

Part I: Housing Rehabilitation and Reconstruction Program Policy

1.0 Purpose

The City -Parish of East Baton Rouge (City-Parish) Disaster Recovery-Housing Rehabilitation and Reconstruction (City-Parish-HRR) Program (“program”) is an unmet need priority driven program within the legal jurisdiction of the City and East Baton Rouge Parish, Louisiana. This program is to assist low to moderate income homeowners who experienced damage from the flooding that occurred during 2016. The program is offered by the City-Parish and will provide grants to affected homeowners to repair damages caused by the flood and when necessary reconstruct homes. The federally declared disaster declaration is FEMA-4277-DR declared on August 14, 2016. The incident period for FEMA-4277-DR began on August 11, 2016 through August 21, 2017.

2.0 Program Overview

2.1 Funding Appropriation

On September 21, 2016 the City-Parish was notified by the Department of Housing and Urban Development (HUD) that it would receive funding through a special recovery fund established under HUD’s CDBG Program; this Declared Disaster Recovery Fund (DDRF) will provide \$11,065,556 in disaster assistance to the City-Parish to assist in its recovery from the August 2016 flood events. The City-Parish is eligible for the funds because it is an entitlement community under the CDBG program. The Grant Agreement with HUD requires funds to be used only for specific disaster-related purposes to address their most impacted unmet needs to recover from this disaster. On April 12th, 2017, the East Baton Rouge City-Parish Council approved the Action Plan that outlined the eligible activities for which these dollars would be allocated. HUD has approved the Action Plan.

2.2 Federally-Designated Areas Eligible for CDBG Assistance

The entire corporate limits of the City-Parish is an eligible area that can receive financial assistance from this allocation, as well as the parish of East Baton Rouge Parish, with exception of the incorporated areas of Zachary, Baker and Central within the parish.

2.3 Program Administrator

The City-Parish has entered into a Cooperative Endeavor Agreement (CEA) with the State of Louisiana, Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD-DRU) to provide the following program administration services and activities. In performing these services, OCD-DRU will serve in the capacity as Program Manager for the program.

Program Manager’s responsibilities include:

1. Design and plan the program management model in coordination with City-Parish OCD staff, implement approved program activities and oversee management, compliance and reporting of program activities related to the Homeowner Rehabilitation and Reconstruction program,
2. Develop for City-Parish approval, application guidelines for grant awards including submission instructions, performance measures and any other requirements necessary to administer the CDBG funds.
3. Complete all required environmental reviews in compliance with HUD requirements. The City-Parish will serve as the Responsible Entity.
4. Review program participants and applications for eligibility and make award recommendations based on program requirements, HUD eligible activity and National Objective criteria. Applicants who are denied by the state may be reviewed by the City-Parish for final eligibility, subject to federal, state and local limitations.
5. Complete, contract or coordinate the work related to cost estimates, damage assessments, grant agreements, contracts and construction oversight.
6. Ensure compliance with all applicable federal, state and local rules and regulations.
7. Establish a data management system based on requirements of the programs.
8. Coordinate with the City-Parish and manage IDIS data management and all financial, reimbursement, and change order processes.
9. Assist City-Parish with the closeout activities connected with the program.
11. Develop a Duplication of Benefits Policy in conjunction with the City-Parish.

These responsibilities and other contractual agreements can be referenced in the actual subrecipient agreement between LDRU and the City-Parish.

3.0 HRR Program Requirements

The City-Parish has allocated CDBG funds for rehabilitation of homes damaged by the flood and reconstruction of new homes considered destroyed by the flood, in accordance with the City-Parish approved Action Plan.

3.1 CDBG National Objective

All program activities (with certain exceptions with regard to administrative and planning activities) must meet an applicable CDBG National Objective. The HRR program will provide benefit to those households meeting the low-and moderate-income (LMI) National Objective requirements in accordance with HUD LMI standards. The HRR program will determine a household's LMI status as part of the application review process.

3.2 Overall LMI Benefit Requirement

Seventy percent (70%) of the funds allocated to the City-Parish for all eligible projects must be used for activities that meet a LMI national objective (described above). Other projects may be eligible under the National Objectives of Urgent Need or Slum and

Blight. For the Housing Rehabilitation and Reconstruction program, all eligible applicants must meet the National Objective of LMI.

3.3 Homeowners Eligible for Assistance

The City-Parish will provide to the state a list of potential applicants. Potential applicants include the following groups of beneficiaries:

- (1) **Group 1: First Time Homebuyers:** Homeowners who have flood damage to their property and the City-Parish has an existing agreement with the homeowner on the flood-impacted and the homeowner is in compliance with that existing agreement home, OR
- (2) **Group 2: LMI Single Family Rehab:** Homeowners who have flood damaged homes and are on the City-Parish Rehabilitation List for flood related damage that occurred during the referenced disaster.

For both groups: Homeowners must meet the following threshold criteria:

- Home must be within the legal City-Parish limits.
- Home must have been damaged by the floods of 2016.
- Homeowner(s) must have owned and occupied the property as their primary residence as of and prior to the date of the August flood event
- Homeowner must have been the owner of record at the time of the flood.
- Homeowner must be considered Low to Moderate Income (LMI) as defined by HUD.
- Homeowner(s) must have registered with FEMA, if FEMA is still accepting applications at the time the homeowner applies to the program.
- Home must have a FEMA Verified Loss greater than zero (\$0).
- The home must be elevated if the home is located in the floodplain and City-Parish code officials determine the structure was substantially damaged.

Due to the overall unmet need and limited funding, meeting the eligibility requirements above does not guarantee funding will be granted to an eligible homeowner. If funds are insufficient to cover the unmet needs within the eligible population, the City-Parish may prioritize Low-to-Moderate Income homeowners who are at least 62 years of age or whose household includes a person with a disability.

3.4 Ownership

The homeowner must have been the owner and occupant of the eligible damaged property at the time of the flood event. Ownership will be verified in one of the following ways:

- Tax records that show the homeowner owned the property at the time of the disaster events and that the homeowner currently owns the property; or
- The property title will be searched from public records as available within each jurisdiction when tax record does not exist.

- The homeowner may provide additional documentation including, but not limited to the following:
 - Deeds or other legal documents to be reviewed for Homeowners on a case-by-case basis. The City Parish has the right to waive requirement of a fee simple title or warranty deed in the applicant's name if it can be proven that the applicant occupied the home at the time of the flood, was making house payments to purchase the house, and has acquired title prior to assistance. Each instance of potential ineligibility based on ownership documentation will be reviewed on a case-by-case basis by the City-Parish.

3.4.1 Purchase Contracts

- Contract for deeds are not eligible unless the applicant converts their contract to full ownership prior to receiving funding assistance from the program.
- Evidence of purchase contracts must prove that an applicant was purchasing a home on a contract basis by:
 1. The applicant presenting the notarized contract dated and executed prior to the flood for review by the program.
 2. The applicant presenting the notarized and executed contract that was filed prior to the flood in the conveyance records of the parish.
- Proof that a contract has been completed and title conveyed to the purchaser is provided by:
 1. Evidence of recordation of the title in the name of the applicant in the conveyance records of the county.
 2. Evidence that property was transferred by a warranty deed.

3.4.2 Act of Donation

An Act of Donation is a form of property transfer without exchange or payment. For the purpose of City Parish-HRR an Act of Donation must have been made prior to the flood and be:

- In writing;
- Witnessed;
- Notarized; and
- Recorded in the public record.

For situations where an Act of Donation was made prior to the flood event, ownership and occupancy are established in same manner as other properties.

Homeowners who acquired their homes through Acts of Donation that occurred after the flood event are not eligible.

3.4.3 Trust

Property held in trust for the benefit of natural persons can be eligible for City Parish-HRR assistance as long as at least one of the occupants at the time of the flood 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 closing documents along with the Trustee.

The following 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 conveyance records of East Baton Rouge Parish. This recordation in the conveyance records of East Baton Rouge Parish may be recorded post-flood if necessary.

The applicable agreements must be executed by trustee(s) unless the trust distributes the property to a beneficiary, in which event the beneficiary receiving the property must execute the applicable agreement. If the property was not serving as the primary residence for the current beneficiaries or trustee, the applicant(s) is not eligible for assistance.

3.4.4 Death of Eligible Owner Occupant

If the deceased owner of the damaged address passed away *after* the flood that damaged the home, the deceased person has to meet all eligibility requirements for City Parish-HRR. Income determination will be based on the heir.

If the deceased owner of the damaged address passed away *before* the flood, the heir occupying the property has to meet all eligibility requirements and will be processed for assistance in the same manner as all other applicants. The heir to the property can attend the appointment, complete paper work, and make rehabilitation decisions and must agree to occupy the home after repairs are completed.

If the applicant passes away during construction, the heir is not responsible for the contract agreements.

3.5 Occupancy

Occupancy as primary residence will be determined through review of the following data sources and documentation:

- Occupancy will be primarily verified through parish records. The program looks for a homestead exemption in the property tax records provided by the City-Parish from the time of the flood event. If the tax records have established ownership and the City-Parish has granted a homestead exemption, the property is considered occupied by the homeowner.

- In the event a homestead exemption cannot be confirmed, the program uses the following hierarchy to establish occupancy (all occupancy documentation must be from the time of the flood event):
 - 2016 tax records demonstrating homestead exemption for the property.
 - Copy of electric, gas, water, trash, sewage, cable or landline phone bill. The bill must confirm that service was provided in the month preceding or the month of the applicable disaster event and must match name and address on the program application.
 - Letter from electric, gas, water, trash, sewage, cable or landline phone company. The letter must confirm that service was provided in the month preceding or month of the flood event and must match name and address on the application and in the City-Parish's list of eligible properties.
 - Voter registration records submitted together with driver's license must match the name and address on the program application
 - Copy of credit card bill sent to damaged residence in the month preceding or month of the applicable flood event and matching the name and address on the application and in the City-Parish's list of eligible properties.
 - Copy of bank statement sent to damaged residence in the month preceding or month of the applicable flood event and matching the name and address on the application and in the City-Parish's list of eligible properties.

For all options, homeowners sign an affidavit at closing certifying that the homeowner was the owner- occupant at the time of the flood event events.

3.5.1 Special Circumstances Related to Occupancy

- Active duty military personnel who own a flood-damaged home in the eligible jurisdiction but are currently assigned to duty away from their home or were assigned to duty away from their home at the time of the flood are eligible to apply.
- Applicants who are incapacitated due to being incarcerated or in a nursing home at the time of the flood, must present proof at the time of application to their case manager that they will not be incapacitated for more than 180 days and will reoccupy the home following reconstruction/rehabilitation within 180 days.

3.6 Household Income

Homeowners in "Group 1: First-time Homebuyers" will not be subject to income restrictions for participation in the Program.

Homeowners in "Group 2: LMI Single Family Rehabilitation" can only be served through the program if their household is determined to be of low-to-moderate income (LMI). An LMI homeowner's household income must be less than or equal to 80% Area Median Income (AMI) adjusted for household size, at the time of application. The income calculation includes the annual adjusted gross income of all adult household members,

including earnings and in-kind sources like social security and pensions as well as income derived from assets.

a. Household Income Basis

The program will use HUD's published income limits for the Baton Rouge metropolitan statistical area to determine eligibility. Household income will be based on the household's annual income data per the most recent IRS 1040 adjusted gross income definition, as verified by receiving a copy of the household members' most recent tax form(s)

The program will use the processes for calculating income as defined by HUD described below.

b. The Process of Determining Income

The program will:

- Collect and analyze appropriate income documentation for household members either through third party verification or source documentation. This process will include the most recent tax form(s). Homeowners will self-certify that their income has not changed since the filing of the tax return.
- If there has been a change in the homeowners' income, the program may allow homeowners to provide additional information such as pay stubs or other proof of income to verify the change.

c. Sources of Income

Annual income is defined by HUD as all amounts, monetary or not, which:

- Go to, or on behalf of, the family head or spouse [or co-head] (even if temporarily absent) or to any other family member; or
- Are anticipated to be received from a source outside the family during the 12-month period following eligibility; and
- Which are not specifically excluded [by regulation]. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access. [24 CFR 5.609]

The Program will use adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes.

d. Income Documentation/Verification

The Program will review household members' most recent tax form(s) and self-certification from homeowners that this information is up-to-date and accurate. In the event a homeowner indicates that his or her current or anticipated household income differs from what is indicated on the tax forms, the program may allow the submittal of alternative income documentation (e.g. recent pay stubs). Such situations will be handled on a case-by-case basis.

3.7 Program Priorities

Due to the overall unmet need and limited funding, meeting the eligibility requirements above does not guarantee funding will be granted to an eligible homeowner. If funds are insufficient to cover the unmet needs within the eligible population, the City-Parish will use the following prioritization structure:

Phase 1

- Group One: First Time Homebuyers

Phase 2

- Group Two: LMI Single Family Rehabilitation. Should funds be insufficient to serve all of Group Two, applicants within the group will be served in the order they applied to participate in the LMI Single Family Rehabilitation program.

~~Phase 1~~

- ~~Low to Moderate Income ($\leq 80\%$ AMI) homeowners located *outside* of the Special Flood Hazard Area who are at least 62 years of age or whose household includes a person with a disability.~~

~~Phase 2~~

- ~~Low to Moderate Income ($\leq 80\%$ AMI) homeowners located *inside* of the Special Flood Hazard Area who are at least 62 years of age or whose household includes a person with a disability.~~

~~Phase 3~~

- ~~All remaining eligible homeowners.~~

3.8 Individual Homeowner Grant Thresholds

Homes determined to have a remaining unmet need of more than \$5,000 based on a damage assessment will be eligible for rehabilitation. Unmet need is determined after the damage inspection provides an estimated cost to repair and any duplicated funds available for repairs have been factored into the estimated cost. The maximum amount of funds allowed for rehabilitation or reconstruction of the home is \$150,000.

If before construction it is determined that the project cost will exceed the maximum grant award listed above or if during construction unforeseen issues arise which will require change orders exceeding the grant threshold listed above, these issues will be reviewed on a case-by-case basis and require final approval from the City-Parish to exceed the established maximum funds.

3.9 Determining Types of Homeowner Assistance

Home Estimators conduct two types of inspections: Reconstruction and Repair

3.9.1 Reconstruction Home Estimates

Reconstruction estimates are based on the total living area of the home. The total area is multiplied by a per square foot cost factor to establish a replacement allowance for the home and an estimated cost of elevation. Reconstruction estimates are performed on all structures and are the only type of Estimate performed when a structure is unsafe to enter or has been demolished or partially demolished.

- Unsafe Conditions – Unsafe conditions include, but are not limited to: structures whose load bearing walls, columns, or other support components have been comprised; structures that have strong industrial or chemical odors or vapors emanating from the home; or structures that have been marked by the local parish or fire authority as being unsafe to enter. If any of these conditions or similar conditions exist, the Estimator can, upon consultation with a supervisor and documentation in photos and a written description, limit the Estimate to a reconstruction estimate. The files are required to be verified by OCD-DRU QA/QC contractor before moving forward in grant calculation.
- Demolished structures – If a structure has been demolished or partially demolished, the Estimator can conduct a reconstruction estimate only. The Estimator takes photos to document the condition and measures the footprint and area eligible for reconstruction.

If the area eligible for reconstruction cannot be established by the Home Estimate (for example a 100% destroyed homes with a cleared foundation), the RLHP works with the homeowner to obtain the missing information from:

- Old appraisal or real estate sales documents;
- Parish tax assessor information;
- Photographs;
- Aerial photographs;
- Collection of the documentation is primarily the homeowner's responsibility

The Program may use other approved methods to use only a reconstruction estimate with no documentation from onsite inspection.

Information collected to verify square footage of homes from sources other than the Home Estimate is provided to the Program. The Program makes the final decision on the eligibility of a homeowner and, if eligible, the structure type and square footage used for benefit calculation.

3.9.2 Repair Home Estimates

Repair estimates are component-by-component assessments of damages to the home using Xactimate assessment tools and software, as well as a determination of the estimated cost to elevate and/or meet current construction standards when required by

state and local building codes. The Program performs repair estimates on structures that are safe to enter and not demolished or partially demolished.

An Estimated Cost of Damage Repairs (ECDR) includes both a damage assessment and/or scope of work for completion of prospective repairs. The final ECDR depends on the progress made by the homeowner. Any homeowner who has completed repairs will require both the damage assessment and the scope of work. If no work has been completed prior to the Home Estimate, then only a scope of work is required. If a homeowner has completed repairs on their homes prior to the Home Estimate visit, then only a damage assessment is required. If a homeowner is partially complete with repairs at the time of the Home Estimate visit, then the homeowner will require both a damage assessment and a scope of work for completion of prospective work.

An ECDR summarizes the eligible items included in the damage assessment and repair estimate and allowed costs for each item. The ECDR is generated by Xactimate software based on the information collected by the Home Estimator.

ECDRs, prior to being used to calculate RLHP benefits, are reviewed by the Home Estimate Department for correctness and completeness.

- The “correctness” review ensures that the homeowner information (name, address, Program Identification Number, etc.), structure type, total living area, and damages are listed on the ECDR.
- The “completeness” review includes checks to ensure that all field data is included in the homeowner’s Home Estimate file, including the damage assessment, photographs, GPS coordinates and site sketches.

3.9.3 Deciding Which Estimate to Use

For homeowners who receive both a reconstruction and repair estimated cost of damage, the Program determines which cost estimate to use in the award calculations by approximating the percentage damage to the home. The percent damage is determined as follows:

- $(\text{Damage Estimate}/\text{Reconstruction Estimate}) \times 100 = \text{Program \% of Damage}$
- For homes located outside a FEMA Special Flood Hazard Area:
 - If the program percentage of damage is less than 80%, the repair estimate is used for calculating the cost of rehabilitation of the damaged structure.
 - If the program percentage of damage is more than 80%, the reconstruction estimate is used to calculate the cost of reconstruction of the damaged structure.
- For homes located inside a FEMA Special Flood Hazard Area:
 - For homes that are determined Substantially Damaged or requiring Substantial Improvement (as defined below), the local building codes and NFIP requirements may require additional work over and above the eligible repairs to elevate or otherwise mitigate against future flood

damage. If an impacted home is required to be elevated to comply with local building codes or NFIP requirements, the Program will evaluate the estimated cost to repair and the estimated cost to reconstruct plus the estimated cost to elevate the impacted home in the award calculation.

- If the program percentage of damage plus the cost of elevation is less than 80%, the repair estimate is used for calculating the cost of rehabilitation plus elevation of the damaged structure.
- If the program percentage of damage plus the cost of elevation is more than 80%, the reconstruction estimate is used to calculate the cost of reconstruction plus elevation of the damaged structure.
 - "Substantial damage" means damage of any origin sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.
 - "Substantial improvement" means any reconstruction, rehabilitation, addition or other improvement to a structure, the total cost of which equals or exceeds 50 percent of the market value of the structure before the start of construction of the improvement.
 - The determination of whether a home is substantially damaged or requires substantial improvement is decided by local governmental authorities related to permitting and local regulations. The Program does not decide whether a home needs to be elevated.

Each rehabilitated item in the home or new home construction must meet the City-Parish Building Code and the City-Parish's minimum property standards; and the entire home must meet City-Parish code compliance when construction is complete. Every new home reconstructed must meet the City-Parish Building Codes, and be built in accordance to the State's contractor specification and performance manual and the City-Parish's minimum property standards. For the most current City-Parish Residential Building Codes visit: https://www.municode.com/library/la/baton_rouge,_east_baton_rouge_parish/codes/code_of_ordinances?nodeId=TIT8BURE_CH1BUCO_PTIIINGE_S8_3REEVFLHA.

If required construction exceeds the maximum funding amount, funds needed in excess must come from the homeowner, another funding source, or City-Parish waiver.

3.10 Ineligible Repair Expenses

Reimbursement for pre-award expenses. Homeowners who have already completed all of the repairs on their home, and can occupy the residence are not eligible for additional assistance or reimbursement costs for repairs under the HRR Program. In addition, homeowners who have completed partial repairs on their homes are not eligible for reimbursement of expenses for pre-award costs. These homeowners are eligible for assistance on prospective work.

Other ineligible repair and reconstruction expenses. Homeowners are not eligible for repair or reconstruction on the following types of work:

- Other buildings and structures on the property not considered to be the primary residence (e.g. detached garage, sheds, fences, etc.);
- Additions to the pre-flood structure;
- Repair or replacement of non-essential items such as pools, hot tubs, etc.

3.11 Size of Replacement Unit

Replacement homes will be built on the same footprint as the damaged home and are generally ineligible for any expansion. In certain cases where an expansion may be required, the expansion may not exceed 20% of the damaged home's pre-storm size.

3.12 Eligible Structures

Single family, one unit structures are eligible for assistance (this does not include mobile homes). If the house had an attached garage, it can be repaired to the extent that it is necessary to make the structure safe and sanitary. The interior of the garage will not be finished. If the home is to be reconstructed, and the previous home had an attached one or two car garage, then a one or two car garage will be replaced with the new home. Three car garages will be replaced with a two-car garage.

The assisted property must be wholly residential in character. Properties containing home-based businesses may be rehabilitated only where it can be clearly shown that program funds are not used to assist the business contained in or on the property.

3.13 Ineligible Items

The following types of ownership and items are ineligible for assistance under this program:

- Business entities are not eligible. This includes but not limited to: Limited Liability Corporations, Limited Liability Partnerships, Corporations, etc.
- Applicants who lost ownership of their homes due to foreclosure, or are pending foreclosure are ineligible for assistance.
- Applicants who are approved through the state's Restore Louisiana Homeowner Assistance Program.
- Properties located where federal assistance is not permitted are ineligible for assistance. Properties must be in compliance with Environmental Code 24 CFR Part 58.
- Appliances and housing components that are not integral to the structure of the home such as washers, dryers, and detached garages and carports are not eligible to be replaced under the Program.
- Duplexes are not eligible for program assistance.

3.14 Type of Award

Homeowners will receive assistance in the form of a grant agreement. The program will complete the repairs or reconstruction on behalf of the homeowner; however, under certain circumstances and on a case-by-case basis, the City-Parish may approve homeowners to use the homebuilding contractors the homeowners had engaged prior to applying for the program. The homeowner will be personally liable for return of funds in the event the project is not completed if the homeowner manages their own homebuilding contractor.

3.15 Award Calculation

3.15.1 Home Evaluations

Assistance is provided to homeowners based on the program's estimate of the remaining cost to repair the flood damage, less any applicable duplication of benefits. The program's inspectors will conduct Home Estimates to provide an estimate of the cost to repair or to reconstruct damaged homes, including the costs of elevation, where required by local officials. Due to a limitation of funding, the program will assess homeowners' costs of repairs or reconstruction at an economy-grade standard of materials. Therefore, it is likely that the program's assessment of the value of repairs or reconstruction will be lower than other assessments that a homeowner may have, whether from SBA, NFIP, a private homebuilding contractor or another third-party entity. The program will rely solely on its assessment of the cost of repairs or reconstruction.

The program provides grant assistance for flood damages from the 2016 floods. The program does not provide assistance for deferred maintenance other than that required to ensure a safe, decent and sanitary home and/or to protect the investments being made through the program, or for damages that may have occurred during the construction process or subsequent to the 2016 Floods. If a homeowner has completed work prior to application, the program will also complete a damage assessment in order to be able to apply any applicable duplication of benefits to pre-award work completed by the homeowners. Homeowners are not eligible for assistance for pre-award work. Eligible Scope of Work/Need:

The program will determine an eligible scope of work using information from the inspection and Home Estimate. The scope of work will be valued based on economy-grade materials and industry-standard grade labor costs. If an existing homebuilding contract between the homeowner and contractor is based on higher standards than those assessed by the state, the program will use the value of the program's assessment as the basis for the eligible scope of work.

Scope of Works, prior to being used to calculate program benefits, are reviewed by the Home Estimate Department for correctness and completeness.

- The “correctness” review ensures that the homeowner information (name, address, RLHP Program Identification Number, etc.), structure type, total living area, and damages are listed on the inspection and estimate.
- The “completeness” review includes checks to ensure that all field data is included in the homeowner’s Home Estimate file, including the damage assessment, photographs, GPS coordinates and site sketches.

3.15.3 Duplication of Benefits

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

1. FEMA

a. FEMA Individual Assistance (FEMA IA)

Definition: FEMA IA assistance may be provided for home repairs. In the cases where homeowners have received assistance for home repairs, that amount will be considered a duplication of benefits by the program.

Verification: FEMA IA will be determined and verified by the program through the FEMA NEMIS database. If the program is unable to verify the FEMA IA amount through the FEMA NEMIS database, The program will use the payment amount provided by the homeowner at the time of application. If a homeowner can provide documentation demonstrating that the FEMA IA amount provided by the FEMA NEMIS database includes amounts not paid to cover structural loss, the program will use the documentation provided by the homeowner to adjust the FEMA IA payout amount. The documentation provided by the homeowner must come from FEMA.

b. FEMA National Flood Insurance Program (NFIP) Insurance

Definition: Homeowners who received NFIP payments for loss to the dwellings under NFIP insurance policies are deducted from the grant the homeowner is eligible to receive. Payments for contents or other expenses are not deducted from the homeowner’s funding assistance award, as those types of expenses are not eligible under the program.

Verification: The program will collect flood insurance information from the homeowner through the application process. In addition, the program will work directly with NFIP and private flood insurance providers to verify the information provided by the homeowner.

2. SBA

Definition: Federal regulations deem Small Business Administration (SBA) loans for repair to be a duplication of benefit for federally-funded repair programs. If a homeowner 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 approved

executed loan amount counts as a duplication of benefits even if a homeowner has not drawn down any funds from the approved loan.

Homeowners who have been approved for an SBA loan but have a record of declining the loan or have not executed the SBA loan may be considered for program funding, subject to a determination of cost reasonableness under OCD's Decline SBA Award Policy.

Verification: The program will collect SBA information provided by the homeowner through the application process. In addition, the program will work with SBA directly through a data feed provided by SBA, to verify all approved amounts for SBA loans. The program will collect specific information from SBA that breaks out the approved SBA loan amounts into the different categories of assistance (e.g. real property, personal property, vehicles, etc.). Any approved amount from SBA, including those amounts declined by the homeowner, are considered a duplication of benefits and factored into the award calculation, unless otherwise allowed and approved under the Declined SBA Award Policy.

3. Private insurance

Definition: All private insurance settlement amounts for loss to dwellings are deducted from the homeowner's funding assistance award. Private insurance payments for contents or other expenses are not deducted from the homeowner's funding assistance award, as those expenses are not eligible under the program.

Verification: Insurance proceeds are initially determined by the program through homeowner provided information. Program homeowners will authorize the program to contact third-party private insurance providers to verify information provided by the homeowners within their applications.

4. Other Funding

Funding received for the same purpose of a grant such as funding provided by a non-profit entity to assist homeowners with rebuilding their home must be reported by homeowners through the application process and must be accounted for and verified by the program. In addition, the support documentation related to other duplicative funding sources will be provided by the homeowner and verified and applied as a DOB by the program.

5. DOB Calculation

The formula below is how the Program will calculate duplication of benefits in a Homeowner's application file:

- I. Identify Scope of Completed Construction Work
- II. Identify all Potentially Duplicative Assistance to be Deducted out of Completed Work
- III. Deduct Assistance Determined to be Duplicative
- IV. Identify Eligible Scope of Work/Need for Prospective Work

- V. Identify all Potentially Duplicative Assistance remaining
- VI. Deduct Assistance Determined to be Duplicative
- VII. Determine Maximum Allowable Program Award

Eligible Scope of Work/Need:

The program will determine an eligible scope of work using information from the inspection. The scope of work will be valued based on economy-grade materials and industry-standard grade labor costs. If an existing homebuilding contract between the homeowner and contractor is based on higher standards than those assessed by the state, the program will use the value of the program's assessment as the basis for the eligible scope of work.

Calculating Potentially Duplicative Assistance and Award Amounts:

If homeowner has completed partial repairs or reconstruction at the time of application, all duplication of benefits expended will be deducted from cost of damages. If duplication of benefits expended are greater than the amount of work completed prior to application, then the remainder of the duplication of benefits will be calculated in the repair/reconstruction award.

If a homeowner has not completed any repairs or reconstruction prior to application, then the full duplication of benefits will be accounted for at the time of the award calculation. The duplication of benefits check 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 homeowner receiving an award. ~~Homeowners must place all duplication of benefits funding in the program's escrow account. Further guidance on escrow accounts will be provided by the program.~~

Example 1: Prospective Repair Work Only	
Scope of work for prospective work (economy grade)	\$80,000
<i>Duplication of benefits</i>	
FEMA assistance for structural repairs	\$12,000
SBA loan for structural repairs	\$25,000
<i>Total duplication of benefits</i>	\$37,000

Maximum eligible prospective work award	\$43,000
Example 2: Homeowner Completed Partial Repairs Prior to Application	
Damage assessment of work completed prior to application (economy grade)	\$15,000
<i>Duplication of benefits</i>	
FEMA assistance for structural repairs	\$12,000
PROSPECTIVE WORK	
Scope of work for prospective work (economy grade)	\$25,000
<i>Duplication of benefits</i>	
No other funding sources	\$0
Maximum eligible prospective work award	\$25,000
TOTAL MAXIMUM AWARD	\$25,000

6. Subrogation

Subrogation is the process by which homeowners who receive additional funding for the same purpose as the program award even after an award is received are required to remit the additional funding to the program. All duplicative funding received must be remitted to the program, regardless of when it is received. By accepting the award, homeowners agree that they will remit any duplicative funds to the program, whenever received.

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7. Duplication of Benefits Modification Due to Unmet Needs

The Program duplication of benefits policy requires that grant amounts are reduced by the amount of recovery funds an applicant has received from all sources for repair/reconstruction. Some applicants, due to circumstances outside of their control, have lost out on the ability to utilize these recovery funds. These circumstances include contractor fraud, involuntary forced mortgage payoff, theft/vandalism, and damage from a subsequent event post-flood. Applicants who experienced these situations may provide documentation demonstrating their resulting unmet need.

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Example Calculation	
Flood insurance	\$ 50,000
FEMA individual assistance	± \$ 12,000
Sum of repair / reconstruction assistance	\$ 62,000
Unmet need amount (theft)	= \$ 10,000
Duplication of benefits	\$ 52,000

In each instance, documentation will be required to support any amounts that may be reduced from the actual amount received to calculate the net/effective award amount. Examples of documentation that applicants will need to provide:

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1. Contractor/Builder Fraud

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a. Evidence of payment(s) made to contractor/builder demonstrating the attempt to properly use Road Home proceeds; and

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b. Proof that the rebuilding/repairs was not completed (e.g., photos showing current condition of home, current estimate of reconstruction/repairs from a new contractor, physical inspection, etc.)

c. Evidence that a formal complaint was filed against the contractor/builder accused of fraudulent practices with the proper law enforcement officials, Attorney General's office, State or HUD IG office or court (civil complaints). Complaints must be filed by December 2012 or within one (1) year of the date the homeowner signed a contract with the contractor/builder, whichever is later. The applicant will also be expected to provide the case/item number or report number and the name of the law enforcement or regulatory agency with which it was filed. (If applicable)

2. Involuntary forced mortgage payoff

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a. Insurance proceeds taken by a mortgage company as a forced mortgage payoff will not be counted as a duplication of benefits. The applicant will need to provide supporting documentation demonstrating the forced mortgage payment and the RLHP will verify this information with the applicant's mortgage company. Voluntary mortgage payoff, using insurance proceeds, is a duplication of benefits that will be counted in an applicant's award calculation.

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3. Theft/vandalism

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a. Case number or police report that identifies what was stolen and/or the extent of damage from vandalism; and

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b. Copy of insurance claim (if one was filed).

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4. Damage from a subsequent event which prevented the applicant from occupying the home.

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- a. Insurance paperwork, building inspections, photos or similar documentation showing that a subsequent event- such as another hurricane or fire- caused damages to the residence during the repair process; or
- b. Proof of payment(s) showing that funds were expended on repairing/rebuilding damaged residence prior to incurring damages from a subsequent event (e.g. cancelled checks, copies of paid invoices, etc.); and
- c. Inspection of property completed by the Road Home program's Home Evaluation Department detailing the work needed to complete repairs. *Note: Subsequent Damage does not apply to applicant who returned home and fulfilled the Road Home covenants only to experience additional damage causing them to vacate the damaged residence.*

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5. Contaminated Drywall

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- a. Documentation from a certified building inspector or engineer demonstrating that tainted drywall was installed in the home during the repair/rebuilding process; (OCD will provide for the testing if not previously completed) or
- b. Documentation from a certified building inspector or engineer demonstrating that tainted drywall was installed in the applicant's replacement home; and
- c. An estimate of the cost to replace the tainted drywall.

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3.15.4 Other Funding Sources

Homeowners may be required to contribute additional funding sources toward the repair or reconstruction of their homes. This will occur when a) a homeowner has a duplication of benefits and/or b) when the cost of a homeowner's repair or reconstruction exceeds the program cap.

Prior to receiving an award from the program, homeowners must place in escrow account for all funding sources necessary to complete repairs or reconstruction on their homes, including funding from duplicative sources and non-duplicative funding needed to complete the repair or reconstruction of their homes, if the total cost of repairs/reconstruction is greater than the program cap.

Homeowners must provide proof of all funding sources necessary to complete repairs or reconstruction on their homes at the grant execution meeting and will be required to expend these funds on construction prior to receiving Program funds.

If the homeowner cannot contribute the necessary resources to complete the repair or reconstruction of their homes, they may not be eligible for the program.

4.0 Environmental Review and Clearance

As defined further in Section 12(i), all activities funded by CDBG 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 through a grant agreement and disbursed for program-eligible activities. Thus, prior to funding repairs or reconstruction, the program will conduct an environmental review on each property. Homeowners who have submitted an application to the program and do not stop work on repairs are at risk of not being eligible for funding for work conducted during the application period prior to completion of the environmental review. This requirement will be referred to as the “stop-work requirement.”

Exceptions to the “stop-work requirement” may be allowed in the event a homeowner entered a contract with a homebuilding contractor prior to applying to the program and where the City-Parish has allowed homeowners to use their existing homebuilding contractor to complete the repairs of their homes. In such cases, the homeowner may be allowed to continue the work outlined in the contract, as it was described and executed prior to the homeowner’s application to the Program. However, in such cases a homeowner may not enter into new contracts, engage additional laborers, execute any change orders to existing contracts or purchase materials after application to the Program and prior to completion of an environmental review.

5. Award and Construction Process

5.1 Construction Award

~~The program will provide the homebuilding contractor for homes which have not started repairs or reconstruction.~~ The program’s contractor will perform the Scope of Work and manage the construction process.

If the homeowner has hired a homebuilding contractor and already started construction at the time of application, work will have to be stopped until an environmental review can be completed, subject to the stop-work exceptions listed above. Once application is approved, the environmental review completed, contractor debarment checked, work write up completed and all funding sources are identified and secured in escrow, the contractor may continue work. ~~Interim construction inspections will be performed by the program prior to disbursing dual party checks to the homeowner and the contractor.~~

Applicants who must contribute funds to the project will be required to first spend personal and/or borrowed funds on the project prior to receiving Program funds. The Program will conduct a site inspection to ensure the personal and/or borrowed funds have been spent on the project and that the remaining work can be completed with the Program funds. Only then will funds be disbursed to complete construction.

Interim construction inspections will be performed by the program prior to disbursing dual party checks to the homeowner and the contractor.

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- Prior to an award, the contractor and HRR construction coordinator will walk through each home they are to be awarded to assure that all items have been quantified on the scope.
- The verified quantity of an item will then be multiplied by the unit price for that item to determine the construction cost for that home. All unit pricing will be added together to achieve a total contract price based upon the agreed upon scope. This should drastically reduce the number of change orders during the construction phase.

5.2 Homeowner Contracts and Grant Agreements

~~Applicants will not be required to escrow funds.~~ The homeowner will be required to execute a grant agreement. If it is determined that the homeowner has DOB funds to place in an escrow account, an escrow agreement is executed. The homeowner will be given an Opportunity to Rescind form that they may execute to cancel their agreements within three days of signing the contracts.

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~~1. Escrow Agreement – This is a tri-party agreement between the homeowner, program and escrow agent. The agreement establishes the role of the escrow agent to hold homeowner DOB funds and to release these funds to the State to be used toward reimbursement of the contractor.~~

~~2. Homeowner/Contractor Agreement – This is a two-party agreement between the homeowner and the contractor which lays out the roles and responsibilities of each party during the construction phase of the process. This agreement also explains the program's role in paying the contractor on behalf of the homeowner with CDBG funds.~~

~~3. Grant Agreement – This is a two-party agreement between the homeowner and the City-Parish that lays out the homeowner's obligations in return for receiving a grant for eligible rehabilitation or reconstruction costs of the home.~~

~~4. Subrogation Agreement – Homeowners must subrogate any additional funds received for the 2016 flood damages back to the program. The CDBG funds are funds of last resort and if additional funds are paid to the homeowner for the same purpose as the City-Parish assistance (i.e., repair or replacement of the damaged structure) after the City-Parish has completed repair or replacement of the home, these funds must be returned to the City-Parish.~~

~~5. Notice of Opportunity to Rescind – Homeowners will have three days after signing their agreements to rescind and cancel the contracts.~~

5.3 Construction

Once a property has been awarded and all award documents have been signed by the homeowner, program and City-Parish, a pre-construction meeting will be scheduled with the homeowner, contractor, and program staff. A notice to proceed (NTP) will be issued to the contractor at this time. ~~If the program is managing the repair or reconstruction process, the program staff will communicate directly with homeowner~~

~~regarding construction progress. The program will provide construction management oversight.~~

~~If the homeowner is managing their own homebuilding contractor, then the~~The homeowner and the contractor will communicate directly on the status of construction. The program will not be a party to the contract between the homeowner and the homebuilding contractor in such cases.

Each rehabilitated item in the home or new home construction must meet the City-Parish Building Code and the City-Parish's minimum property standards; and the entire home must meet City-Parish code compliance when construction is complete. Every new home reconstructed must meet the City-Parish Building Codes, and be built in accordance to the State's contractor specification and performance manual and the City-Parish's minimum property standards. For the most current City-Parish Residential Building Codes visit:
https://www.municode.com/library/la/baton_rouge,_east_baton_rouge_parish/codes/code_of_ordinances?nodeId=TIT8BURE_CH1BUCO_PTINGE_S8_3REEVFLHA.

All housing activities shall be designed to achieve maximum energy efficiency to the extent that this can be accomplished on a cost-effective basis, considering construction and operating costs over the life cycle of the structure. Efficiency may be demonstrated through design based on LEED, Energy Star, and/or other comparable guidelines and rating systems. Construction methods shall be encouraged in compliance with local building codes and mold resistant construction materials.

6.0 Contractor Payments

All contractors will be paid on a reimbursement basis not to exceed the construction contract amount and approved change orders. All requests for reimbursement will be dependent upon approved pay inspections, the submission of all required payment request documentation from the contractor, and final approval by the program.

7.0 Appeals Process

All homeowners may submit the following appeals:

- Program eligibility (during the intake process)
- Grant Calculations prior to acknowledgement including:
- Scope of Work including but not limited to measurements of the home and quantities of damaged materials
- Duplication of Benefits

Homeowners 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, homeowners are not allowed to appeal the award amount after a contract is signed with a contractor.