prior to the disaster event and with a term of 99 years or longer.

4.3.7 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
- Territory issued Manufactured Certificate of Origin dated prior to the disaster showing the name of applicant as owner
- Other forms of MHU ownership, which may be considered on a case-by-case basis.

4.3.8 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 from the Department of Motor Vehicles
- 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
- Approval from owner of land to replace a manufactured home

4.4 Mortgage Loan and Property Tax Documentation

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. Applicants must sign a statement authorizing a request for lender approval for the reconstruction of the home.

Applicants must provide evidence that property taxes are current; the most recent property tax statement, showing no delinquent taxes due is required. If an applicant's taxes are not current, the applicant has 30 days to provide proof they have entered into a payment plan to 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.

4.5 Occupancy and Primary Residency

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.

Primary residency will be determined through review of the following data sources and documentation:

Occupancy will be primarily verified through public records. The Program looks for a homestead exemption in the 2017 property tax records provided by the Territory from the time of the storm event. If the tax records have established ownership and the Territory has granted a homestead exemption, the property is considered the occupied primary residency for the applicant.

The Program uses the following to establish occupancy and primary residency (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.
- Credit card statement or bank statement addressed to the applicant at the damaged property address for the month preceding the storms.
- 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.
- 2017 US Virgin Island tax records demonstrating homestead exemption for the property.
- 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))

For all solutions, applicants execute a grant agreement certifying that the applicant was the owner occupant at the time of the disaster event. Other documentation that will be reviewed and considered on a case-by-case basis.

4.5.1 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 reasonably substantiate the damaged property was the applicant's principal place of residence at the time of the disaster.

4.5.2 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.

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

4.6 Legal Residency Status

It is the intent of the Program to ensure household compliance with the Low-to-Moderate Income National Objective. The Program will confirm the legal residency status of all applicants using Nationally recognized-third-party data may be used to validate Program eligibility. Any event of conflicting information will be reviewed by the Program on a case-by-case basis.

All applicants will be required to submit documentation to prove their identity. This documentation may include, but is not limited to, the following:

- Government Issued Photo Identification (Federal, State or Territory issued)
- Driver's License
- Passport
- Military ID Card
- Certificate of Naturalization
- Permanent Resident Card

NOTE: Applicants are required to submit proof of birth verification for all household members for identification purposes. Examples include passport, driver's license, vaccination/medical records, school records, and tax forms.

4.7 Damage Tie to the Storms

The home must have sustained Major or Severe damage, as a direct result of one of the 2017 Severe storm events, which took place on September 6, 2017 and September 20, 2017. Information provided by FEMA and SBA or insurance assessments may be used to verify disaster-related levels of damage. 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 supporting photos (date stamped), other documents to verify storm damage or reports from building officials to support the tie to the storm.

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. Verification of a benefit paid to the applicant for damage to their property will be attempted using 3rd Party data to expedite the determination process. A data search for information will be conducted, but not limited to, the following items:

- FEMA (3rd party data match will suffice to prove damage, no other documentation needed).
- SBA (3rd party data match will suffice to prove damage, no other documentation needed).
- NFIP (3rd party data match will suffice to prove damage, no other documentation needed).

If no match is identified through the displayed data searches, applicants may submit documentation that verifies their home received damage from the disaster. This documentation may include, but is not limited to, one of the following items:

- FEMA Claim Letter for housing repair demonstrating payment for structure damage
- SBA Loan documentation demonstrating payment for structure damage
- NFIP Claim payment for structural damage
- Private Insurance Claim paid for structural 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

The purpose of this Damage Validation is to reasonably confirm applicant eligibility in advance of the On-Site Damage Inspection.

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 existent. If disaster related damage to the property cannot be confirmed by the damage assessment and the applicant is unable to provide

documentation to reasonably confirm damage, the property will be deemed ineligible for assistance.

If the home has been demolished the applicant must provide sufficient documentation from the listed items OR supply alternate documentation, such as private, certified 3rd party property inspection completed prior to the demolition of the structure.

4.8 Special Flood Hazard Area (SFHA)

Elevation requirements are established by the Territory. The Program will abide by the decisions of the Territory's building code regarding elevation requirements.

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.

4.9 Eligible Structure Types

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.

To be eligible, the damaged property must be in the United States Virgin Islands.

4.9.1 Single Family (Detached)

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

4.9.2 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 repairs 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 referred to the Relocation Unit for follow up Uniform Relocation Act and Stafford Act 414 compliance. (See 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.

4.9.3 Manufactured Homes

Owners of a 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. The applicant must have occupied the home as their primary residence at the time of the storms. The Program will treat all Manufactured Homes that are feasible as either a stick-built reconstruction or modular home.

4.9.4 Condominiums

Condominium owners who occupy the unit as their principle residence may apply for assistance. Demonstrable progress of completion of the common area items to decent, safe, and secure standards must have taken place.

5.0 PRIORITIZATION CRITERIA

The Territory has developed priority criteria to determine the order in which applicants will assistance under the Program.

The Program will first fund eligible low- and moderate-income homeowners in the Reconstruction Solution on a first come, first served basis in accordance with the criteria outlined below. If, after serving the eligible homeowners in the Reconstruction Solution funds have not been fully expended, VIHFA may expand the program to include additional homeowner populations that meet the criteria of the second priority for the Rehabilitation program, which is low- and moderate-income homeowners with damage requiring rehabilitation. Future phases for Reconstruction or Rehabilitation of damaged homes owned by non-LMI homeowners whose income is between 81% AMI and 120% AMI may be added if additional funding is available.

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. The program is further prioritized by:

Priority 1: Round 1 RECONSTRUCTION

Applicants must meet both of the following criteria:

- residences that were destroyed or substantially damaged, and the cost of rehabilitation is more than Seventy-Five Thousand Dollars (\$75,000.00), as determined by the FEMA designation, local officials or by Program staff
- The household meets federal low- and moderate-income requirements, and the applicant has limited or no resources to reconstruct the home.

Priority 2: Round 2 REHABILITATION

Applicants must meet all of the following criteria:

- The impacted home experienced Major/Severe Damages as determined by either a FEMA-designation OR has damage which meets the Major/Severe Damage standard that FEMA has defined and requires Rehabilitation.
- The applicant household meets federal low- and moderate-income requirements.
- The applicant has limited or no resources to rehabilitate the home.

6.0 LEVEL AND TERMS OF ASSISTANCE

The Homeowner Reconstruction and Rehabilitation Program is designed to be delivered in multiple rounds, with awards prioritized to assist the LMI community with the largest recovery needs.

6.1 Eligible Award Cap and Structure

The maximum award is \$250,000 for reconstruction and \$75,000 for rehabilitation.

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.

6.2 Award Structure

Potential awards will be calculated based on cost to reconstruct or rehabilitate the home, reduced by any Duplication of Benefits. All LMI applicants requiring reconstruction will be served first in the Reconstruction Solution. If sufficient funds remain upon the completion of the Reconstruction Solution for LMI applicants, LMI applications for the Rehabilitation Solution will be addressed.

6.3 Replacement of Manufactured and Mobile Homes

Manufactured and mobile homes are eligible for the Reconstruction Solution, 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.

6.4 Upgrades to Program Scope of Work

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

6.5 Recapture

An applicant may be required to repay all, or a portion of the funds received. The 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;
- Does not complete construction;
- 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, 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.
- Failure to complete Homeowner-Managed Rehabilitation construction according to Grant Agreement.
- Non-compliance with the three-year occupancy period required after assistance.

See Section 14 Three-Year Occupancy and Recapture Requirements for details.

7.0 GRANT AND COVENANT EXECUTION

The Program will use the grant execution process to meet in person with applicants and 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 A.

7.1 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. The Case Manager will conduct the initial financial analysis and grant award determination with verification by the Program Manager and Senior Housing Manager.

7.2 Award Acknowledgement Letter

An award letter will be sent to the applicant for signature once the following steps have been successfully completed:

- Completed application
- Submission of all required documents
- Duplication of benefit analysis completed
- Tier 2 environmental review completed

- Property inspected, and scope of work determined

The award letter provides the applicant with information about their potential eligible award, award calculation, their damage assessment documentation, and the appeals process.

When an applicant is deemed ineligible, they will receive a letter stating the reason and outlining the appeal process detailed in Section 7.4.

7.3 Signing Requirements

Prior to receiving an award, applicants will:

1. Sign an affidavit stating that they still own the damaged property and that they have not received notices of default or seizure related to taxes, mortgage, or title.
2. Have an affirmative obligation to notify the Program if they receive notice of default or seizure after receipt of award from the Program.

Applicants will also resolve all open appeals issues:

1. Provide a copy of current flood insurance declaration page or declination letter.
2. Execute a subrogation agreement.

7.4 Appeals and Construction Grievance Resolution

7.4.1 Appeals

The Program will implement a thorough process for homeowner appeals. The appeals process will be documented and posted on the EnVIsion Tomorrow CDBG-DR Housing Recovery website at <https://vistormrecovery.com/>. Case Managers 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
- Award calculation, prior to execution of the grant agreement
- Duplication of Benefits components
- Scope of Work
- Work in Place (WIP)
- Repair Specifications

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.

When an appeal is filed, the entire file will undergo a review. At times, an appeal provides new evidence in the file that will be reviewed by auditors that has proven to change eligibility or the amount of the award. Thus, the review will not be limited to the issue for which the appeal was filed. This may result in a positive or negative change to the status of the file or amount of the award.

Applicants may file an appeal by completing the Appeal Form from their Case Manager. The Case Manager can assist if the applicant in completing the form.

7.4.2 Appeals Timeline

An applicant must submit a formal Appeal Form within one of the following time limits:

- 30 days from the date of the Award Letter or Ineligibility Letter and/or 30 days from receipt of the Scope of Work, Notice to Proceed, Estimated Cost of Repair, etc.

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

The Appeals Committee will review the appeal and provide a determination within 90 days of their receipt of the formal Appeal Form. After the Appeal Committee reviews the case, a letter with the Final Determination will be issued to the applicant. If the determination is in their favor and an award has been increased, then a new award letter will be sent to the applicant.

The Appeals Committee will be made up of Program staff and will include Homeowner Program Manager, the Senior Policy Manager and representation from the Program Legal Department and other staff as designated by the Housing Senior Manager. The decision of the Appeals Committee is final.

7.4.3 Construction Grievance Resolution

For the Program Solutions and Options where construction oversight is provided by the Program (Program Managed Reconstruction Solution, Program Managed Rehabilitation Option and Homeowner-Selected Contractor Option) applicants may file a 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. Grievances should be submitted in a timely manner 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. Grievances can be submitted to either the Construction Manager or Case Manager.

Grievances must be filed in writing with the case manager and should include the following information in order to expedite resolution:

- Detailed explanation of grievance;
- if applicable, date stamped photos of work

- damaged property address;
- applicant name; and
- contact information.

7.4.4 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 Senior Construction Manager (Chair), Director of CDBG-DR, Senior Housing Manager, Legal Counsel, Homeowner Rehabilitation and Reconstruction Manager, and any other subject matter expert deemed necessary.

An Applicant can submit a written request 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 Senior Construction Manager.

The SCP Chair may authorize one or more panel members to preliminarily-approve emergency change orders for work in excess of program pricing guidelines. Emergency change orders that receive preliminary approval must be presented to the SCP at the next scheduled meeting for final approval.

7.5 Conflict of Interest

All Program staff are required to make a full disclosure to their Team Lead 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.

8.0 OPERATING PROCEDURES

8.1 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. VIHFA's program staff will oversee the Case Management Provider's efforts in developing and implementing the Outreach Plan and will participate in outreach and marketing activities as needed.

The Case Management Provider will leverage existing information provided by VIHFA such as FEMA data, EHRVI data, and similar to identify potential candidates that may be eligible for the program. The Program will utilize data from FEMA and STEP registrations and denials to identify potential applicants with remaining unmet needs.

Because the Program design prioritizes LMI homeowners in the first two rounds, it is critical that the outreach activities reach the LMI community. Outreach activities may include door-to-door canvassing, and special efforts to communicate with hard to reach populations such as seniors, persons with severe disabilities or persons with ESL. Special outreach activities will be directed to finding and communicating with LMI homeowners who may have had to temporarily relocate out of the Territory such as elderly homeowners who may have gone to stay with family outside of the Territory.

The Case Management provider will execute targeted strategies outlined below with non-profit organizations to encourage participation and ensure equal access to programmatic information about the CDBG-DR funding by all citizens. Strategies will have a particular focus for low and moderate-income residents, and those living in areas identified for recovery through CDBG-DR.

The Case Management Provider will engage the participation of both regional, island-wide institutions, such as civic groups, the educational community, professional associations, governmental agencies and non-governmental organizations (NGO), non-profit entities in working to extend useful information to all stakeholders and citizens of Virgin Islands. This outreach plan will also provide an overview of VIHFA's communications goals and strategies.

Marketing will be conducted through widely available media outlets and tasks may include:

- Advertisement in local media outlets, including newspapers and broadcast media, that provide unique access for persons who are considered members of a protected class under the Fair Housing Act
- Coordination with public and/or non-profit organizations
- Attendance at fairs and festivals
- Outreach at government offices, churches, grocery stores, senior centers, etc.
- Door hangers in neighborhoods across the three islands
- Use of social media when appropriate

Measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding community meetings as well as all advisory meetings in buildings that are compliant with the Americans with Disabilities Act (ADA) providing sign language assistance when requested and providing special assistance for those who are visually impaired when requested. Translation services will be available for all community meetings as well as advisory services.

Program marketing materials and ads will be presented in English, Spanish and French Creole, the prevailing languages in the Territory in accordance with Title VI of the Civil Rights Act of 1964. Program marketing materials will also be developed to meet the needs of persons with disabilities.

The detailed Program Outreach Plan includes a methodology for evaluating the effectiveness of the outreach activities based on applications received. The Program reviews information about where and how people heard about the program and have developed a ‘heat map’ to map locations of outreach and contract. This information will be reviewed regularly in the early launch phase of the Program to allow for resources to be shifted and focused in the most effective methodologies.

In addition to marketing the program during the launch and application intake period, outreach efforts will be utilized during periods prior to specific Program deadlines to ensure that Program applicants are always informed and able to respond appropriately.

8.1.1 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 in this list may also be established. This manual will be updated as those deadlines are established.

8.2 Application Intake

Case managers will be available to help applicants to complete applications at Recovery Centers or Applicants can complete the application by phone, website, mobile application or home visit. Other reasonable accommodations may be available as needed.

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

The Applicant must sign the Program's Consent and Release, Fraud Acknowledgement, Income Tax releases, Authorization for release of personal information, release of liability and subrogation agreement, property access and cooperation, consent and release, and fraud acknowledgement and other program-related documents as needed, in each applicant's situation. All required documentation may be submitted either electronically or in person during an appointment with a case manager.

The applicant must sign all program forms. Applicants who are not occupants are not required to sign any program forms or provide any income or other documentation but will be required to sign the Grant Agreement and Covenant. The Program is not liable for any dispute arising between owner occupants and non-occupant owners.

8.3 Applicant Communications

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)
- Fax
- 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.

8.3.1 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 the 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.

8.3.2 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 Case Managers if the applicant is unable to come to the Intake Center. All Intake 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.

8.4 Applicant Responsibilities

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.

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 Case Manager requests in a timely manner. Case Managers 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 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.

Applicants agree not to transfer the damaged home or any interest in the damaged home, whether voluntarily or involuntarily, until the rehabilitation or reconstruction to be performed under the program has been completed.

8.5 Application Process

Households whose principal residence was destroyed or sustained significant, major or severe damage will be required to complete information through the EnVision Tomorrow website at <https://vistormrecovery.com/> . Prospective applicants may also visit one of the EnVision Tomorrow Recovery Centers or may schedule an appointment by calling 888-239-3387.

See Appendix E for the Application questions and documentation needs.

8.6 Application Processing, Case Management and Eligibility Determination

Case Managers 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. Case Managers will verify that all required documentation is present for the application.

Case Managers will review and validate residency and income documentation for all adults residing in the property provided by the applicant, will access third-party resources and will establish the qualifying household income. The total household income will be compared to the HUD Income Limits to ensure total household income does not exceed 80% AMI for the first two program priorities.

Case Managers will review all property ownership documentation provided by the applicants, as well as verifications from third-party resources, to ensure that the properties were the applicant's primary residence at the time of the storms.

After the Case Manager determines the application file contains all required documentation and has completed the review process, the Case Manager will submit the file for a Case Management Team Lead (Team Lead) review. The Team Lead will validate the application file contains all required documentation and will verify completeness and confirm the initial eligibility determination (approval, denial, or if there is needed documentation or clarification.). Case Management firm QA/QC Team conducts second application review to confirm the eligibility determination. Thereafter, VIHFA Program Manager conducts final eligibility approval, and refers applicant's case to Construction Manager for damage assessment.

Once the Team Lead finalizes their validation process, the first Duplication of Benefits process will be conducted to ensure the CDBG-DR funds will not be used for costs provided by other resources. Application documentation, as well as third-party documentation, will be reviewed prior to determining the assistance a household is eligible to receive. Duplication of Benefits will be re-verified before grant documents are executed.

Following the property damage assessment inspection conducted by the Construction Management Services firm, the Construction Management firm will develop a scope and budget for the required

repairs or reconstruction costs. This assessment will be provided to VIHFA's Senior Construction Manager. VIHFA Construction Managers will review damage information provided, to both ensure the damage was due to the storms and to assess the level of damage (destroyed, substantial, major or severe) to determine which Solution is appropriate for the project.

Final eligibility and award determination will be conducted once all components of the process have been completed.

A grant agreement must be executed within 12 months of the date of eligibility for reconstruction, and within 6 months for rehabilitation. If a grant agreement is not signed within these periods, income documentation must be resubmitted and reviewed for approval, and the estimated costs of repair/reconstruction must be reviewed to determine if the estimates is still valid.

8.7 Priority Verification

Due to the extremely limited funding available, the Program will be launched as a series of Rounds. Round 1 will be for LMI applicants in the Reconstruction Solution only. If funding is available to complete all projects in Round 1, a second round will be offered. Round 2 will be for LMI applicants in the Rehabilitation Solution. If an application is submitted to Round 1 that is not eligible because the property can be rehabilitated and does not require reconstruction, the application will be placed on hold and the applicant will be informed when Round 2 - Rehabilitation Solution – is opened.

Once applicants complete the application, the Program will collect and review the supporting documentation provided by the applicant to verify whether the applicant is eligible for the priority for which they are designated. All information provided by the applicant on the application will be verified during the application process. 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. The information verified during the application process will be the final basis for determining the priority for the applicant. Should a priority change be necessary, the applicant may be required to wait until their new priority is open for application before proceeding any further in the process.

8.8 Grant Amount Determination

The Case Manager will determine the grant amount by calculating the estimated cost of repair damages and/or total repairs needed based on the property inspection less the duplication of benefits an applicant has received or will be receiving for the same purpose. The Program Manager and Senior Program Manager will verify the award calculation. The Program then will consider the respective priority tiers, based on income level. For those applicants who are disabled, a review and analysis of the cost reasonableness of any potential special accommodations, not in the standard repair estimate, may be made. Upon completion of the review and analysis of the cost, the applicant will receive a determination regarding inclusion of each item in the final repair estimate.

8.9 Damage Assessments and Standard Grade Materials

The Program will use a 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. Under Solutions 1 and 2: Program Managed Reconstruction or Rehabilitation, the Program will use standard grade materials for the rehabilitation or reconstruction of an eligible home.

8.10 Duplication of Benefits

Under the requirements of "The Robert T. Stafford Disaster Assistance and Emergency Relief Act" (42 U.S.C. 5121, et seq.), as interpreted and applied by HUD, the Program must consider certain aid received by applicants in determining the amount of assistance which can be granted. Federal regulations require the USVI to conduct a Duplication of Benefits (DOB) analysis to ensure that (1) applicants do not receive more Federal funds than needed, and (2) Program funds are used to meet a need that still exists after considering other funds received.

A Duplication of Benefits (DOB) occurs when all of the following occur:

- A beneficiary receives assistance that comes from one or multiple sources (examples: private insurance, FEMA, NFIP, non-profits, etc.).
- The total assistance amount exceeds the need for a particular recovery purpose.

The requirements and process for Duplication of Benefits are defined below. HUD issued new guidance on Duplication of Benefits on June 17, 2019, that describes the requirements to prevent duplication of benefits applicable to Community Development Block Grant disaster recovery (CDBG-DR) grants received in response to a disaster declared between 2015 and 2021. It updates existing duplication of benefits requirements to reflect recent CDBG-DR supplemental appropriations acts and amendments to the Robert T. Stafford Disaster Relief and Emergency Assistance Act impacting certain grantees. The notice also includes minor clarifications regarding the duplication of benefits calculation.

VIHFA's policies and procedures are being updated to reflect changes to the duplication of benefits provision as outlined in section 312 of the Stafford Act, as amended by section 1210 of the Disaster Recovery Reform Act of 2018 (DRRA) (division D of Public Law 1 15-254), and the related provisions of the 2019 DOB Notice. These updates will be published in subsequent versions of the Homeowner Program manual and other documents as required by the guidance.

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 for Structure (IA)
- FEMA National Flood Insurance Program (NFIP) and/or Increased Cost of Compliance (ICC)
- Private Insurance
- Small Business Administration (SBA)
- Charity
- Any other funding source that may duplicate assistance

Program applicants must report all third-party assistance they have received towards repairing the damages to their homes. This includes proceeds from both flood and homeowner's insurance,

Increased Cost of Compliance (ICC), Federal Emergency Management (FEMA) assistance, loans from the Small Business Administration (SBA), and any assistance from other government or private non-profit sources. Any funds applicants received from these sources for repairs to the damaged residence must be considered when the amount of the Program grant is determined. If the applicant receives DOB funds after their grant award signing, another DOB analysis will be conducted and may result in funds being subrogated back to the Program.

Case managers will review all applications for assistance for possible duplication of benefits (DOB), which occur when:

- A beneficiary receives assistance;
- The assistance is from multiple sources; and
- The assistance amount exceeds the need for a particular recovery activity.

Calculating Potential Duplication of Benefits

If an applicant is receiving a rehabilitation award, then the full duplication of benefits will be accounted for at the time of the rehabilitation award calculation. The duplication of benefits review will be completed prior to the signing of the construction contract and again prior to the processing of the final draw of funds.

All unexpended duplication of benefits funding must be accounted for prior to the applicant receiving a Program award. Applicants participating in the Program, must utilize all duplication of benefits funding prior to accessing grant funding.

The first step in calculating DOB is to determine the amount of assistance needed and the amount of funds previously received or expected for a disaster recovery activity. All sources of recovery assistance must be disclosed and verified during the application process using third party information and verification procedures. Other sources of funding include Federal Emergency Management Agency (FEMA), Small Business Administration (SBA), the National Flood Insurance Program (NFIP), private insurance, local and state funds, other federal programs, and private and nonprofit organizations. In accordance with the Stafford Act, Case Managers 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: Deduct assistance determined to be duplicative.
- Step 4: Determine the maximum eligible award (Step 1 minus Step 3).
- Step 5: Determine the Program cap (if applicable).
- Step 6: Determine a final Program award (cannot exceed the program cap).

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

Case Managers 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.

A Quality Assurance/Quality Control (QA/QC) review will be conducted to ensure all applications are complete and DOB calculations are correct before executing a grant agreement. When the grant award is made, the grant agreement (either subrogation or cooperative endeavor agreement) will include a requirement that any additional assistance received for the same purpose as CDBG-DR funds must be returned to the Program.

Homeowners will be required to provide proof of insurance with VIHFA as a named insured for each of the years covered in the subrogation agreement.

Note: A person receiving Federal assistance for a major disaster or emergency shall be liable to the United States to the extent that such assistance duplicate benefits available to the person for the same purpose from another source.

A final duplication of benefit review will be conducted prior to close out of the project file. Any identified duplications of benefit must be recaptured; the amount must be repaid to VIHFA.

VIHFA's Compliance and Monitoring staff will review regular updates of project information for duplicative assistance and will alert Case Managers 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 carried out in accordance with the program subrogation agreement.

FEMA Individual Assistance (FEMA IA)

The Program will verify the FEMA IA amount provided by the FEMA database. If an applicant can provide documentation demonstrating that the FEMA IA amount provided by the FEMA database includes non-structural related amounts, the documentation provided by the applicant will be used to adjust the FEMA IA payout amount.

National Flood Insurance Program (NFIP) and Increased National Cost of Compliance (ICC) Payments

The Program will verify if an NFIP claim payment was provided to an applicant using third party data. In the event of a match, the verified amount paid will be used to determine if a DOB exists and may be deducted from the amount the applicant is eligible to receive. Payments for contents or other expenses that are not related to structural loss are not deducted from the applicant's award. Fifty percent of ICC payments are made upon production of an elevation certificate after construction is complete. Anticipation of this additional payment will be taken into consideration at final grant reconciliation.

Private Insurance and Wind Insurance

All private insurance settlement amounts for loss to dwellings are considered a DOB and may reduce the amount of disaster assistance for which an applicant may be eligible. Private insurance payments for anything other than the damaged structure (contents, fences, storage sheds, etc.) are not deducted from the applicant's award.

Private Insurance and Wind Insurance Required Documentation:

Validated external data-source information,
Insurance Policy Declarations page, and
Insurance award or claims letter (if applicable) and Insurance/Benefit Certification.

Private Insurance and Wind Insurance Verification Procedures:

Insurance proceeds are determined and verified by the Program by contacting the insurance company and verifying proceeds if confirmed data is unavailable from a third-party data source. If the Program is unable to obtain a response from the insurance company within two weeks, it will use the amount provided by the applicant on the insurance/benefit certification, after documenting efforts to verify with the carrier.

Small Business Administration (SBA)

Federal regulations deem Small Business Administration (SBA) loans for repair to be a duplication of benefit for federally-funded repair programs. As noted above, new guidance from HUD on Duplication of Benefits impacts the way a grantee handles declined loans (including SBA loans). VIHFA must also submit a substantial APA to HUD to be able to provide funds for repayment of SBA loan funds disbursed to homeowners.

Prior to the newly released guidance, if an applicant has executed a loan from the SBA to cover the cost of repairs, the total amount of the approved loan is considered a duplication of benefits. The entire SBA approved loan amount counts as a duplication of benefits even if an applicant has declined the loan or requested a reduction after SBA approval. Further, the entire SBA approved amount counts as a duplication of benefits even if an applicant has not drawn down any funds from the approved loan.

Applicants who have applied for an SBA loan but have a record of declining the loan or have not executed the SBA loan may be considered for funding, but awards will be adjusted to account for any SBA DOB. If a low to moderate income (LMI) household has declined an SBA loan, a hardship will be presumed, and the SBA loan will not be considered a duplication of benefit. SBA loan declination is defined as an applicant having never executed the SBA loan documents.

Further, pursuant to Federal Register 6066-N-01, February 9, 2018, if an applicant was approved for an SBA loan but did not draw down any of the loan, the loan may be considered exempt from the duplication of benefits calculation. If any amount has been drawn, the entire loan amount must be counted in the duplication of benefits calculation.

According to the new guidance, homeowners who declined or cancelled approved SBA loans will no longer have the amount they did not draw down counted as a Duplication of Benefits for their award, regardless of income.

VIHFA's policies and procedures and Action Plan will be updated to reflect changes to the duplication of benefits provision of the DRRA and guidance from HUD.

SBA required documentation (if applicable) includes the following:

SBA third-party data set
SBA award letter (if applicable)

SBA Verification Procedures:

SBA awards will be determined and verified by the Program through the SBA database. See SBA Hardship section for details on benefit calculation. If it is not possible to verify the SBA qualifying loan amount through the SBA database, the Program will use the qualified loan amount provided by the applicant at the time of application. If an applicant can provide documentation demonstrating the amount provided the SBA database includes amounts not loaned to cover structural loss, the Program will use the documentation provided by the applicant to adjust the SBA loan amount. The documentation provided by the applicant must come from SBA.

Charity

Charity required documentation (if applicable) includes the following:

Documentation provided by a nonprofit organization.

Charity Verification Procedures:

The Program will contact the charity agency and verify the value of any assistance provided for structural repairs. The applicant self-certifies information about charity received and is required to provide the program with a "Release of Information" to assist the program in securing documentation from the charity. If an applicant can provide documentation demonstrating the amount provided by the nonprofit agency, the Program will use the amount provided by the applicant.

9.0 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, including emergency repairs, as evidenced by dated receipts
- 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

9.1 Rehabilitation Expenses

Applicants will be able to deduct from their DOB, insurance, SBA, and FEMA amounts spent to repair their home due to damage by the Disaster with copies of dated receipts.

Examples of potentially allowable eligible repair expenses include the following:

- Structural repairs (roof, foundation, electrical, plumbing, and windows)
- Limited debris removal
- Mold remediation
- Labor, material, and equipment rental to permanently or temporarily repair the damaged residence (carpeting, cabinetry, appliances, flooring, fixtures, doors, walls, and ceilings)
- 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

The following more specific examples considered to be allowable activities:

- Tarps
- Building supplies
- Siding
- Sewer/septic
- Paint
- Weather head
- Water heater

Required repair expenses documentation may include the following:

- Receipts, dated (if applicable)
- Paid invoices
- Validation by Construction Inspector

9.1.1 Repair Expenses Verification Procedures

A Program inspector must determine with reasonable assurance that any repairs claimed for DOB offset were made after the date of the event and will document confirmed repairs with a written assessment, cost estimate and photographs.

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.

9.2 Contractor Fraud

If an applicant was a victim of contractor fraud, the amount paid to the contractor will not be counted as a DOB. All of 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 dated before the date of the application OR
- Complaint filed with Department of Licensing and Consumer Affairs before the date of the application
- 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. If no amount is included in the complaint, the applicant will complete an affidavit to accompany the complaint that lists an amount to reduce the DOB. In scenarios where a police report, complaint, or contract, are not available, information provided by the applicant will be reviewed on a case-by-case basis.

9.3 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.

9.3 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 documentation:

- 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.

9.4 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.

Temporary Living Expenses Required Documentation:

Required documentation includes hotel dated receipts, apartment leases, rental agreements, rental receipts reflecting the dates of occupancy, and/or proof of payment for other temporary living arrangements.

Temporary Living Expenses Verification Procedures:

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.

9.5 Requirement to Maintain Flood Insurance

If the damaged home, reconstructed home or replacement home is located in a Special Flood Hazard Area, any insurable structure on any part of the property shall, always, be insured under a policy of flood insurance in the amount of the lesser of: (i) the full insurable value of the structure as determined by the applicable property insurer, or (ii) the maximum amount available for the structure under the National Flood Insurance Program, or a successor program. Failure to maintain insurance may result in applicants being ineligible for future disaster relief. Upon the sale or transfer of the property, applicants will, on or before the date of such transfer, and as part of the documents evidencing such transfer, notify all transferees in writing of the continuing obligation to maintain flood insurance on the property. If the applicants fail to provide such notice, applicants may be liable to the United States for future disaster assistance related to the property. All program applicants will be required to execute a covenant that will be recorded in the public records in the Office of the Recorder of Deeds and will attach to the property.

Evidence that the damaged home (or reconstructed home) is covered by any required flood insurance must be provided at the Grant Agreement Execution and again before the final disbursement of grant funding. A declaration sheet describing the coverage from the Applicant's insurance company will be sufficient evidence to satisfy this requirement. If flood coverage is

required, but not available due to the disrepair of the damaged home, applicants must submit a declination letter from the insurer at the Grant Agreement Execution. The applicant must also provide proof that he or she obtained flood insurance once construction has been completed, prior to final payment of grant dollars.

9.6 Award Calculation

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 C.

9.6.1 Eligible Repair Costs/Need

The Program will determine an eligible estimated cost of repair (ECR) using information from the inspection. The repair estimate will be valued based on standard-grade materials and industry-standard labor costs. If the homebuilding contract between the applicant and homebuilding contractor is based on higher standards than those assessed by the Territory, the Territory will use the value of the Program's assessment as the basis for the eligible repair estimate.

9.7 Subrogation

All duplicative funding received must be remitted to the Program, regardless of when it is received. If applicants receive additional funding for the same purpose as the Program award (permanent repair to storm damaged home) after the Program award is executed, the applicant is required to remit the additional funding to the Program. By accepting the award, applicants agree that they will remit any duplicative funds to the Program, whenever received. A copy of the Program's subrogation agreement can be found in Appendix D.

9.8 Tiered 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 more narrow or focused analysis is better done at a later date.

The Program will follow a tiered Environmental Review process which 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, the funds will be released for the program activity contingent upon completing a “site specific” review once a potential property is identified and determined eligible. Site specific Environmental Reviews will identify any above ground hazards, flood plains, historic properties, and noise issues when applicable.

A site-specific Tier II must be completed for each property prior to project bidding or taking any choice limiting actions on the proposed project site. Site specific Tier II reviews will identify any above ground hazards, flood plains, historic properties, and noise issues if applicable.

Applicants will be given a “stop-work” notification from the Program at time of the initial inspection/damage assessment is conducted. This requirement will be referred to as the “stop-work requirement.” Any applicant subject to the stop-work requirement will be notified by their case manager and the applicant will sign an acknowledgement of the stop-work order. Any and all ongoing work shall cease under this order. Work in excess of emergency repairs such as additions and modifications shall be categorized as in excess of the STEP program.

9.9 Damage Assessment and Inspections

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 if the proposed project will be placed in the Homeowner Reconstruction or Rehabilitation Solution.

This section outlines the policy and procedures used when performing an initial site inspection, including Substantial Damage Data Collection, development of cost estimates for work incurred prior to application and work remaining, assessment of lead paint, asbestos, and mold hazards in the property.

The Homeowner Reconstruction and Rehabilitation program will utilize a tiered environmental review process outlined in the Program Environmental Policy and procedures. Any significant findings will be referred to the Environmental Review Unit and consultants to address.

9.9.1 Initial Site Inspection

The initial site inspection is composed of 4 key tasks (these tasks may be completed in one site visit or many as determined necessary).

Perform an inspection to determine the Estimated Cost of Repair (ECR) in accordance with the Homeowner Reconstruction Rehabilitation Program inspection protocols and program specifications. This inspection will result in a 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 exceeds 50% of the cost to reconstruct. OR
- b. Rehabilitation for homes that are determined to be feasible for habitation after repairs are completed.

The ECR will identify quantities and scopes of work required to repair or replace storm-damaged items and to bring the remainder of the structure to compliance with Program standards and will produce a high-level cost estimate for obvious repairs and if elevation is required, to determine elevation costs.

3. 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.
4. Perform assessments for deteriorated paint, lead-based paint hazards (i.e. dust-lead and soil-lead) and asbestos-containing materials (presumed or confirmed).
5. Collect all required data and information to complete the site-specific information for environmental reviews.

The Case Managers 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 which will be included in the Inspections Standard Operating Procedure (Inspections SOP). All communications and attempted communications will be documented in the system of record.

Staff conducting the initial inspection will collect sufficient 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

9.10 Estimated Cost of Repair (ECR)

The Estimated Cost of Repair (ECR) will include the estimate of funds necessary for the repair and/or rehabilitation 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 ECR will contain a detailed listing of needed repairs, unit of measures as well as quantities, eligible construction activities, necessary environmental mitigation (as required) elevation costs (as required), eligible accessibility features. The program will estimate the cost of reconstruction or rehabilitation using standard materials, noted as “Standard Grade” with the cost estimates. Therefore, it is likely that the Program’s assessment of the value of reconstruction or rehabilitation will be lower than other assessments that the applicant may have, whether from SBA, NFIP, a private contractor or another third-party entity.

Prices for construction material and labor vary, often significantly, among suppliers and homebuilding contractors, and both regionally and within the same Territory from Island to Island. To ensure consistency and fairness throughout the affected Territory, the Program will utilize VIHFA’ historical data based per island.

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, jacuzzies, 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 clothes washer and/or dryer
- Replacement of window air conditioner units
- Any product upgrades or repairs in excess of the Minimum Housing Rehabilitation Standards
- Dwellings inhabited by disabled or elderly persons (as verified by Case Managers) 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.

9.11 Feasibility Determination for Reconstruction or Rehabilitation

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

For 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), will be reconstructed with the standard priced model house of equal number of bedrooms.

For homes that experienced major/sever damages as determined by either a FEMA designation OR has damage which meets the major/severe damage that FEMA has defined 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 Minimum Housing Rehabilitation Standards.

9.11.1 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 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.

A determination that the structure does not require reconstruction or if the applicant is unwilling to concur with a reconstruction determination, the application will be placed on hold. The application will be added to the Round 2 Rehabilitation Solution and processed if sufficient funds remain after all Round I, the Reconstruction Solution have been funded.

9.12 Validation of Work in Place (WIP)

The WIP refers to repair activities already completed by the homeowner at the time of the initial site inspection. WIP will be reviewed as part of the Duplication of Benefits (DOB). Utilizing the completed Duplication of Benefits (DOB) Questionnaire (Appendix E) from the intake process that indicates the inclusion of completed repairs, the damage assessor will complete a WIP validation. The assessment will include the cost for the repairs that have been completed based on the same basic livability standards for repairs that have not yet been completed.

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.

Photos (date stamped) 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. 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.

9.12.1 Allowable Costs Vs. Upgraded Material in WIP Validation

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

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

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.

9.12.2 Ineligible Costs for WIP Validation

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:

- Outbuildings (detached garages, sheds, etc.)
- Decorative landscaping and paving
- Outdoor sprinkler systems
- Pools and hot tubs
- Solar panels
- Decking beyond concrete pad (Note: decking and stairs necessary to meet code requirements for ingress/egress are eligible costs). These costs will be priced in two components: 1) Eligible costs for minimal concrete pad and/or stairs as necessary to meet code requirements and 2) ineligible costs for remaining deck.
- Fences
- Post storm additions (rooms added to original pre-storm structure)
- Outdoor showers
- Outdoor fireplaces

If there is a question whether a repair was made or not made, the damage assessor's professional opinion will be the deciding factor on whether the item should be indicated as validated. If the

applicant lists a repair but it is obvious to the damage assessor that the repair has not been completed, the damage assessor will indicate that the repair of the item cannot be validated.

9.13 Other Inspections/Assessments

9.13.1 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 will be presumed to be regulated. In accordance with 24 CFR 35.930(d) for residential properties receiving more than \$25,000 per unit in Rehabilitation Assistance per the HUD definition, the program will abate all lead-based paint hazards (soil-lead and dust-lead) and deteriorated paint identified during the Lead (Pb) Risk Assessment. A Lead (Pb) Risk Assessment is required to identify hazards in all target housing properties that are determined feasible for rehabilitation, including the interior/exterior surfaces of the damaged unit and in common areas that service the unit. Projects receiving reconstruction are not required to be tested for lead hazards. Lead (Pb) Risk Assessments must be done by a permitted risk assessor. Homes determined to contain lead-based paint will be subject to the clearance testing requirements of the HUD Regulations.

9.13.2 Mold Assessment and Remediation

Mold assessment will be performed by contractors procured through a mini-bid process. Mold assessment and/or testing of the existing structure are not performed on reconstruction projects. If a visual inspection reveals the presence of mold, additional testing via collection of bulk, swab and air samples is not necessary, unless recommended by the assessor or requested by the homeowner and agreed to by the Construction Manager. 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 and are in the Rehabilitation Program Managed Option.

Visual inspection is the most important initial step in identifying a possible mold problem and in determining remedial strategies. The extent of any water damage and mold growth should be visually assessed and the affected building materials identified. Visual inspection should also include observations of hidden areas where damages may be present, such as crawl spaces, attics, and behind wallboard to the extent feasible without destructive testing or removal of apparently undamaged building materials.

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

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. Materials harboring mold will be cleaned or replace.

9.13.3 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 time, 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 align with Territory and local abatement procedures as well as HUD and the Environmental Protection Agency (EPA) 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 builder. All asbestos abatement shall be done in accordance with EPA requirements for air pollution prevention and OSHA requirements for worker protection. HFA shall provide the Construction Manager with a copy of the *Asbestos Waste Disposal Manifest* for all ACMs removed from the site, as a condition precedent to final payment.

9.13.4 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 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 Case Manager 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.

10.0 GRANT SIGNING

A grant signing is conducted before any grant funds are paid on behalf of an applicant. At the grant signing, legal documents are executed that obligate the funds to the homeowner and to reserve the amount of the grant agreement designated for the homeowner. If escrow funds are required, the homeowner is made aware that funds will need to be placed in escrow before construction can begin.

The Homeowner Grant Agreement requires the owner to certify to the truthfulness of the information that has been provided in four provisions:

Homeowner Award Calculation, which explains how other resources determined to be a potential DOB were handled and how the grant was calculated. The award will be calculated using the ECR.

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.

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 VIHA may incur 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 above and beyond their grant award as required to complete their project.

The Grant Agreement may also include a declaration of covenants and restrictions that the homeowner agrees to abide by.

10.1 Development of Pre-Qualified Construction Contractor Pool

The Program will develop a pool of pre-qualified construction contractors for the purpose of providing construction services required. The Program has issued an RFQ to qualified interested construction contractors. The responses will be evaluated on qualifications, experience, references, and overall response to the RFQ. Minimum requirements for construction contractors will include:

- Hold current licenses and registration as required by the Territory and local municipality
- Has not been debarred or suspended
- Demonstrated experience providing work of similar scope and size
- Financially solvent and sufficient capitalization to manage the number of projects to be assigned

Construction contractors will be required to provide Performance and Payment Bonds.

Homeowner-selected construction contractors will be vetted based on the same eligibility criteria as construction contractors who are part of the Program pool.

Qualified construction contractors will be selected for a specific project based on a mini-bid process. After environmental clearance, eligible properties will be placed for bid among the prequalified general construction contractors. Program staff will develop the bid package including the scope of work, environmental remediation measures, building specifications, bid

schedule, bid form, Q&A period, subcontractor list, and necessary certifications and provisions. Contractors will have the opportunity to complete a pre-bid inspection of the property, which will be coordinated through the Construction Manager.

The Construction Managers will manage the Qualified Contractor Pool capacity by monitoring financial capacity (based on bonding or financial limitations) and technical capacity. The Construction Manager will provide construction management oversight and reserves the right to limit the number of open contracts held by each general contractor in the program. If necessary, staff will provide contractor training on program requirements, processes and procedures, and inspection standards including environmental mitigation measures. Compliance staff will ensure Section 3 forms are executed by all contractors.

The Construction Managers will review the Qualified Contractor Pool performance periodically and make recommendations to adjust the approved capacity of specific construction contractors. Homeowners in the Reconstruction Solution and in the Rehabilitation Solution, Program-Selected Builder Option will be assigned a builder to complete the construction or Rehabilitation of their project under the guidance of the Construction Manager.

Construction Managers will actively manage the activities of the construction contractors and will regularly review the responsiveness and performance of the construction contractors in the Pool.

Construction contractors will be reviewed for responsiveness to the pricing process and acceptance of assignments. Repeated failure on these aspects will result in limited future assignments or a probationary period without receiving additional assignments.

10.2 Review of Scope

Upon receipt of the environmental clearance and execution of the Grant Agreement, the Construction manager will coordinate a scope of work meeting with the homeowner and their builder. This meeting with the homeowner involves a detailed review of the scope and budget for the reconstruction or estimated cost of repair, 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 prototype 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 with cost estimates for applicant review.

Applicant will select which reconstruction prototype plans for the A/E firm and builder to adapt specific to the survey.

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 case manager.

For Rehabilitation Solution, Homeowner-Selected Contractor Option, the meeting to review Scope will also include the following as appropriate:

1. The Construction Manager will review the federal contracting requirements with the homeowner and will provide a contract amendment template for the homeowner to incorporate into their contract with their selected builder.

The Construction Manager will review the progress inspection process and the process for requesting payments.

The Program will file a restrictive covenant in any instance in which work by a homeowner selected contractor has not completed work. The covenant will be removed once the homeowner has complied with all of the requirements contained in the grant agreement, the Construction Manager has completed an inspection confirming work is complete, and the homeowner submitted a certificate of occupancy and certificate of elevation (if necessary) to Program. If upon inspection it is determined that the homeowner is unable to re-occupy the home, the homeowner will be required to repay the entire amount of funds received.

10.2.1 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. The homeowner is permitted to select the model they prefer of these choices. 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.

10.3 Builder Pricing for Rehabilitation Projects

The Construction Managers will secure pricing for each project by notifying the Program assigned builder or homeowner-selected builder with each line item identified in the Scope of Work for the project. The builder will need to submit a fair and reasonable cost proposal applying proposed unit pricing and proposed quantities for each line items of work, resulting in a Total Construction Cost.

10.3.1 Builder for Rehabilitation 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 builder 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 builder for the scheduled scope walk, and the builder will need to make arrangements 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 VIHFA historical data.

11.0 CLOSING: GRANT AGREEMENT AND CONSTRUCTION/ESCROW AGREEMENT FOR PROGRAM-SELECTED CONSTRUCTION CONTRACTORS

The homeowner signs a Grant Agreement with VIHFA that obligates their total grant award of CDBG-DR funds. The Program Manager will be responsible for preparation of any and all grant agreement, amendments and ancillary documents.

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 constructions 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 builder 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 builder.

11.1 Closing

The closing process is composed of four (4) key steps:

1. Construction Manager uploads the fully designed construction scope of work with back-up supporting documentation into the System of Record.
2. Program Manager is notified, and informs the Case Manager to conduct initial Duplication of Benefits utilizing direct feeds from FEMA, SBA, NFIP, insurance, charity, etc. If DOB is identified, Homeowner and Program Manager notified and project will not move forward until owner's funds have been received.
3. Case Manager conducts preliminary financial analysis based on Cost of Scope, DOB, and determines grant award.
4. Program Manager reviews and approves preliminary financial analysis with Senior Housing Manager verifies.
5. Mini-bid conducted by VIHFA Evaluation Committee to secure Contractor.
6. After Contractor assigned, Case Manager directed to conduct updated DOB, and prepare Final Financial Analysis and Grant award Determination reflecting the updated construction price.
7. Program Manager reviews and approves Final financial analysis, thereafter the Senior Housing Manager verifies, and homeowner is notified.

8. The Construction Manager will schedule an appointment in coordination with the homeowner and case manager to:
 - c. Execute an Amendment to the Grant Agreement reflecting the final construction price and disbursing funds to the assigned builder,
 - d. Execute the Construction Agreement, indicating the final construction price reflecting any approved change orders, and
 - e. Review construction schedule, homeowner requirements and any other preparatory work to be ready for start of construction.
9. Upon execution of the required documents and the builder and homeowner satisfying all program requirements, the Construction Manager will issue a notice to proceed to initiate construction.

11.1.1 Escrow Agreements and Requirements

VIHFA will create escrow accounts and establish controlled procedures for homeowners to contribute DOB funds that must be used first in funding CDBG-DR funded reconstruction and rehabilitation. VIHFA Collections and Services Unit will ensure that proper controls are in place. All work 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.

Where necessary, VIHFA will provide escrow services and the Program will utilize the escrow process to secure funds from the homeowner as described below.

11.1.2 VIHFA Approvals and Funding Reservation

Upon VIHFA final determination of the funding award, Case Managers will transfer all required documents for grant signing, along with a closing checklist of what has been obtained and what is outstanding for VIHFA review. VIHFA will verify completeness and compliance and approve the file to move forward.

11.1.3 Escrow Accounts

VIHFA will act as agent for both the CDBG-DR Program Grant Funds and for the funds provided by and/or for the benefit of the homeowner. If needed, VIHFA will provide escrow services to homeowners through its MITAS Loan Servicing. The escrowed funds will be held into an account specifically targeted for the disaster recovery efforts, and thereafter into sub-accounts for each homeowner. Prior to beginning construction, homeowners will be required to provide the required information to open an account (name, mailing address, property description, etc.) and sign the appropriate agreements. These agreements set forth the terms and conditions of the escrow agreements, provisions related to the role and authority of the escrow agent and general conditions related to discharge of Escrow Agent, notice governing law and amendments to the agreements.

11.2 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 builder gathers necessary information 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 required).
4. Construction Manager issues NTP.

11.2.1 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 Case Manager 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 grant package for review by the QA/QC team
 - 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 builder 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
4. For projects in excess of \$100,000 construction value, the builder 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.
 - d. Contractor obtains construction permits.
 - e. Homeowner and any occupants have moved out OR a contents removal plan has been agreed upon between the builder and the homeowner.
 - f. Contractor holds all valid Registrations and Warranty Program Registrations.

g.

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 builder and the scanned version is uploaded into the homeowner's file.

11.2.2 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 10.16.5 are 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 and

Demolition permit MUST have been received.

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

1. The builder will obtain the required permits and 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 builder 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 PROGRAM MANAGED 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 builder 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. 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.

The Construction Manager will complete a final inspection and oversee disbursement of the final payment to the contractor as outlined in the contract.

- When work is nearing completion, the contractor will notify the Program of a specific date when the job will be ready for final inspection, which will guarantee that all work has been completed according to contract specifications. If progress inspections were conducted often enough to make mid-course corrections, the final inspection should address those items completed since the last inspection. The final inspection will be as thorough and deliberate as the initial inspection. Finished carpentry, painting, backfilling, electrical fixtures, all homeowner activities, and clean-up should be closely checked for completion.
- 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. If the punch list contains more than ten (10) items, the contractor is not ready for a final inspection. When the punch list has been prepared, no other work items are expected of the contractor.
- 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 the work has been accepted.
- Disbursement of the final payment to the contractor will be made pending receipt of a Final Affidavit of lien from each subcontractor and a list of all contractors.

12.2 Draw Request Process

Once the permits have been issued for a specific site, the builder is expected to begin work on the project within 30 days and is expected to submit draw requests for payment on a monthly basis.

The Building Contractor submits Building Contractor Periodical Payment Request to the Construction Manager, who schedules a 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 Building Contractor Periodical Payment Request. The Payment Request, along with accompanying Inspection report, is submitted to the Senior Construction Manager for approval. If approved, the Payment Request and Inspection Report is electronically filed with Accounting Unit via System of Record. Once the payment is in the system of record, the payment will be forwarded to the Housing Program staff for review and approval. Upon approval from the Housing Program Manager, the Builder Contractor payment request is forwarded to the Finance Unit for review, approval and check processing in accordance to the financial policies and procedures.

The amount allowed for payment requests will be based upon the Program Solution number of Progress inspections. 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 builder 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 all requests for change orders and must be approved by Senior Construction Manager. The Construction Manager will notify the builder in writing of either approval or denial of the builder'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 general contractor, approved by the Construction Manager, and signed by the contractor and the homeowner before the Program's approval. Work completed without written authority will be considered unauthorized and at the contractor's expense. All Change Orders 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 Case Manager 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 VIHFA 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 prior to the inspector signing a final inspection form. All warranties must meet the required warranty standards approved by VIHFA and must include payment to an approved Warranty Insurance Program. 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 builder.

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.

13.0 CONSTRUCTION PROCESS: REHABILITATION **HOMEOWNER-SELECTED CONTRACTOR**

Once the homeowner has selected to use completed the grant signing and has selected to use their own builder, the Construction Manager will schedule a meeting to finalize pre-construction and Program compliance items. The Construction Manager will assist the applicant with construction policy and invoice questions at this meeting. The meeting will cover agenda items such as:

1. Make introductions and provide Construction Manager contact information to the applicant and review status of construction.
2. Review Pre-construction activities, explaining owner responsibilities for pre-construction/design.
3. Review non-construction requirements such as builder qualification requirements and overarching federal requirements.
4. Review the Scope of Work and ECR.
5. Review Construction Requirements:
 - a. Provide copy of ECR.
 - b. Confirm receipt of copy of lead-based paint & asbestos hazards assessment and provide list of LBP certified contractor if applicable.
 - c. Review Tier 2 conditions and specific environmental conditions to be met.
 - d. Review Green Building Standards
6. Review Payment Process
 - a. Provide copy of Owner-Selected Payment Request Form.
 - b. Review required supporting documentation for invoice submission.
 - c. Explain cost reasonableness standards.
 - d. Explain process for progress inspections and submitting requests for payments.
7. Review Contractor Validation Form.
8. Review Certifications and Acknowledgements.

13.1 Rehabilitation Solution with Homeowner-Selected Contractor Option

For the Rehabilitation Solution with homeowner-selected contractor option, the homeowner contracts directly with the builder. The Program Construction Managers will meet with the homeowner to provide materials explaining the Program requirements and will provide a contract addendum that the homeowner will add to their contract with the builder to ensure that all activities are in compliance with Program requirements. Construction Managers will provide construction advisory services but are not involved in the day to day management of the homeowner-selected builder and cannot resolve grievances between the homeowner and their builder. The Program is not a party to the construction contract in this Program option.

The Construction Manager will conduct progress inspections to ensure work is complete and compliant. Thereafter, the Senior Construction Manager reviews prior to approval of draw requests for payment.

13.2 Operations Quality Assurance/Quality Control (QA/QC) Review

During the Final Draw Request, the Building Contractor submits the final Building Contractor Periodical Payment Request to the Construction Manager, who conducts a final inspection to verify that construction has been completed to occupancy. The Payment Request with Inspection Report is submitted to the Senior Construction Manager, who reviews and approves documentation. The Senior Construction Manager then uploads all required documents to the System of Record to be forwarded to the Program Manager. After Program Manager conducts the final review and approval, the Senior Housing Manager verifies program compliance. Upon Senior Housing Manager's approval, the application will be reviewed by QA/QC staff to confirm all program construction requirements are complete. They will confirm the required documentation is uploaded in the file for applicable construction requirements, final inspection and verify that all payment requests have been properly disbursed, less retainage, when applicable. Upon confirmation that all applicable program requirements have been completed and appropriated documented, the QA/QC staff will submit the file to the "Final Grant Reconciliation" stage to account for any changes in DOB and/or scope adjustments.

The QA/QC staff will utilize the appropriate checklist based on Program Solution and Option. If the QA/QC find a discrepancy and or determine that the file cannot pass QA/QC, they will reject the file in the system and send it back for review by the Construction Manager. If the file passes QA/QC review the staff, then moves the file to Final Grant Reconciliation

13.3 Final Grant Reconciliation and File Closeout Process

Once the file has passed QA/QC, the file will undergo a Final Grant Reconciliation. This review will include a final DOB review and incorporate any final scope adjustments. The Compliance and Monitoring will send the homeowner a letter indicating any changes to the grant award. The applicant must return a signed copy of the Final Grant Reconciliation within 30 days.

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

After any disbursement or over-disbursement reconciliations, the file is ready for final closeout and archive.

The Program and Case Management contractor will process the removal of the Declaration of Covenants and Restrictions.

Applicant is notified in this correspondence that he/she no longer has any obligation to the Program. The applicant is instructed to keep all receipts (must reflect dates) and documentation for at least five (5) years in the event their file is audited or reviewed. Once complete, the file will move to Application Archival status.

14.0 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**; if the owner either vacates the property or sells the property within the first thirty-six months after project completion will be required to repay a proportional amount of assistance. 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.

14.1 Recapture Requirements

The Homeowner Reconstruction and Rehabilitation Program assistance is provided as a grant. A Recapture Requirement will be enforced through Covenant recorded against the property and will cover a three-year occupancy period. The occupancy period shall commence upon project completion, which includes the issuance of the certificate of occupancy allowing the property to be occupied.

Occupancy Period	Recapture Amount Due (calculated on a monthly basis per assistance amount)
Three Years (with a recorded Covenant)	Year 1 – between 36 and 25 months’ percentage X assistance amount
	Year 2 – between 24 and 13 months’ percentage X assistance amount
	Year 3 – between 1 and 12 months’ percentage X assistance amount
	Year 4 – no recapture amount is due

The Recapture Requirements are outlined in the Homeowner Reconstruction and Rehabilitation Program documents. Examples of Recapture amount due are in Appendix G: Recapture Calculation Examples.

14.2 Annual Occupancy Verification

During the three-year Recapture period, homeowners must provide VIHFA with documentation to prove primary residence occupancy. Documentation will include: evidence property taxes are paid current and a copy of the Homeowner’s Insurance declaration page reflecting the property address, owner names and coverage in place.

15.0 RECORDS MANAGEMENT

VIHFA Operations and Housing Recovery Staff (including contractors) will comply with 24 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.

16.0 OTHER FEDERAL REQUIREMENTS

16.1 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.

16.2 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 results 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.

16.2.1 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 as a result 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.

16.2.2 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.

16.2.3 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 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 any and 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.

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 which 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. Liaise 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.

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.

FRAUD TRAINING AND AWARENESS

Comprehensive fraud training for all employees will occur on a regular schedule 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.

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. i.

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

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.

PROCEDURES FOR REPORTING

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.

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 VIHFA website or the complaint form available online or at the VIHFA office (See Appendix A for sample complaint form).

The Internal Auditor is able to 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 any and 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

APPENDICES

APPENDIX A: SAMPLE DOB CALCULATION

APPENDIX B: HOMEOWNER AWARD CALCULATION
TEMPLATE

APPENDIX C: DUPLICATION OF BENEFITS QUESTIONNAIRE



VIRGIN ISLANDS HOUSING FINANCE AUTHORITY

ENTER INSURANCE INFORMATION

Please enter any insurance policies you have on this property.

Insurance Carrier *

Name

Policy Number *

Policy Number

Phone Number *

###-###-####

Insurance Type *

Flood

Wind

Homeowner's

Renter's

Is this policy currently in effect? *

Yes

No

Date of Expiration *

Month

##

Day

##

Year

APPENDIX D: APPLICATION PROCESS

The first step in the online application is to answer questions to help determine qualification for the program:

Did the property suffer damage from Hurricane Irma and/or Maria?
Did you own the damaged property on September 6, 2017 and/or September 20, 2017?
Do you currently own the damaged property?
Was the property your primary residence in September 2017? (Primary residence is defined as the property that is occupied by the applicant for the majority of the 2017 calendar year.)

If the response to all of the above questions are “yes,” the next step is to create an account. Supporting documentation will be required for the following areas:

Proof of Identity (required for each household member aged 18 or older):

Government-issued photo identification (federal, state or Territory issued)
Valid Driver’s License
Passport
Military identification
Certificate of Naturalization
Permanent Resident Card

Primary Residence:

2018 Federal income tax returns, listing the damaged property address
2017 US Virgin Islands income tax returns, listing the damaged property address
Federal Emergency Management Agency (FEMA) Individual Assistance award letter for the damaged property address

Small Business Administration (SBA) Disaster Home Loan award letter for the damaged property address
Driver's license or Territory-issued ID card showing the damaged property address; issued prior to the date of the disaster and expiring after the disaster
Credit card bill or bank statement sent to the applicant at the damaged property address in the month preceding, or the month of, the disaster
Insurance documentation indicating primary residence, such as a homeowner's endorsement
Earnings statements, including paystubs or similar employment documents (must be dated within the 60 days period preceding the storm)
Homestead exemption verified through property tax records (if applicable)
2017 Property Tax Statement, evidencing ownership and current taxes
Most recent Property Statement, evidencing ownership and current taxes

Other documentation may be required and will be reviewed and considered on a case by basis.

Ownership Documents:

Traditional verification of ownership:	Deed or other official record(s) recorded with the Office of the Recorder of Deeds for the home
	Property tax statements or receipts
	Mortgage payment book or other mortgage documents
Non-traditional ownership:	Life Estate Deed – must show the applicant as grantee (owner) of the property
	Probated will, Court Order, or judgement granting applicant an owner interest in the property

	Divorce Decree (copy of recorded Final Decree) if ownership was obtained consequent to divorce, the decree must specify the property was granted to the applicant
	Contract for Sale/Deed (Rent to Own or Lease/Purchase) – If the applicant purchased the property in a private owner sale via lease/purchase or rent to own contract for deed/sale, the contract must be supported with additional supporting documentation and validated by VIHFA staff or Case Managers
	Proof that the applicant occupies the land with “right of use or employment,” and/or “right of construction,” in accordance with applicable laws and regulations

Other documentation may be required and will be reviewed and considered on a case-by-case basis

**All applicants who use non-traditional documents to demonstrate ownership must sign an ownership affidavit in addition to submitting documents. The Program Case Manager will provide more information about the affidavit, if necessary.

Income information for all adult (18 years+) household members, including but not limited to:

	Copy of the prior year’s federal tax returns (all pages and schedules), including any extensions or amended returns
Any household members not required to file federal tax return, OR for households with incomes that have increased more than 20% over the recent adjusted gross income:	3 pay stubs issued within the past three (3) months
	Pension statement showing current monthly or yearly gross amount received
	Social Security Award Letter and evidence of payment
	Most recent IRS Form 1099s for all earnings
	Unemployment benefits statements
	Affidavit of Zero Income, if the household member does not have income (the form is supplied at application intake)

Other, less common proof of income, as applicable.

Proof of Property Damage:

Photo (date stamped) of Property Damage
FEMA Letter
National Flood Insurance Policy Letter
Small Business Administration Letter
Homeowner Insurance Payout

APPENDIX E: RECAPTURE CALCULATION EXAMPLES

HOMEOWNER RECONSTRUCTION AND REHABILITATION RECAPTURE				
Amount of Assistance	Month of sale, rental or vacating owner occupancy unit	Number of Months Remaining	Amount per Month (amount of assistance divided by 36)	Total Amount Due
\$250,000	6	30	\$6,944.50	\$208,335
	18	18		\$125,001
	30	6		\$41,667
	37	0	\$0	\$0
\$100,000	6	30	\$2,777.78	\$83,333
	18	18		\$50,000
	30	6		\$16,666
	37	0	\$0	\$0