



GOVERNMENT OF PUERTO RICO
Department of Housing

PUERTO RICO DEPARTMENT OF HOUSING CDBG-DR PROGRAM GUIDELINES

HOME REPAIR, RECONSTRUCTION, OR RELOCATION PROGRAM (R3 PROGRAM)

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PUERTO RICO DEPARTMENT OF HOUSING
CDBG-DR PROGRAM GUIDELINES
HOME REPAIR, RECONSTRUCTION, OR RELOCATION PROGRAM
VERSION CONTROL

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Established Periods of Time

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR Program Guidelines will be considered calendar days. On this matter, PRDOH, as grantee, will follow Rule 68.1 of the Rules of Civil Procedure of Puerto Rico, 32 LPRA Ap. V, R. 68.1.

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1 Overview/Background

The focus of the Home Repair, Reconstruction, or Relocation Program (**R3 Program** and/or **Program**) is to provide relief for those who were impacted by Hurricanes Irma and Maria (**Disaster Impacted Areas** and/or **DIA**) and have unmet housing needs to affirmatively further fair housing as required under the Fair Housing Act of 1968, as amended, 42 U.S.C. § 3601. Assistance under this Program will be provided under three (3) primary categories: repair, reconstruction, or relocation. Within the reconstruction program, demolition may be an eligible activity, and under the relocation program, acquisition and demolition may also be eligible activities.

2 National Objective

The national objective of the R3 Program is to benefit low- and moderate-income (**LMI**) persons (below 80% Area Median Family Income (**AMFI**) according to HUD Modified Income Limits for Puerto Rico under the Community Development Block Grant- Disaster Recovery program.¹

3 Program Description

The following objectives are provided for the implementation and administration of a successful CDBG-DR single family homeowner program, in keeping with Housing and Urban Development (**HUD**) guidelines:

- The primary objective of this Program is to provide decent, safe, and sanitary housing in the Disaster Impacted Areas through the provision of activities designed to resolve unmet housing needs from hurricane impacts.
- A second objective is to ensure that the housing needs of very low, low, and moderate-income households are assisted with housing recovery support within the communities being served.
- A third objective is to achieve complimentary benefits of community and neighborhood revitalization, promote resiliency, and nurture filled opportunities.

Repair, reconstruction, or relocation assistance may be offered to eligible applicants, based upon the extent of damage and location of the home. Under the relocation program, homeowners may be offered a Relocation Voucher for the purchase (and repair, if needed) of an existing replacement home, or new construction assistance (only as a last option) if a suitable replacement option cannot be identified.

4 Eligible Use of Funds

This section sets forth the eligible uses of CDBG-DR funds for the Program. Section 105(a)(4) of the Housing Community Development Act of 1974, as amended, 42 U.S.C. § 5305, establishes as an eligible use for the funds the "clearance, demolition, removal,

¹ HUD Modified Income Limits change annually. See: <https://files.hudexchange.info/resources/documents/2019-Puerto-Rico-Income-Limits.pdf>

reconstruction, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for reconstruction or rehabilitation, and reconstruction or rehabilitation, of privately owned properties, and including the renovation of closed school buildings)". Also, Section 105(a)(25), *Ibid.*, establishes as an eligible activity "lead-based paint hazard evaluation and reduction, as defined in Section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992".

Based on the above, the following are eligible uses of funds for repair, reconstruction, and relocation activities performed by the Program. These activities shall not be interpreted as all-encompassing eligible activities and the list may be subject to further changes.

- Clearance, demolition, and removal of buildings and improvements;
- Remediation of known or suspected environmental contamination, including project-specific environmental assessment costs not otherwise eligible;
- Cost of labor, materials, supplies, and other expenses required for the repairing of property, including repair or replacement of principal fixtures and components of existing structures;
- The purchase and installation of stoves, refrigerators, and dishwashers that promote energy efficiency;
- Assistance to private individuals to acquire properties for the purpose of repairing;
- Installation of smoke detectors, dead-bolt locks, and other devices for security purposes;
- Costs required to increase the efficient use of water and improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, and modification or replacement of heating and cooling equipment;
- Costs of connecting residential structures to water distribution lines or local sewer collection lines, or installing wells, septic tanks, septic fields for individual homes;
- Costs to remove material and architectural barriers that restrict the mobility and accessibility of elderly and severely disabled persons to buildings and improvements that are eligible for repair;
- Costs of installation or replacement of landscape materials, sidewalks, and driveways when incidental to other repairs of the property;
- Preserving or restoring properties of historic significance;
- Costs of evaluating and treating lead-based paint in conjunction with other repair activities or as a separate activity;
- Staff costs and related expenses required for outreach efforts for marketing the Program, repair counseling, screening potential applicant households and structures, energy auditing, preparing work specifications, loan underwriting and processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities that are participating or seeking to participate in repair activities;

- Rebuilding of a home in substantially the same manner as the original (deviations are permitted for reasons of safety or of otherwise impractical; a reconstructed unit need not contain the same number of rooms as the unit it replaces);
- Acquisition of sites on which buildings will be constructed for use as housing; and
- Clearance of toxic contaminants of property to be used for the new construction of housing.

The following are ineligible activities for the Program. These activities shall not be interpreted as all-encompassing ineligible activities and the list may be subject to further changes.

- Creation of a secondary housing unit attached to a primary unit;
- Additions to an existing structure, unless it is necessary to meet housing and building codes or occupancy standards;
- Purchase of tools or equipment or other similar items for the applicants;
- Installation of luxury items, such as swimming pools;
- Costs of equipment, furnishings, or other personal property not an integral structure fixture, such as a window air conditioner, or a clothes washer or dryer;
- Costs of secondary structures, such as sheds, detached garages, fences, etc.;
- The value of the homeowner's sweat equity to rehabilitate their own property; and
- Any work on a secondary home.

5 Intake

Interested residents may apply for the Home Repair, Reconstruction, or Relocation Program via one of the following methods:

1. Over the phone.
2. Complete an application online.
3. Visit a participating municipal citizen outreach office.
4. Visit an intake center.
5. Download the mobile app from the Google Play Store or iTunes.

Specific information regarding intake methods, including phone numbers, location of intake centers, web address, and information on how to download the mobile app will be posted to www.cdbg-dr.pr.gov, when available. Applicants will be required to complete a Program intake application and provide supporting documents required for eligibility review, income verification, and duplication of benefits review. All documentation submitted by the applicant must be valid at the time of submission.

Case Managers will be available at the intake centers, by phone, and email to assist the applicant through the intake process and to answer questions as needed. Multiple standard methods of communication will be provided to ensure applicants receive timely, accurate information regarding their applications. Methods of communication include but are not limited to: the Disaster Recovery website, email address, telephone number, postal address, letters, and Case Managers. Applicants may submit a question

or complaint to the Program at any time utilizing any of the above options. The Program will promptly address all applicant complaints and document results to improve program operations throughout the life of the Program. For further information on this subject, please refer to the Citizen Comments and Complaints section of the Cross-Cutting Guidelines found at www.cdbg-dr.pr.gov.

As part of the program application, each applicant must sign a Consent/Release Statement that permits the Program to obtain third-party data directly related to determining Program eligibility, Program award, and/or compliance with Program requirements and a Right of Entry Form which allows the Program to access the damaged property, as needed, to conduct required Program inspections.

5.1 Applicant Identification

As part of the Program application, 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 or State issued);
- Driver's License;
- Passport;
- Military ID Card; or
- Certificate of Naturalization or Permanent Resident Card.

5.2 Applicant Citizenship

Only U.S. citizens, non-citizen nationals, or qualified aliens, as defined in the following chart, are eligible to receive assistance.

| Status | Definition |
|----------------------|--|
| U.S. Citizen | A person born in one of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, or the Northern Mariana Islands; a person born outside of the U.S. to at least one U.S. parent; or a naturalized citizen. |
| Non-Citizen National | A person born in an outlying possession of the U.S. (e.g. American Samoa or Swain's Island) on or after the date the U.S. acquired the possession, or a person whose parents are U.S. non-citizen nationals. All U.S. citizens are U.S. nationals; however, not every U.S. national is a U.S. citizen. |

| Status | Definition |
|-----------------|---|
| Qualified Alien | <ul style="list-style-type: none"> - Legal permanent resident ("green card" holder) - An asylee, refugee, or an alien whose deportation is being withheld - Alien paroled into the U.S. for at least one year - Alien granted conditional entry (per law in effect prior to April 1, 1980) - Cuban/Haitian entrant - Aliens in the U.S. who have been abused, subject to battery or extreme cruelty by a spouse or other family/ household member, or have been a victim of a severe form of human trafficking - Aliens whose children have been abused and alien children whose parent has been abused who fit certain criteria |

If an applicant does not meet any of the above criteria, the household may still apply for and be considered for assistance if:

- Another adult owner meets the eligibility; or
- The parent or guardian of a minor child who is a U.S. citizen, non-citizen national, or a qualified alien applies for assistance on behalf of the child, as long as they live in the same household. The parent or legal guardian must register as the co-applicant.

As part of the Program application, all applicants must submit documentation to prove their citizenship. This documentation may include, but is not limited to, the following:

- Passport;
- Birth Certificate;
- Certificate of Naturalization;
- Certificate of Citizenship; or
- Permanent Resident Card ("green card").

If the applicant is unable to provide any of the documents listed above, on a case by case basis, the R3 Program will accept -as proof of citizenship or legal presence- documentation listed in the Interim Guidance on Verification of Citizenship, Qualified Alien Status and Eligibility Under Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 published by the United States Department of Justice, Federal Register Vol. 62, No. 221 (November 17, 1997), 62 FR 61344.

Temporary tourist visa holders, foreign students, temporary work visa holders, and habitual residents, such as citizens of the Federated States of Micronesia and the Republic of the Marshall Islands, are ineligible for the Program.

5.3 Intake Priority Period

During the first **ninety (90) days** of the application intake period, the following applicants will be given priority:

- **Elderly applicants:** Elderly applicants are those aged sixty-five (65) years or older at the time of application. The elderly applicant must be a head of household or co-head of household, as in the case of a married couple, to qualify for prioritization.
- **Disabled applicants:** Disabled applicants are those who have at least one household member who is disabled. The disabled household member need not be a head of household or co-head of household to qualify for prioritization.
- **Applicants with significant property damage:** At the time of application, if the applicant's home remains significantly damaged, with a blue-roof or totally destroyed, the applicant may qualify for prioritization. The R3 Program will use third-party data and/or documentation provided by the applicant to verify significant property damage for the purpose of prioritization.
 - In the event that significant damage cannot be verified using third party data, the applicant may sign a self-certification of significant damage and provide photographic evidence demonstrating significant damage. Self-certification and supporting photographs are subject to approval by the R3 Program.

Priority applicants who submit all documents required for eligibility review during this **ninety (90) days** period will be reviewed for eligibility prior to reviewing eligibility for non-priority applicants.

Priority for elderly or disabled applicants or those with significant property damage during this time does not preclude non-priority persons from applying during the first **ninety (90) days** of application intake. Non-priority applicants may apply and submit documentation required for eligibility review during the priority period. Eligibility review for non-priority applicants who submit all required documentation during the priority period will be reviewed for eligibility when all complete priority applications have been reviewed or after the end of the priority period, whichever comes first.

Applications submitted after the priority period ends will be reviewed in the order complete applications are received. Applications are considered complete at the point when all documents required for eligibility review are submitted by the applicant.

6 Program Eligibility

Applicants to the Program will be screened for eligibility to ensure compliance with Program requirements. Applicants will be required to provide complete and accurate information regarding their household composition, household income, and other eligibility criteria. Failure to disclose accurate and complete information may affect eligibility and all such instances will be referred to the Program for further action.

Applicants may be required to repay the Puerto Rico Department of Housing (**PRDOH**) if they are found to have submitted inaccurate or incomplete information to appear to meet eligibility requirements. This includes the forfeiture of a deferred forgivable lien and promissory note.

Each application will be reviewed for the following eligibility and benefit determination criteria:

- The property must be an eligible single-family structure;
- The property suffered damage due to Hurricanes Irma and/or María, as determined by a Program-conducted damage inspection.
- The applicant must have occupied the property as a primary residence at the time of the storm/s;
- The applicant must own the storm-impacted structure, at the time of the storm/s and after (including alternative methods of verification for informal housing);
- The applicant must qualify as a low- or moderate- income person;
- Duplication of Benefits (See the Duplication of Benefits section of these Guidelines);
- Non-compliant Federal Emergency Management Agency (**FEMA**) National Flood Insurance Reform Act of 1994 (**NFIRA**) applicants are ineligible for Program assistance.

6.1 Property Type

Only single-family owner-occupied residential units, located in Puerto Rico, will be eligible for the Program. Single-family homes, as defined by HUD, may include one- to four- unit dwellings. Single family units may include, but are not limited to:

- Duplexes;
- Manufactured Housing Units (**MHU**);
- Detached, stand-alone, stick-built or concrete residential structures.

Other structure types may be considered if the following can be demonstrated by the applicant:

- Structure was connected to utilities at the time of the disaster. Utilities must be in the applicant's name.
- Structure is fixed to a permanent location. Structures that are found to be mobile will be further investigated.
- The applicant owned the land on which the structure was located at the time of the storm/s.

Ineligible property types include, but are not limited to: travel trailers, campers, houseboats, group homes, and nursing homes.

Property type will be verified using tax records, federally maintained databases, such as FEMA Individual Assistance (**FEMA IA**) and Small Business Administration (**SBA**) disaster home loan datasets, or through a Program-conducted damage inspection.

6.2 Ownership

In accordance with Regulation No. 9081 of June 7, 2019, known in Spanish as "Reglamento Conjunto para la Evaluación y Expedición de Permisos Relacionados al Desarrollo, Uso de Terrenos y Operación de Negocios", any request related to the development and use of land in Puerto Rico, including construction work completed by the R3 Program, must be promoted by the owner of the property to obtain a construction permit.

Therefore, pursuant to Section 2.1.9.5 on Standing, proof of ownership documentation includes:

- House Deed ("Escritura Pública");
- Certification of the Puerto Rico Property Registry ("Certificación Registral"); or
- Declaration of Heirship ("Declaratoria de Herederos")
May include Instance inscription of heirs ("Instancia")

The R3 Program may review other documentation, as accepted by the Permit Management Office (**OGPe**, for its Spanish acronym). These will be considered on a case-by-case basis.

To the extent possible, PRDOH will validate ownership and/or primary residency through electronic verification utilizing locally or federally maintained registries, such as property tax databases and FEMA IA and SBA disaster home loan datasets. After conducting a due-diligence process, which may include efforts to clarify title, the Program may also allow alternative methods for documenting ownership, including an affidavit process. As needed, the Program will refer applicants to the Title Clearance Program for support in obtaining clear title.

6.2.1 Alternate Methods for Documenting Ownership

To reasonably accommodate households who lack the ownership documentation outlined above, applicants must provide alternative documentation and complete a notarized Ownership Affidavit that includes the length of time the applicant has lived at the disaster-damaged location, an explanation of circumstances that prevent standard verification, and which certifies that one of the following circumstances applies:

- There are no other parties who have the right to claim ownership;
- Any additional parties who have a right to claim ownership have also agreed to participate jointly as a co-applicant in the Program; or
- Any additional parties who have a right to claim ownership could not be located (after reasonable attempts to contact).

Notarized Ownership Affidavits must be accompanied by alternative forms of ownership documentation. Documents that will be considered include, but are not limited to:

- Property tax statements or receipts issued by Municipal Revenue Collection Center (**CRIM**, for its Spanish acronym)
- Mortgage payment book or other mortgage documents
- Home insurance indicating damaged property address
- Probated Will or Will accompanied with a Certificate of Validity
- Court Order or Judgment granting an ownership interest in the property
- Divorce Judgment granting an ownership interest in the property
- Private Contract for Sale: If the applicant purchased the property in a private owner sale the contract must be confirmed as satisfied with additional supporting documentation
- Proof that the applicant occupies the land with "right of use or enjoyment" and/or "right of construction" in accordance with applicable laws and regulations
- If the owner of the storm/s impacted structure died after September 20, 2017, the owner's heir/s may be eligible if, and only if, the heir/s can provide proof of heirship and a death certificate for the deceased owner.

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

All applicants who complete a notarized Ownership Affidavit to satisfy the ownership requirement will be referred to the Title Clearance Program.

6.3 Primary Residence

At the time of the storm/s, the damaged residence must have been occupied by the applicant and had to be the applicant's primary residence. Primary residence is defined as the property that is occupied by the applicant for the majority of the calendar year. Second homes, vacation residences, and seasonal rental properties are not eligible for assistance. Applicants who moved into the damaged property after the storm/s are not eligible for assistance under this Program.

To the extent possible, PRDOH will validate primary residency through electronic verification utilizing locally or federally maintained registries, such as FEMA IA or SBA disaster home loan databases.

Documentation used to verify primary residence includes, but is not limited to:

- 2017 Federal income tax return listing the damaged property address;
- 2017 Puerto Rico income tax return listing the damaged property address;
- FEMA IA award letter for damaged property address;
- SBA Disaster Home Loan award letter for damaged property address;
- Driver's license or state-issued ID card showing the damaged property address; issued prior to the date of the storm/s and expiring after;

- Utility bills addressed to applicant at damaged property address showing services were provided in the month preceding or month of the disaster (must indicate household utility usage during pre-storms time period);
- 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;
- Employer's statements, including pay stubs and similar employment documents (must be dated during pre-storms time period);
- Voter registration card (must have been current at the time of the disaster);
- Homestead exemption verified through property tax records (if applicable)²; and
- Other documentation will be reviewed and considered on a case by case basis.

Documents provided to demonstrate primary residency should include applicant's name, appropriate date demonstrating residence at the time of the storm/s, and damaged property address. None of the forms of documentation listed above, by itself, necessarily proves primary residence. The Program will review and assess all available documentation together and determine primary residence based on the applicant's demonstration of consistency across the variety of documentation provided. In the event that inconsistencies in documentation are found, the application may not move forward in the eligibility process until the inconsistencies are resolved by the applicant. All applicants to the Program bear the burden of proof for providing consistent evidence to prove primary residency at the time of the disaster.

Special Circumstances related to Primary Residency:

- Properties held in trust for the benefit of natural persons can be eligible for assistance if at least one of the occupants at the time of the storm/s was a current beneficiary of the trust. If the property was not the primary residence for the current beneficiaries or trustee(s), the applicant(s) is(are) not eligible for assistance. 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, all beneficiaries with an interest in the damaged property must sign the closing documents along with the trustee.
- Applicants/homeowners who were in the United States military and deployed outside of Puerto Rico at the time of the storm/s may qualify for the Program.
- Applicants/homeowners who were temporarily in a nursing home, assisted living, or other medical facility at the time of the storm/s may qualify for the Program.
- Applicants/homeowners who were incarcerated and residing at a law enforcement facility at the time of the storm/s may qualify for the Program.
- If the owner/occupant at the time of the storm/s subsequently died, the applicant (heir) may qualify for the Program if evidence is provided that the deceased

² See Act No. 195-2011, as amended, known as the Puerto Rico Homestead Exemption Act, 31 L.P.R.A. sec. 1858 et seq.

property owner and the applicant/heir used the home as his/her primary residence at the time of the storm/s.

6.4 Proof of Damage

Applicants must demonstrate that the damage or destruction to the property was a direct result of Hurricanes Irma and/or María. When possible, the Program will verify storm/s damage electronically using third party datasets. Disaster damage may be documented through the following methods:

- FEMA claim letter;
- SBA loan documentation;
- Insurance award letters;
- Insurance settlement and/or evidence of litigation;
- If the above-referenced documentation is not available, an inspection report (complete with photos of the damage and a written assessment of the damage) from a damage assessment conducted by a qualified Program Damage Assessor that certifies that the damage occurred due to the qualifying disaster may be used.

If an applicant was denied assistance by FEMA, assistance through the CDBG-DR Program may still be available. Applicants will not be refused housing assistance solely on the basis that the applicant was denied assistance by FEMA.

6.5 Income Verification and Household Size

All applicants must meet low- or moderate-income limits, which are adjusted for family size. Total annual household gross income, for all household members, must not exceed 80% income limits, as defined by adjusted income limits for Puerto Rico. See HUD Modified Income Limits for CDBG-DR Puerto Rico as well as *Impact to Demographics* in the Action Plan, as amended. These income limits apply to all municipalities in Puerto Rico and amended annually.

6.5.1 Household Size

A household is defined as all persons occupying the same unit, regardless of familial status or relationship to one another. Household members include all persons, including minor children and adults, who live in the damaged property currently or at the time of the disaster.

6.5.2 Calculating Household Income

Income for all household members will be considered when calculating annual household income. When determining the number of household members and annual household income, the following should be taken into consideration:

- Minor children are considered household members. Earned income of minor children is not considered as part of total annual household income. Unearned income attributable to minor children, such as child support or other benefits paid on behalf of a minor child are considered in the calculation of household income.

- Minor children who are subject to shared custody agreements may be counted as household members if the minor child lives in the residence at least 50% of the time.
- Temporarily absent family members are considered household members and their income is considered in calculation of household income, regardless of how much the temporarily absent family member contributes to the household.
- Paid, non-related, live-in aides, whether paid by the family or through a social service program, are not considered household members. Income of live-in aides is not considered in the calculation of household income. Related persons do not qualify as live-in aides.
- Permanently absent family members, such as a spouse who resides permanently in a nursing home, may be considered a household member, at the discretion of the head of household/program applicant. If the head of household opts to include a permanently absent family member in the household, the income of the permanently absent household member will be counted in the calculation of annual household income. If the head of household chooses not to include the permanently absent family member as part of the household, the income of the permanently absent family member will not be considered in the calculation of annual household income.

6.5.3 Income Verification Required Documentation

Applicants must provide income documentation for all household members age eighteen (18) and older at the time of Program application. Income types and associated documentation required for income verification may include, but are not limited to:

- Wages: Three (3) recent paystubs within the past **three (3) months**, W-2 Forms;
- Retirement/Social Security:
 - Three (3) Monthly Bank Statements (Social Security Benefits & Pension only),
 - Current Social Security Benefits letter (including benefits paid to minors),
 - Current Pension/Retirement Benefit letter (if applicable), or prior year 1099 form, and
 - Current Annuity Payment letter (if applicable), or prior year 1099 form;
- Self-Employment Income:
 - Most recent tax return (1040 or 1040A), W-2 Forms, and/or
 - 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);

- **No Income:** Adult household members who receive no income will be required to submit a Certification of No Income. These household members typically include those that are unemployed.

Documentation for other less common types of income will be assessed by the Program based on type of income reported.

6.6 Insurance Coverage

The Program will be supporting the repair and reconstruction of homes outside of the 100-year floodplain. However, in accordance with Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844, the Program may provide assistance for the repair and/or reconstruction of a house located in a floodplain if: (a) The homeowner had flood insurance at the time of the disaster and still has unmet recovery needs; or (b) the household earns less than the greater of 120% Area Median Income (**AMI**) or the national median and has unmet recovery needs. When any home being rehabilitated or reconstructed with federal disaster assistance is located in a Special Flood Hazard Area (**SFHA**), also known as the 100-year floodplain, then flood insurance is required. See Flood Insurance section of these Guidelines and Flood Insurance Requirements of the Cross-Cutting Guidelines found at www.cdbg-dr.pr.gov.

6.6.1 National Flood Insurance Reform Act (NFIRA) Non-Compliance

Applicants found to be non-compliant with the requirements of the National Flood Insurance Reform Act are not eligible for Program assistance. An applicant is FEMA non-compliant if they failed to obtain and maintain flood insurance after receiving federal funding for a previous disaster. Eligibility is verified by reviewing FEMA (IA) eligibility codes in the federal dataset for the event. Any records with ineligible code "NCOMP - non-compliant with Flood Insurance Requirement" or "NPND - NFIRA - NonCompliance", are FEMA non-compliant applicants and therefore ineligible for Program assistance. The entire FEMA IA dataset for hurricanes Irma and Maria will be reviewed for the applicable eligibility code to identify non-compliant households to ensure that no ineligible applicants are served.

6.7 Eligibility Determination

All applications will be thoroughly reviewed during the intake and eligibility process to ensure applicants are eligible for the Program prior to receiving assistance. Eligibility determinations will be made on housing assistance applications based on documentation submitted by the applicant and verification of information by third-party sources, including federal databases. These decisions will be made based on applicable statutes, codes of federal regulation, state and local codes and ordinances, local guidelines, and Program guidelines.

Applicants who are deemed eligible will be sent a R3 Preliminary Eligibility Determination Notification informing them of the eligibility decision. The correspondence will include a notice informing the applicant of the preliminary eligibility determination, an explanation of funding sources and restrictions, and a description of required next steps.

If at any point during the eligibility determination process, it is found that the applicant is ineligible for the Program, the applicant will be notified via an R3 Ineligibility Determination notification. This ineligibility notification will outline the eligibility determination made and outline next steps, if applicable, and instructions for how to submit a program-based reconsideration request, an administrative review request process, and/or judicial revision. The ineligibility notice will notify the applicant of the reason for ineligibility and outline the process to challenge the decision. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

7 Duplication of Benefits (DOB)

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, 42 U.S.C. §5121 *et seq.*, prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which he/she has received financial assistance under any other program, from private insurance, charitable assistance, or any other source. As such, PRDOH must consider disaster recovery aid received by Program applicants and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program's calculation of the applicant's total need prior to awarding assistance.

When possible, PRDOH will electronically verify disaster recovery assistance received through federally and locally maintained datasets, such as FEMA IA and SBA disaster home loan datasets.

7.1 Assistance Considered a Duplication of Benefits

The following are sources of assistance that may have been provided to applicants and are considered duplication of benefits. Under Federal law, these must be deducted from the assistance provided by the Program.

7.1.1 FEMA Individual Assistance (FEMA IA)

FEMA IA assistance may have been provided to applicants for home repairs. In the cases where applicants have received assistance for home repairs, such amount will be considered a duplication of benefits by the Program. FEMA IA will be determined and verified by the Program through FEMA provided datasets or through applicant provided information originating at FEMA such as a FEMA Award letter. If evidence is provided that the FEMA award included assistance for items not related to structure repair, then the amounts not related to structural repair will not be counted as a duplication of benefit.

7.1.2 Small Business Administration (SBA) Loans

Federal regulations deem SBA loans for repair to be a duplication of benefits for federally-funded repair Programs. If an applicant has executed a loan with SBA to cover the cost of repairs, the amount of the approved loan is considered a duplication of benefits. Similarly, if an applicant received relocation assistance from SBA and is now applying for relocation assistance with the Program, the SBA assistance is considered duplicative.

The Program will collect SBA information provided by the Applicant through the application process. In addition, the Program may obtain a data feed from 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 assistance categories (e.g. real property, personal property, vehicles, etc.).

7.1.3 FEMA National Flood Insurance Program Insurance (NFIP Insurance)

Payments for loss to dwellings under NFIP insurance policies will be deducted from the grant amount to be awarded. Payments for contents or other expenses are not deducted from the applicant's funding assistance award. The Program will collect NFIP insurance information from the applicant through the application process. In addition, the Program may work directly with NFIP to verify the information provided by the applicant. Flood insurance coverage provided by the Department of Treasury of Puerto Rico (Departamento de Hacienda de Puerto Rico) will also be evaluated for duplication of benefits.

7.1.4 Private Insurance

All property, flood or casualty insurance settlement amounts for loss to dwellings are deducted from the applicant's funding assistance award. Private insurance payments for contents or other expenses are not deducted from the applicant's funding assistance award. Insurance proceeds are initially determined by the Program through applicant provided information. Program applicants will authorize the Program to contact third-party private insurance providers to verify information provided by the applicants within their applications. Third-party re-verification will only occur if the applicant self-attests a claim was filed and cannot provide a claim summary.

7.1.5 Increased Cost of Compliance (ICC)

ICC insurance coverage provides for a claim payment to pay qualifying homeowners' cost to elevate, demolish, relocate, or flood-proof (non-residential buildings only) after a flood. The maximum amount of ICC available is \$30,000. ICC participants cannot receive federal or state assistance for work also covered by the available ICC benefits.

7.1.6 Other Funds

Funding received for the same purpose of a Program award, such as funding provided by a non-profit entity to assist applicant with rebuilding their home must be reported by the applicant 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 applicant, verified by the Program, and applied as a duplication of benefits by the Program.

7.2 Exceptions to Duplication of Benefits

Not all assistance received by an applicant is considered a duplication of benefit for housing repair or reconstruction. Therefore, there are types of assistance received by an applicant which will not constitute a duplication of benefits for housing repair or reconstruction. The Program will allow for reductions of duplication of benefit totals if the

applicant can prove that the use or control of the funds meet certain criteria. In accordance with Federal Register Vol. 76, No. 221 (November 16, 2011), 76 FR 71060, PRDOH may exclude for duplication of benefits purposes “assistance that was: (1) provided for a different purpose; (2) used for a different eligible purpose; (3) not available to the applicant; (4) a private loan not guaranteed by SBA; or (5) any other asset or line of credit available to the applicant.”³ Each of these categories is further described below.

7.2.1 Funds for a Different Purpose

Funds provided to an applicant for a purpose different from that of the assistance provided by the R3 Program or a general non-specific purpose may be excluded from the final duplication of benefit calculation if they were not used for the same purpose. The abovementioned Federal Register, 76 FR 71060, defines three (3) general categories for which homeowners generally receive assistance: (1) replacement housing; (2) repair assistance; or (3) interim (temporary housing).

- Funds provided for replacement housing are funds provided to assist an individual or household to secure a replacement home in the event their disaster-impacted home cannot be rehabilitated.
- Repair assistance includes funding provided to individuals or households to repair or reconstruct their disaster-impacted property.
- Interim (temporary) housing funds are those provided to an individual or household to secure housing while the individual or household is temporarily unable to reside in their disaster-impacted primary residence. Funding provided to temporarily make the storm-impacted property habitable, such as funding provided by FEMA's Sheltering and Temporary Essential Power Program (STEP, or Tu Hogar Renace) is considered to be funding provided for interim housing.

Funding received for purposes different from the purpose of assistance offered under the R3 Program may be excluded for purposes of duplication of benefit determination.

7.2.1.1 FEMA'S Sheltering and Temporary Essential Power (STEP) or Tu Hogar Renace Assistance received by an applicant from Tu Hogar Renace (**FEMA STEP**) will not be considered duplicative. FEMA STEP Recovery Program Guidance state that the purpose of this program is “to provide essential power to affected residences, thereby reducing the demand for other shelter options and allowing individuals to return to or remain in their home”.⁴ Repairs made under FEMA STEP are temporary in nature and intended to

³ <https://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-29634.pdf>

⁴ https://www.fema.gov/media-library-data/20130726-1858-25045-8258/step_pilot_program_final_111612.pdf

make the property temporarily habitable, thereby reducing the need for congregate sheltering or FEMA Temporary Shelter Assistance (**TSA**).

For these reasons, assistance received under Tu Hogar Renace is considered funding for a different purpose, specifically for the purpose of interim (temporary) housing.

7.2.2 Funds Used for a Different Eligible Purpose

Funds used for a different eligible purpose may be excluded from the final award calculation. In some instances, funds provided for the same general purpose as the CDBG-DR funds will have been used by the applicant for a different specific eligible purpose. In these circumstances, if the applicant can document that the funds received were used for a different -but eligible- purpose, then the funds are not duplicative. In these instances, the applicant may provide documentation, such as receipts or paid invoices, demonstrating that funding was spent on a different eligible use. The Program will review documentation submitted on a case-by-case basis.

7.2.3 Funds not Available to the Applicant

Funds that are not available to an applicant may also be excluded from the final award calculation. Funds are not available to the person or entity if the person does not have legal control of the funds when they are received and are used for a non-duplicative purpose. For example, if a homeowner's mortgage requires any insurance proceeds to be applied to reduce the lien balance, then the bank/mortgage holder (not the homeowner) has legal control over those funds. Therefore, the homeowner is legally obligated to use insurance proceeds for that purpose and does not have a choice in using them for any other purpose, such as to rehabilitate the house. Under these circumstances, insurance proceeds do not reduce assistance eligibility. Alternatively, if a disaster-affected homeowner chooses to apply insurance proceeds to reduce an existing mortgage, or requests that the lender demand payment, insurance proceeds reduce the amount of disaster assistance eligibility. In addition, if a mortgage requires insurance proceeds to be used for the repairing of the property, those proceeds must be considered as assistance for that purpose. A homeowner does not need to possess cash assistance to be considered as being in legal control over receiving benefits for a particular purpose.

7.2.4 Private Loans

Unlike SBA loans (or any other subsidized loan or Federal loan guarantee program that provides assistance after a major disaster or emergency), private loans not guaranteed by SBA need not be considered duplicative assistance. Congress provided for SBA loans (both direct and guaranteed) as part of the overall statutory scheme for disaster recovery. As such, SBA loans are made pursuant to a government program. Since private loans are not provided under a government program, they do not need to be considered as potentially duplicative assistance.

7.2.5 Other Assets or Lines of Credit

Other assets or lines of credit available to a homeowner or a business owner need not be included in the award calculation. This includes, but is not limited to: checking or savings accounts, stocks, bonds, mutual funds, pension or retirement benefits, credit cards, mortgages or lines of credit, and life insurance. Please note that these items may be held in the name of an individual or in the name of a business.

7.3 Excess Duplication of Benefits (DOB) Funding

Any assistance determined to be duplicative must be deducted from the Program's calculation of the applicant's total award prior to awarding assistance. The Program will reduce applicant awards through a reduced scope of work (award) for non-essential items associated with repair, reconstruction, or relocation, such as appliances that the applicant is able to fund on their own.

In some instances, there may be duplication of benefit in excess of the amount which may be reasonably deducted from the applicant's award via reduced scope of work. In these instances, the applicant is considered to have excess duplication of benefits. Applicants with excess DOB will be notified via a Duplication of Benefit Notification. Applicants must resolve the excess DOB within **thirty (30) days** after the document was sent by providing the Program with a cashier's check for the full amount of the excess DOB. Applicants who cannot resolve the excess DOB within those **thirty (30) days** will not be eligible for assistance under the Program.

Applicants deemed ineligible for failure to resolve excess DOB will be mailed an R3 Ineligibility Determination. The R3 Ineligibility Determination notifies the applicant of the reason for ineligibility and outlines the process to challenge the decision. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

8 Appraisals

An appraisal will be conducted for each damaged property to determine the current market value of the property. Appraisers must be duly licensed and qualified to conduct real estate property appraisals in Puerto Rico. The Program will contact the applicant to schedule the appraisal, which will be conducted concurrently with the Duplication of Benefits review, when possible.

Upon completion of the appraisal, the appraiser must prepare an appraisal report to include:

- A detailed description of the property appraised;
- General market data and comparable properties;
- Separate valuation for structure and land;
- Supporting information for valuation conclusions; and
- Certification of the appraisal, noted by the appraiser's signature

The appraisal, along with the damage assessment and location of the property, will be used when determining whether an eligible applicant will be offered repair, reconstruction, or relocation assistance. See Program Award Types section of these Guidelines.

9 Damage Assessments

A damage assessment of each property associated with an application determined to be preliminarily eligible shall be conducted. The damage assessment will be performed by qualified Program Damage Assessors. Damage Assessors must be experienced construction professionals and must be licensed engineers or architects in Puerto Rico in compliance with Act No. 173 of August 12, 1988, as amended, 20 LPRA § 711 *et seq.*, known as the “Board of Examiners of Engineers, Architects, Surveyors and Landscape Architects of Puerto Rico Act”.

The Damage Assessment, in addition to documenting actual damages sustained by the dwelling because of Hurricanes Irma and María, will also serve to establish the scope of work to be included in the award to the applicant.

Damage Assessors will coordinate the date and time for site inspection to conduct the damage assessment of the property with the applicant. During the site inspection, the Damage Assessor and the applicant, or his/her authorized representative, shall be present and the existing conditions of the dwelling's site, exterior and interior elements/components, shall be determined and documented.

Site elements and conditions to be assessed include, but are not limited to:

- Site restrictions;
- Site accessibility;
- Drainage systems;
- Site improvements such as: plantings, fences, lighting, paved areas, stairs, and retaining walls, among others; and
- Outbuildings; and yards and courts.

Exterior elements and conditions to be assessed include, but are not limited to:

- Foundation walls and piers;
- Exterior wall elements such as: wood elements, siding, shingles, stucco, brick or stone veneers;
- Exterior insulation and finish systems, among others; windows and doors; weather stripping; awnings; decks, porches and balconies; exterior railings and stairs;
- Roof weatherproofing and covering including: asphalt shingles, wood shingles or shakes, metal roofing, cement shingles, built-up roofing, single ply membranes, and roll roofing, among others;
- Skylights; gutters and downspouts;
- Parapets and gables;

- Lighting protection;
- Electrical service entry including: overhead wires, electric meter, and service entry conductor, among others;
- Water service entry including: curb valve, house service main, master shut-off valve, and water meter, among others; and septic tanks.

Interior elements and conditions to be assessed include, but are not limited to:

- Basement and crawl spaces;
- Fungal and insect infestation;
- Thermal insulation;
- Structure, electrical, plumbing, and HVAC systems;
- Walls and ceilings;
- Floors;
- Interior doors;
- Windows;
- Closets;
- Trim and finishes;
- Convenience outlets and lighting;
- HVAC sources;
- Skylights;
- Plumbing;
- Tub and shower enclosures;
- Ceramic tile;
- Counters and cabinets;
- Electrical service;
- Storage spaces;
- Stairs and hallways;
- Smoke detectors;
- Laundries;
- Roof trusses and joist spaces;
- Main panelboard;
- Branch circuits;
- Water distribution piping; and
- Equipment such as water heaters, plumbing components, water wells, pumps, gas supply components, and air conditioning units and their components, among others.

Upon completion of the site inspection, the Damage Assessor shall prepare a comprehensive report of the damages and conditions observed. The report shall set forth the following:

- The total, and itemized, estimated cost of required repairs to bring the home to its pre-storm conditions in conformity with applicable codes, specifications, and standards;
- A quantification of the value of repair works already implemented by the applicant using other sources of funds such as FEMA IA, SBA assistance, and insurance proceeds, etc.;
- Evidence of the damages observed during the site inspection;
- Any extraordinary conditions identified during the site inspection (engineering or otherwise) that may not allow the Program to effectively repair the home and therefore may trigger reconstruction or relocation. Examples of such conditions may include, but are not limited to: the failure (beyond repair) of critical structural elements, potential for landslides, potential for the home to be flooded during rain events, and any other hazardous conditions of the structure or its site that may put lives at risk;
- A recommended course of action to be taken by the Program (e.g. Repair, Reconstruct, or Relocation); and
- Any other pertinent information documented or observed during the site inspection.

Assistance will be provided to applicants based on the Program's estimate of the cost to repair the home. Due to limitations of funds available for the recovery, the Program will assess applicants' cost of repairs at an economy-grade standard of materials, noted as "Standard Grade." Therefore, it is possible that the Program's assessment of the value of repairs or reconstruction will be lower than other assessments that an applicant 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. The Program's pricelist for eligible expenses, or unit prices, will be included in each Construction Manager contract signed with PRDOH. As required by 83 FR 5844, executed contracts funded by CDBG-DR will be published at www.cdbg-dr.pr.gov, when available.

10 Environmental Review

Environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. Every project undertaken with Federal funds, and all activities associated with such project, 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 C.F.R. § 58 on Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. Therefore, an environmental review process is required for all awards to be issued under the Program to ensure that the proposed activities do not negatively impact the surrounding environment and that the property itself will not have an adverse environmental or health effect on end users.

Specifically, 24 C.F.R. § 58.22 on limitations on activities pending clearance, prohibits the commitment or spending federal or non-federal funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environmental review. Environmental clearance must be obtained for each project prior to the commitment of Federal or non-federal funds. A violation of this requirement may jeopardize Federal funding for the Program and disallow all costs that were incurred before completion of the environmental review.

Laws and regulations which contain environmental provisions with which the Program must be in compliance include, but are not limited to:

- Protection of Historic Properties (36 C.F.R. § 800)
- Floodplain Management and Protection of Wetlands (24 C.F.R. § 55, Executive Order 11988 and Executive Order 11990)
- Sections 307 (c) and (d) of the Coastal Zone Management Act of 1972 (**CZMA**), as amended, (16 U.S.C. § 1456)
- Sole Source Aquifers (40 C.F.R. § 149)
- Interagency Cooperation - Endangered Species Act of 1973, as amended (50 C.F.R. § 402)
- Section 7 (b)(c) of the Wild and Scenic Rivers Act of 1968 (WSRA), as amended, (16 U.S.C. § 1278 - Restrictions on Water Resources Projects)
- Air quality provisions as found in Sections 176 (c) and (d) of the Clean Air Act, as amended, (42 U.S.C. § 7506) and in Title 40 of the Code of Federal Regulations (40 C.F.R. Parts 6, 51, and 93)
- Farmland Protection Policy Act (**FPPA**) (7 U.S.C. § 4201 *et seq.*, implementing regulations 7 C.F.R. Part 658, of the Agriculture and Food Act of 1981, as amended)
- Environmental Criteria and Standards
 - Noise Abatement and Control (24 C.F.R. §§ 51.100 - 51.106)
 - Siting of HUD-Assisted Projects Near Hazardous Operations Handling Conventional Fuels or Chemicals of an Explosive or Flammable Nature (24 C.F.R. §§ 51.200 - 51.208)
 - Siting of HUD Assisted Projects in Runway Clear Zones at Civil Airports and Clear Zones and Accident Potential Zones at Military Airfields (24 C.F.R. § 51 §§ 51.300 - 51.305)
- Toxic/Hazardous Materials (24 C.F.R. § 58.5(i)(2)(i))
- Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations (Executive Order 12898 signed on 1994)

All Program awards must have documentation that they comply with NEPA and other environmental requirements. Therefore, all projects shall have an Environmental Review Record (**ERR**) as required by NEPA and related laws. The ERR for the projects shall set forth (a) the existence of negative impacts on a site, (b) the means to mitigate negative impacts, (c) alternatives to the project (if needed), and (d) the rejection of the proposed activities if all other options fail and it becomes the most prudent action to take. For more

information on Environmental Review, please refer to the Cross-Cutting Guidelines found at www.cdbg-dr.pr.gov.

Environmental reviews for this Program will be conducted after those regarding the duplication of benefits, but concurrently with the damage assessment, when feasible. Environmental reviews must be completed prior to determining Program assistance to be offered to an eligible applicant. On a case-by-case basis, additional costs may be included in the scope of work associated with repair, reconstruction or relocation award (e.g. costs associated with abatement of environmental hazards, special considerations for historic preservation, or other environmental considerations).

10.1 Environmental Level of Review

To conduct the appropriate level of environmental review the Program will need to determine the environmental classification of the project. The term "project" may be defined as an activity or group of activities geographically, functionally, or integrally related, regardless of funding source, to be undertaken by the Program in whole or in part to accomplish a specific objective. The three (3) major environmental classifications for projects and their descriptions are as follows.

10.1.1 Exempt Activities

These are activities which, by their nature, are highly unlikely to have any direct impact on the environment. Accordingly, these activities are not subject to most of the procedural requirements of environmental review. If a project is determined to be exempt, the Program must document in writing that the project is exempt and meets the conditions for exemption spelled in 24 C.F.R. § 58.34. In addition to making the written determination of exemption, the Program must also determine whether any of the requirements of 24 C.F.R. § 58.6 are applicable and address as appropriate.

10.1.2 Categorically Excluded Activities

These are activities for which no Environmental Impact Statement or Environmental Assessment and finding of no significant impact under NEPA is required. These activities are divided into those that are and those that are not subject to related laws and authorities at 24 C.F.R. § 58.5.

Examples of categorically excluded activities not subject to related laws and authorities under 24 C.F.R. § 58.5 include: tenant based rental assistance; supportive services; operating costs; economic development activities; activities to assist homebuyers to purchase existing dwelling units or units under construction; and affordable housing predevelopment costs with no physical impact. To complete environmental requirements for categorically excluded activities not subject to 24 C.F.R. § 58.5, the Program must make a finding of categorical exclusion and include such finding in the Environmental Review Record. When these kinds of activities are undertaken it is not required to issue a public notice or to submit a request for release of funds. In any case, environmental compliance is required for the items listed in 24 C.F.R. § 58.6.

Examples of categorically excluded activities subject to related laws and authorities under 24 C.F.R. § 58.5 include: acquisition, repair, improvement, reconstruction, or repair of public facilities; special projects directed toward the removal of material and architectural barriers; and repair of buildings and improvements for residential units and non-residential buildings. The Environmental Review Record for these activities must contain a written determination of the finding of a categorical excluded activity subject to 24 C.F.R. §58.5 including a description of the project, a citation of the application subsection of 24 C.F.R. § 58.35(a), and written documentation as to whether there were any circumstances which required compliance with 24 C.F.R. § 58.5 and 58.6.

The documentation must support its determinations related to compliance including correspondence with applicable agencies having jurisdiction. Upon completion there should be one of three (3) environmental findings: (1) the project converts to Exempt (i.e. 24 C.F.R. § 58.34(a)(12)); (2) the project invokes compliance with one or more of the laws and/or authorities and, therefore, requires public notification and approval from HUD; or (3) the unusual circumstances of the project result in a significant environmental impact and, therefore, compliance with NEPA is required. If upon completion it is determined that compliance is required for one or more of the Federal laws and authorities listed in 24 C.F.R. § 58.5, then a public notification known as Notice of Intent to Request Release of Funds must be posted. After a **seven (7) day** comment period, a Request for Release of Funds and Environmental Certification must be prepared. The Environmental Certification certifies the compliance with all environmental review requirements.

10.1.3 Activities Requiring an Environmental Assessment

These are activities which are neither exempt nor categorically excluded and, therefore, will require an Environmental Assessment documenting compliance with NEPA, HUD, and with the environmental requirements of other applicable federal laws. Once the Environmental Review has been completed and any comments addressed appropriately, the project may be found to not constitute an action that significantly affects the quality of the human environment and, therefore, does not require the preparation of an Environmental Impact Statement; or the project constitutes an action that significantly affects the quality of the human environment and, therefore, requires the preparation of an Environmental Impact Statement. For this Program, any action that would require an Environmental Impact Statement is highly unlikely.

If it is determined that the action does not significantly affect the quality of the environment, then the Program will post a public notice called a Combined/Concurrent Notice of Finding of No Significant Impact (FONSI) and Notice of Intent to Request Release of Funds (NOI/RROF). The NOI/RROF Environmental Certification must be submitted to HUD no sooner than **fifteen (15) days** after publishing the combined/concurrent notice (NOI/RROF) and FONSI and HUD will hold the Release of Funds for a **fifteen (15) day** period to allow for public comment on the RROF. If no comments are received during this time, HUD will send a signed Authorization to Use Grant Funds and the project may proceed.

10.2 Tiered Environmental Review

To streamline the environmental review process and prevent duplication of efforts, the Program will use a tiered approach for environmental compliance. A tiered approach is appropriate when a specific type of activity that will take place in several locations, will serve the same function, and will have the same level of environmental impact regardless of the location where it is to be implemented. The tiered approach has two (2) parts: the broad environmental review that focuses on a targeted geographic area (the Tier 1), and the unspecified site review (the exact physical location of the project not presently known) (the Tier 2).

The Tier 1 review will address and analyze those environmental impacts related to the proposed action that might occur on a typical site within the geographic area (e.g. floodplain, coastal zone, wetlands, aboveground storage tanks, etc.). The Tier 2 review will identify those environmental impacts that will vary by site and may only be observed when specific project locations are known (e.g. historic preservation, hazardous materials, noise abatement, asbestos removal, etc.).

The components of the Tier 1 review will include all the following:

- A clear statement of all the related activities and funding sources;
- Identification of the targeted geographic area;
- Identification and evaluation of the environmental factors and effects that can be decided upon immediately;
- Publishing and dissemination notice for entire action;
- Submission of a Request for Release of Funds and Certification for the entire action;
- HUD approval of the Tier 1 Review; and
- Documentation of compliance with "Other Requirements" set forth at 24 C.F.R. §58.6.

The Tier 2 review will include specific written strategies for addressing the environmental effects that can only be determined when specific sites become known (i.e. site acceptability criteria and standards-including mitigation measures, historic preservation, airport clear zones, explosive and flammable operations, toxic/hazardous/radioactive materials, contamination, chemicals, or gases).

Tier 2 reviews will not require notices or approval from HUD, unless it is determined that there are unanticipated impacts or impacts not adequately addressed in the prior tiered review. There must be written documentation of compliance before funds are committed to specific sites. If any project deviates from the tiered review -and the approved site-specific compliance strategies- then separate environmental reviews must be prepared for those projects.

Tiered reviews for the Program will be valid for up to **five (5) years**, unless conditions or circumstances change. To be certain that conditions or circumstances have not changed, the Program will assess the tiered Environmental Review, at least once a year,

to ensure the scope of the target area has not changed, the list of activities evaluated for environmental impacts has not changed, and the information contained in the tiered environmental review is still current and relevant to the environmental findings that were made.

10.3 Lead Hazard Assessments

Lead is a highly toxic metal that may cause a range of health problems, especially on young children. When lead is absorbed into the body, it can cause damage to the brain and other vital organs, such as the kidneys, nerves, and blood. Both inside and outside the home, deteriorated lead-paint mixes with household dust and soil and becomes introduced to the home. Children may become lead poisoned by touching or putting lead-contaminated objects in their mouths, eating paint chips found in homes with peeling or flaking lead-based paint, or playing in lead-contaminated soil.

Most of the lead found in homes comes from lead-based paint, which was used in homes built before 1978. When old paint cracks and chips, it creates lead dust. Often, the dust is so small that it cannot even be seen. Lead poisoning is most often caused by swallowing or breathing in lead dust by accident. Lead can also be found in other places within a home. Sometimes lead can be found in water that travels through lead pipes or in soil.

Whenever federal funds, such as CDBG-DR, are used to assist housing built before 1978, steps must be taken to address lead hazards. A lead-based paint hazard is any condition that causes exposure to lead from dust-related hazards, soil-lead hazards, or lead-based paint that is deteriorated, or present in chewable surfaces, friction surfaces, or impact surfaces that would result in adverse human health effects. The Program will comply with provisions for lead reduction found at 24 C.F.R. § 35- LEAD-BASED PAINT POISONING PREVENTION IN CERTAIN RESIDENTIAL STRUCTURES.

Lead hazard assessments are on-site investigations to determine the existence, nature, severity, and location of lead-based paint hazards accompanied by a report explaining the results and options for reducing lead-based paint hazards, see 40 C.F.R. § 745.227(d)(11) for report guidelines. All lead hazard assessments for the Program will be performed by Risk Assessors or Lead-Based Paint Inspectors certified by the U.S. Environmental Protection Agency (**EPA**) or the Puerto Rico Environmental Quality Board (Junta de Calidad Ambiental (**JCA**)).

Lead hazard assessments for the Program will cover:

- Identification of the existence, nature, severity, and location of lead-based paint hazards, including soil and dust hazards as well as paint (or documentation that no such hazards have been identified); and
- Description of the options for controlling lead hazards in the event that hazards are found, including interim controls and abatement measures.

The lead hazard assessment process for the Program will begin with the collection of information about the property from the owner using HUD-approved forms. The Risk Assessor or Lead-Based Paint Inspector will use this information to make decisions about the location of the environmental testing within the dwelling of the property.

The lead hazard assessment will entail:

- A visual assessment of the selected dwelling units and common areas; and
- Environmental testing, which includes testing of deteriorated paint and (if needed) other painted surfaces and collection of dust and soil samples.

The Program will pursue the testing of paint with X-ray fluorescence (**XRF**) analyzers but sometimes the collection of paint chip samples may be required. Environmental samples will be sent to a certified laboratory for analysis of lead in paint, dust, or soil, as applicable.

When the lab results or XRF measurements are received, the Risk Assessor or Lead-Based Paint Inspector will review and analyze the data, including visual assessment results, environmental sampling results, among others. The Risk Assessor will then draft the report identifying lead-based paint hazards and acceptable lead hazard reduction options. Lead hazard reduction options must include abatement of all identified lead hazards.

10.4 Asbestos Surveys

Because of its fiber strength and resistance to heat, asbestos has been used in a variety of building construction materials for insulation and as a fire retardant. Asbestos has also been used in a wide range of manufactured goods, mostly in building materials (roofing shingles, ceiling and floor tiles, paper products, and asbestos cement products), friction products (automobile clutch, brake, and transmission parts), heat-resistant fabrics, packaging, gaskets, and coatings.

Asbestos fibers may be released into the air by the disturbance of asbestos-containing materials during product use, demolition work, building or home maintenance, repair, and remodeling. In general, exposure may occur when asbestos-containing materials are disturbed or damaged in some way to release particles and fibers into the air. Exposure to asbestos increases risk of developing lung diseases.

In general, the greater the exposure to asbestos, the greater the chance of developing harmful health effects. Disease symptoms may take many years to develop following exposure.

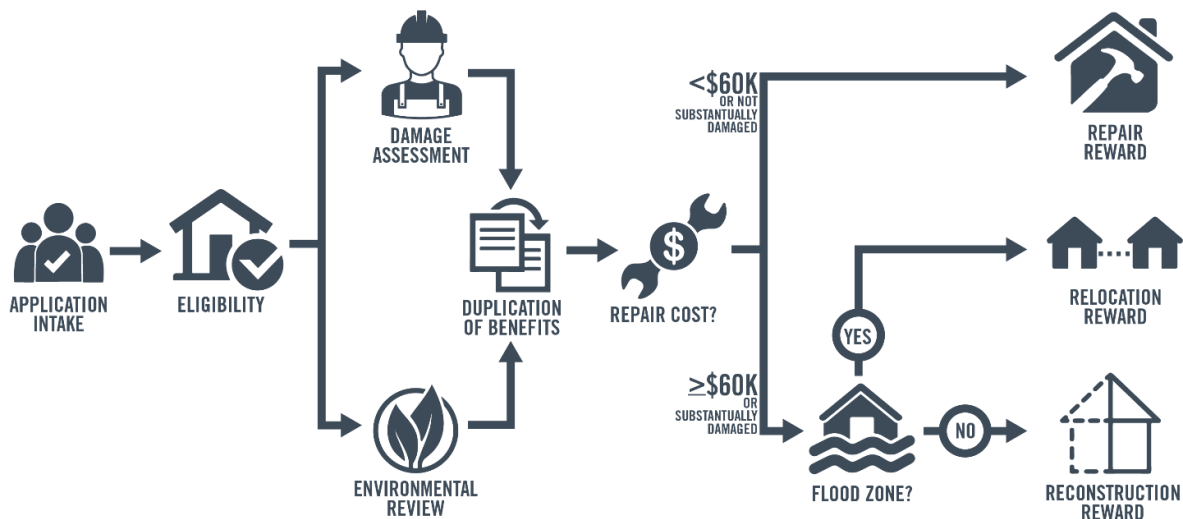
The National Emission Standards for Hazardous Air Pollutants (**NESHAP**) regulations under the Clean Air Act specify work practices for asbestos to be followed during demolitions and renovations of all structures, installations, and buildings. The regulations require notification to the pertinent State agency before any demolition, or before any renovations of buildings that could contain a certain threshold amount of asbestos or asbestos-containing material. Therefore, the Program must perform an asbestos survey before conducting any repair or reconstruction work.

An asbestos survey is used to locate and describe asbestos-containing materials in a structure. The Program will conduct comprehensive building asbestos surveys through inspection of the properties. All asbestos surveys for the Program will be performed by Asbestos Inspectors certified by EPA or the Puerto Rico JCA (for its Spanish acronym). The asbestos surveys will visually review all suspect asbestos-containing materials associated with the buildings' interior and will collect samples for laboratory analysis.

During the survey process, every effort shall be made to collect required samples in the least destructive manner possible. The nature of the asbestos survey will be to determine the location and extent of asbestos-containing materials that may be disturbed during repair or demolition activities. Samples of presumed asbestos-containing materials shall be processed or evaluated by accredited laboratories for testing of asbestos presence in materials. Asbestos content determination shall be performed, as necessary, by utilizing Polarized Light Microscopy, Point Counting, and Transmission Electron Microscopy.

11 Program Award Types

If eligible and awarded, housing assistance award type determinations are based on the following factors: damage/project scope of work needed; current value of the damaged home; and location of damaged property, including location in relation to Special Flood Hazard Area (SFHA). Floodplain determinations will be made based on the flood zone designation of the project site. For floodplain determination purposes, the project site is defined as only the structure or construction area. Typically, the construction area refers to the structure or footprint of the structure (if the structure was totally destroyed) located at the damaged property.



11.1 Repair Award

Homes with an estimated cost of repair less than \$60,000 or 50% of the current assessed value of the home, whichever is less, will be rehabilitated in place. Estimated cost of repair will be determined through a Program damage assessment. Homes which are

located in or outside of a floodplain may be rehabilitated. However, in accordance with 83 FR 5844, the Program may only provide assistance for the repair/reconstruction of a house located in a floodplain if: (a) The homeowner had flood insurance at the time of the disaster and still has unmet recovery needs; or (b) the household earns less than the greater of 120% AMI or the national median and has unmet recovery needs. Floodplain designation will be determined by the site-specific environmental review.

Homes located in a floodplain which qualify for repair that is considered a substantial improvement, as defined in 24 C.F.R. § 55.2, will not be rehabilitated in place. Rather, eligible applicants with homes in a floodplain that require substantial improvement repairs will be offered Program assistance to relocate to a property outside the floodplain. See Relocation section of these Guidelines.

Substantial improvement is defined as either:

- a) Any repair, reconstruction, modernization or improvement of a structure, the cost of which equals or exceeds 50% of the market value of the structure either: 1) Before the improvement or repair is started; or 2) If the structure has been damaged, and is being restored, before the damage occurred; or
- b) Any repair, reconstruction, modernization or improvement of a structure that results in an increase of more than 20% in the number of dwelling units in a residential project or in the average peak number of customers and employees likely to be on-site at any one time for a commercial or industrial project.

Any obsolete products replaced as part of the repairs must be replaced with ENERGY STAR, Water Sense, or other Federal Energy Management Program (**FEMP**) designated products or appliances, as per 83 FR 5844. Homes that cannot be repaired under existing Program caps, due to legal, engineering or environmental constraints (permitting, extraordinary site conditions, etc.) will be considered not suitable for repair. Eligible applicants with homes deemed not suitable for repair will be offered relocation or reconstruction assistance.

11.2 Reconstruction Award

Homes not located in the 100-year floodplain become eligible for reconstruction when the home is deemed to be substantially damaged. Substantially damaged structures are defined as those that suffered damage equal to or greater than 50% of the cost of repair as compared to the current market value of the structure. For R3, homes qualify for reconstruction when the estimated cost of repair is greater than or equal to \$60,000 or 50% of the current assessed value of the home, whichever is lesser - as confirmed through Program inspection, or if a feasibility inspection determines that reconstruction is

required.⁵ The 100-year floodplain means the floodplain of concern for this part and is the area subject to inundation from a flood having a 1% or greater chance of being equaled or exceeded in any given year. The R3 Program will use the most current, approved version of FEMA's Flood Insurance Rate Map (**FIRM**) to identify whether a property is located within or outside of the 100-year floodplain.

Homes meeting the reconstruction damage threshold will be reconstructed in substantially the same footprint, when feasible, to include resilient measures in structural materials.

Homes that may not be rebuilt in place due to legal, engineering or environmental constraints (permitting, extraordinary site conditions, etc.) will not be reconstructed and the homeowner will be provided relocation options.

Reconstruction will meet standards in International Building Code adopted by Puerto Rico and will incorporate Green Building Standard features and resilience measures to the extent possible. Homes reconstructed by the Program will comply with requirements of an industry recognized Green Building Standard⁶ or the Green Permit (known locally as Permiso Verde)⁷ issued by OGPe, as approved by HUD. See Green Building Standards section of these Guidelines.

11.3 Relocation Award

Homes located in the 100-year floodplain that are substantially damaged or require substantial improvement will not be reconstructed in place.

In these instances, as a condition of remaining in the Program, eligible homeowners will be offered relocation to a suitable home outside the floodplain using Program assistance. The Program will acquire the original damaged property and provide the applicant a credit equal to the post-storms appraised value of the home on a deferred forgivable lien and promissory note for the replacement property they intend to relocate. The post-storms appraised value of the home will be reduced by any duplication of benefits received by the applicant. However, duplication of benefits will never reduce an applicant's available credit below the land value of the original parcel.

If the replacement property requires repair to ensure a safe and sanitary condition for occupancy, the Program will provide repairing activities in accordance with the repairing standards of the Program, addressed above, not to exceed \$60,000 or 50% of the current assessed value of the home, whichever is less.

⁵ Current assessed value is used due to the limited availability of island-wide data for pre-storm values.

⁶ 83 FR 5861 defines Green Building Standard as construction which meets an industry-recognized standard that has achieved certification under one of the following programs: (i) ENERGY STAR, (ii) Enterprise Green Communities, (iii) LEED, (iv) ICC-700 National Green Building Standard, (v) EPA Indoor AirPlus, or (vi) any other equivalent comprehensive green building program acceptable by HUD.

⁷ HUD accepted Permiso Verde as an equivalent comprehensive green building program on January 31, 2019.

The Program will hold a dual real estate closing with the applicant to include: 1) title transfer of the original damaged property to PRDOH; and 2) purchase of the replacement property that the applicant will be relocated in. The Program will provide the seller of the new property with the full sale price and the buyer/applicant will sign a deferred forgivable and lien with PRDOH equal to the sale price minus the credit allowed from the prior damaged property. The Program will provide up to \$150,000 assistance for the combined cost of replacement and repairing. The maximum purchase price allowed by the Program will be \$150,000; credit for the applicant's storm-impacted property shall not increase the allowed maximum purchase price over \$150,000.

The deferred forgivable lien and promissory note will require the applicant to own the replacement home and use the home as their primary residence for a period of fifteen (15) years. Applicants will be required to certify their compliance with this requirement on an annual basis for the first five (5) years of their compliance period. Thereafter, applicants will be monitored for compliance by the Program every third year. If a homeowner moves or sells the home within the first five (5) years, the entire (100%) amount of the benefit received must be repaid in full to PRDOH. If a homeowner moves or sells the home after five (5) years, but before completing the fifteen (15) year affordability period, the amount of benefit that must be repaid will be determined by the amortization schedule for the remaining years. See Ownership and Occupancy Period Requirements section of these Guidelines.

11.3.1 Demolition and Maintenance of Acquired Property

Damaged properties acquired by PRDOH as part of relocation will be demolished after the applicant moves into the replacement home and the title to the damaged property is transferred to PRDOH. It is PRDOH's intent to keep these properties as vacant lots and refer them to other programs, such as the Whole Community Resilience Planning program, for further consideration of long-term use as outlined in the Action Plan. This is to ensure that vacant lots located in hazardous areas are not redeveloped with CDBG-DR Program funds and then later considered for buyout activities through other initiatives. Holding the properties for consideration of future resilient activities will ensure cost effective efforts are realized in pursuit of a whole community approach.

11.4 Reconstruction and Relocation Unit Size and Exceptions

Applicants eligible for relocation or reconstruction assistance will be awarded a reconstructed or replacement home (relocation) based on household size. Applicants will be awarded a unit sized according to the number of bedrooms needed to accommodate the household, up to the Program cap of four (4) bedrooms. The Program, on a case-by-case basis, may allow assistance for reconstruction of homes with more than four (4) bedrooms, if the household size exceeds eight (8) persons and it is cost-effective to do so. The following factors will be considered when determining the unit size an applicant qualifies for:

- No more than two (2) persons are required to occupy a bedroom;

- Persons of different generation (i.e. grandparent, parents, and children), adult persons of the opposite sex (other than spouses/couples) and unrelated adults are not required to share a bedroom;
- Adults living as a couple (whether or not legally married) will be required to share a bedroom for size issuance purposes;
- Children of the same sex will be required to share a bedroom for size issuance purposes;
- Duplication of Benefits - Unit size and/or the total number of bedrooms may be reduced to resolve a duplication of benefits gap.

Sample unit size scenarios for two- through four-bedroom units are outlined below. Other household composition will be awarded unit size based on the items outlined above. PRDOH will consider exceptions to unit size determinations on a case-by-case basis.

| Unit Size | Household Composition |
|------------|---|
| 2 bedrooms | <ul style="list-style-type: none"> • 1 adult or one couple • Adult/couple plus one child • Adult/couple plus two children of the same sex |
| 3 bedrooms | <ul style="list-style-type: none"> • 1 adult or one couple plus two children of opposite sex • Adult/couple plus three children • Adult/couple plus four children (two boys and two girls) |
| 4 bedrooms | <ul style="list-style-type: none"> • 1 adult or one couple plus four or five children • 4 or more adults or adult/couples |

To reduce the required time from award to completion as related to reconstruction and relocation with new construction awards, the Program will provide plans and specifications for “model homes” available to applicants. The Program shall have available two-, three-, and four-bedroom “model homes.” Types of designs for these “model homes” shall include:

- **Single-Story or two-story Detached Homes:** Homes for construction in urban or suburban lots with front, rear, and lateral yard space in accordance with zoning regulations. These types of homes must not share walls with adjacent homes (no rowhouse nor twin house configuration). These types of homes shall have two-bedroom, three-bedroom, and four-bedroom options available. Two-story options will be provided only in instances when lot dimensions or zoning regulations require two-story homes.
- **Party-Wall Homes (Single or Two Story):** Homes for urban lots where space is at a premium. These homes are to be built in generally narrow urban lots where the unit lateral walls meet the lot's limit, adjacent to neighboring building walls. Here, lateral yards are impractical. Thus, the availability of natural light and ventilation must be achieved by incorporating creative design solutions such as non-continuous yards or wells. These models must have a rear yard as per zoning regulations, but a front yard may not be required or desirable. These types of

homes shall have one-bedroom, two-bedroom, three-bedroom, and four-bedroom models available.

All designs of “model homes” will have at least three (3) front façade design alternatives. However, if the home is to be built on a historic district the façade may have to be submitted for further permit requirements. Furthermore, all “model homes” shall have options for applicants to choose from such as exterior paint color schemes, cabinets color scheme, floor color schemes, and any other optional component that will not have an impact on costs.

Minimum area for spaces in the model homes will be as follows:

| Space | 2-Bedrooms | 3-Bedrooms | 4-Bedrooms |
|-------------------------|--|--|--|
| Front Porch | 60.0 sq. ft. | 60.0 sq. ft. | 60.0 sq. ft. |
| Kitchen | 90.0 sq. ft. | 90.0 sq. ft. | 90.0 sq. ft. |
| Living / Dining Area | 240.0 sq. ft. | 240.0 sq. ft. | 240.0 sq. ft. |
| Bedrooms (w/ Closet) | 120.0 sq. ft. (at least one) 110.0 sq. ft. (others) | 130.0 sq. ft. (at least one) 110.0 sq. ft. (others) | 130.0 sq. ft. (at least one) 110.0 sq. ft. (others) |
| Total Min. Area | 800.0 sq. ft. | 1,000.0 sq. ft. | 1,200.0 sq. ft. |

Minimum requirements for “model homes”, other than compliance with all applicable codes, are as follows:

- For design development before a site is selected the design of the “model home” shall assume:
 - The current approved requirements for zoning district classification R-1 or its equivalent;
 - The lots in which a “model home” will be built are flat and that the ground has adequate bearing capacity for the proposed structure;
- All rooms of the “model home” must have access to natural light and ventilation. Bathrooms may be the only exception to this requirement, although it is desirable to comply with it whenever possible;
- Bathrooms shall have showers (no bathtubs);
- All doors must have a minimum 32-inch clear door opening width;
- Kitchens must be open to the dining area;
- Roof waterproofing system must comply with the Building Energy Code and installation must be uplift resistant;
- All homes must incorporate resilient measures, which, at a minimum, must include:
 - Rough-in for photovoltaic cell panels and electricity generator installation;
 - 600-gallon PVC cistern (UV resistant), anchored to withstand hurricane force winds according to applicable codes;

- All “model home” components must resist hurricane force winds as per applicable codes and materials must be waterproof as much as possible;
- Rough-in for gas stove where gas tanks are placed outside the home, as well as electrical outlet (120-240 volts) for electrical stoves;
- Primary material of construction for the structure and site will be concrete with local manufactured cement;
- Manufactured and modular homes may be used.

All “model home” designs shall be submitted to the OGPe and obtain preliminary construction permits for designs when no site has been selected (Aprobación de Planos Seguros).

11.5 Green Building Standards

Comprehensive green building standards improve the lives of residents, support community revitalization, and protect the environment. There are significant social, environmental, financial and health benefits to incorporating a comprehensive set of green building standards. While some housing Programs may start off with a partial approach to “going green”, the greatest benefits accrue from adopting a holistic green building standard that results in resource conservation, healthier living environments, and restored neighborhoods.

The Green Building Standard requirements are followed as stated in 83 FR 5844, requiring all new construction and replacement of substantially damaged residential buildings to meet the Green Building Standard, by meeting an industry recognized standard that has achieved certification under at least one of the following Programs:

- ENERGY STAR (Certified Homes or Multifamily High-Rise);
- Enterprise Green Communities;
- LEED (New Construction, Homes, Midrise, Existing Buildings Operations and Maintenance, or Neighborhood Development);
- ICC–700 National Green Building Standard;
- EPA Indoor Air Plus (ENERGY STAR a prerequisite); or
- Any other equivalent comprehensive green building Program acceptable to HUD.

For the repairing of non-substantially damaged residential structures, PRDOH will follow - to the extent they are applicable to the construction methods utilized on the Island- the guidelines specified in the HUD CPD Green Building Retrofit Checklist.⁸ When older or obsolete products are replaced as part of repair work, PRDOH will use products and appliances with ENERGY STAR labels, Water Sense labels, or FEMP equivalent designations. For specific required equipment or materials for which an ENERGY STAR- or

⁸ <https://www.hudexchange.info/resource/3684/guidance-on-the-cpd-green-building-checklist/>

Water Sense- labeled or FEMP-designated product do not exist, the requirement to use such products does not apply.

11.6 Accessibility Accommodations

Additional modifications to increase accessibility for applicants or household members of applicants who have access and functional needs is an allowable part of the repair, reconstruction, or relocation assistance provided by the Program. Eligible applicants who require additional accessibility accommodations will be provided with accessibility options during the pre-construction meeting (for repair or reconstruction) or during the pre-award meeting (for relocation). Additional reasonable permanent accessibility options will be available to applicants if the applicant or a member of the household requires such accommodations. The costs associated with the accommodations may be considered in addition to the Program caps and evaluated for cost reasonableness.

11.7 Award Caps

The maximum award for housing repair in place is \$60,000 in construction and/or soft costs per unit. The maximum award for relocation or reconstruction is \$150,000 in construction and/or soft costs. Maximum award for reconstruction or relocation will be based on the unit size determination, up to \$150,000 or four (4) bedrooms. Award caps by bedroom size are as follows:

| Units Size | Award Cap |
|----------------|--------------|
| Two-Bedrooms | \$120,000.00 |
| Three-Bedrooms | \$130,000.00 |
| Four-Bedrooms | \$150,000.00 |

Additional award caps for costs associated only with permanent relocation are as follows:

- \$5,000 for demolition of the storm impacted property; and
- Up to \$15,000 for the purchase of a new lot outside the floodplain. Purchase price for vacant lots should not exceed the standard single lot size in the community, up to \$15,000.

Additional costs in excess of Program caps may be permissible and will be evaluated on a case by case basis for items such as: environmental abatement or unique site-specific costs, when necessary, which may also include utility connection costs. Exceptions to the caps may also consider necessary accessibility features or historic preservation.

12 Awards and Requirements

When the Program determines the amount and type of assistance an applicant is eligible for, the applicant will be sent an Award Notification that will outline the type and amount of assistance being offered and describe next steps. Applicants who disagree with the

type or amount of assistance being offered may challenge the award determination. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

Program awards will be realized through successful repairing, reconstruction, or relocation. Awards will not be paid directly to Program applicants.

12.1 Ownership and Occupancy Period Requirements

Applicants who are assisted under this Program must agree to own and occupy the assisted home as their primary residence for a predetermined amount of time.

In order to secure occupancy period requirements liens will be recorded against the deed of the property and filed with the Puerto Rico Property Registry. Liens will be released at the end of the compliance period. Forgivable liens and promissory notes will be signed prior to the dual closing event.

Alternatively, to secure occupancy period requirements for repair or reconstruction activities, at the Program's discretion, Applicants may be required to sign an Entry of Judgement by Confession as allowed by Rule 35.4 of the Rules of Civil Procedures of Puerto Rico, 32 LPRA Ap. V, R. 35.4. This statement, which authorizes a judgement to be rendered without a trial being held or without a lawsuit having been initiated, will have full effect in the event that the Applicant fails to comply with the required ownership and occupancy period. This Entry must be signed by the Applicant, under oath, and notarized by a notary licensed in Puerto Rico. Said Entry of Judgement by Confession will expire at the end of the compliance period.

- **Repair:** For repair activities, the homeowner must agree to own and use the home as their primary residence for three (3) years, as secured through a deferred forgivable lien and promissory note. Alternatively, and at the Program's discretion, it may be secured through an Entry of Judgement by Confession. If a homeowner moves or sells the home within three (3) years, the entire amount of the benefit received must be repaid in full to PRDOH. There will be no amortization schedule associated with repair.
- **Reconstruction:** For reconstruction activities, the homeowner must agree to own the home and use the home as their primary residence for a period of fifteen (15) years after reconstruction as secured through a deferred forgivable lien and promissory note. Alternatively, and at the Program's discretion, it may be secured through an Entry of Judgement by Confession. Applicants will be required to certify their compliance with this requirement on an annual basis for the first (5) five years of their compliance period. Thereafter, applicants will be monitored for compliance by the Program every third (3rd) year. If a homeowner moves or sells the home within the first five years, the entire (100%) amount of the benefit received must be repaid in full to PRDOH. If a homeowner moves or sells the home after five (5) years but

before completing the fifteen (15) year occupancy and ownership period, the amount of benefit that must be repaid will be determined by the straight-line, linear amortization schedule for the remaining years.

- **Relocation:** For relocation activities, the homeowner must agree to own the home and use the home as their primary residence for a period of fifteen (15) years after relocation as secured through a deferred forgivable lien and promissory note. Applicants will be required to certify their compliance with this requirement on an annual basis for the first (5) five years of their compliance period. Thereafter, applicants will be monitored for compliance by the Program every third (3rd) year. If a homeowner moves or sells the home within the first (5) five years, the entire amount of the benefit received must be repaid in full to PRDOH. If a homeowner moves or sells the home after five (5) years but before completing the fifteen (15) year occupancy and ownership period, the amount of benefit that must be repaid will be determined by the straight-line, linear amortization schedule for the remaining years.

The R3 Program may consider forgiving the promissory note and releasing the lien of a sold home only in extenuating circumstances and on a case by case basis. Examples of extenuating circumstances to be considered by the Program include but are not limited to life changing events that may cause an applicant to need a larger, smaller, or different home, such as marriage, divorce, birth, and death, and military deployments or reassignments.

12.2 Pre-Award Conference

Applicants who qualify for assistance will take part in a pre-award conference with the Housing Case Manager. The purpose of the pre-award conference is to ensure all parties agree on the scope of work to be completed and expectations/responsibilities of all parties involved. During the pre-award conference, the following topics will be discussed:

- Expectations;
- Homeowner move-out date;
- Accessibility options, if applicable;
- Schedule;
- Scope modifications related to resolution of DOB, if applicable;
- Applicant stylistic choices, as available;
- Floorplan selection, as available;
- Grant agreement and related conditions;
- Promissory note; and
- Additional required topics, as required

The Program will make reasonable attempts to accommodate non-traditional meeting venues when required by an applicant's individual circumstances, including applicants that are hospitalized or incarcerated. Non-traditional meeting venues may include:

home-visits, off-site meetings, virtual meetings, or other arrangements. The applicant must accept the scope of work and sign all required Program documents-prior to the Program authorizing the reconstruction or repair work to begin or prior to the start of relocation activities.

12.3 Repair or Reconstruction Award Requirements

Homes that qualify for reconstruction under the Program will be constructed to meet the International Building Code per Puerto Rico regulations. Repair works performed by the Program must also meet local codes, rehabilitation standards, and zoning ordinances. All permits and inspections required by OGPe or the autonomous municipality having jurisdiction must be completed.

Homes qualifying for repair assistance which were constructed prior to 1978 must be evaluated for the presence of lead-based paint. If identified, abatement of lead-based paint hazards will be considered in the costs of repairs. If the cost of abatement of lead-based paint causes the cost of repairs to exceed \$60,000 or 50% of the current value of the home, whichever is lesser, or if the lead-based paint abatement is determined by a Program inspector or licensed engineer to be unfeasible, the home will be reclassified as a reconstruction award.

12.3.1 Construction Permit Issues

In accordance with Regulation No. 9081 of June 7, 2019, known in Spanish as “Reglamento Conjunto para la evaluación y expedición de permisos relacionados al desarrollo, uso de terrenos y operación de negocios”, any request related to the development and use of land in Puerto Rico, including construction work completed by the R3 Program, must be promoted by the owner of the property to obtain a construction permit. See Rule 2.1.9 on Filing an Application, Section 2.1.9.5 on Standing.

Additionally, construction or repair work for eligible applicants who have partial ownership rights to the damaged property shall not be granted a permit until: (1) all owners in common authorize the construction or repair; or (2) such right has been delegated to one (1) person. See Section 2.1.9.5(c) of the aforementioned Regulation.

Applicants who lack the required documents or authorizations for the R3 Program to obtain a construction permit to complete repair or reconstruction work may participate in repair or reconstruction, but construction permitting issues must be addressed prior to the award coordination meeting. Applicants who lack documentation required to obtain a construction permit will be referred to the Title Clearance Program for assistance. The Title Clearance Program will provide services, including legal services as needed, free of charge to the applicant, to assist the applicant in resolving any title issues.

Funds awarded for repair or reconstruction to applicants who are referred to the Title Clearance Program for resolution of issues related to obtaining a construction permit, will be held for the applicant for up to **six (6) months (180 days) from the date of the Award**

Notification to allow the applicant a reasonable opportunity to resolve the issues. Requests to waive or extend the **six (6) month** period may be submitted to the Program, on behalf of the applicant, by an authorized representative of the Title Clearance Program. Requests to extend the period will be considered by the Program on a case-by-case basis.

12.4 Relocation Award Requirements

The following are requirements for all relocation awards issued under the Program.

12.4.1 Liens

Applicants who have an unsatisfied lien of any kind on the storm-impacted property, including mortgage liens, must satisfy the lien prior to being awarded a Relocation Voucher. Applicants with an unsatisfied lien on the storm-impacted property at the time of Award Notification will be allowed **one hundred and eighty (180) days** to submit documentation to the Program which indicates a settlement of outstanding liens is pending. Applicants who are unable to satisfy liens within **one hundred and eighty (180) days** of award notification will be determined to be ineligible and notified via an R3 Ineligibility Determination. This notification will outline the reason for ineligibility and next steps, including the option to challenge the decision. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

12.4.2 Title Issues

Applicants with title issues may participate in relocation, but title issues must be addressed prior to relocation. Applicants who lack clear title will be referred to the Title Clearance Program for assistance. The Title Clearance Program will provide services, including legal services as needed, free of charge to the applicant, to assist the applicant in resolving any title issues.

Funds awarded for relocation to applicants who are referred to the Title Clearance Program will be held for the applicant for up to **six (6) months (180 days)** to allow the applicant a reasonable opportunity to resolve title issues. Requests to waive or extend the **six (6) month** period may be submitted to the Program, on behalf of the applicant, by an authorized representative of the Title Clearance Program. Requests to extend the period will be considered by the Program on a case-by-case basis.

12.4.3 Housing Counseling – Homeowner Education

Applicants who are provided a Relocation Voucher will be required to participate in the Housing Counseling Program wherein they will be offered support for the selection of a new home and offered other support such as financial literacy education, credit repair counseling, and real estate support information. Applicants in relocation will be required to complete a homeowner education course provided by a HUD-certified counselor and provide documentation certifying completion of the homeowner education curriculum on how to maintain a home. The homeowner education course must be completed by the applicant prior to the real estate closing event. For more information, please refer to Housing Counseling Guidelines. These will be published in www.cdbg-dr.pr.gov.

The Housing Counseling Program is overseen by HUD-Certified Counseling Agencies. Counselors assigned to applicants participating in relocation should be trained to recognize barriers associated with homeownership for low- and moderate-income households and advise on solutions for circumstances which may create challenges for a successful relocation. Counselors should have adequate information to provide applicants with the knowledge needed to make an informed decision regarding relocation.

12.4.4 Relocation Options

Applicants who qualify for relocation will be issued Relocation Vouchers (also potentially used for new construction as a last resort) which allow eligible applicants to pursue one of the two relocation options. Options for relocation include:

- **Relocation Option 1** includes PRDOH acquisition of the damaged property, coupled with a housing voucher for the purchase of a replacement home in Puerto Rico, outside of high-risk areas. Replacement homes may be existing market-listed units, bank foreclosed properties, or units identified on a PRDOH-certified development roster.
- **Relocation Option 2** includes PRDOH acquisition of the damaged property, coupled with construction of a Program-designed model home on a purchased, vacant lot in Puerto Rico outside of the floodplain. Up to \$15,000 is available to purchase a vacant lot.

The Program will pay 100% of the purchase price of an approved replacement home or an approved vacant lot, up to the amount of the awarded Relocation Voucher. No refund will be issued to an applicant in the event the purchase price of a replacement home or vacant lot is less than the amount of the approved voucher. Replacement homes provided through either relocation option will only be allowable if the home or lot does not require home elevation. Assisted applicants may not be relocated to floodplains or hazard prone areas.

Cost of replacement homes or vacant lots purchased through the Program may not exceed the amount of the voucher awarded to the applicant. Applicants may not mortgage, pay out of pocket, or otherwise finance any portion of the purchase price of the replacement home that is in excess of the amount of the approved voucher.

12.4.5 Relocation Option 1- Purchase of an Existing Home

Option 1 will be the default relocation method. The value of the Relocation Voucher will be commensurate to household composition. Applicants will be given a voucher equal to the reconstruction value of the home with the number of bedrooms needed to accommodate the household. See Reconstruction and Relocation Unit Size and Exceptions section of these Guidelines. Applicants will have **ninety (90) days** from the date the voucher was issued to identify a replacement home and be under contract. The Housing Counseling Program will provide applicants with support throughout the relocation process by assisting with things like: identifying a suitable replacement home,

homeowner education, and connecting applicants with social services providers in the areas being considered by the applicant for relocation. Housing counseling services are provided at no cost to the applicant.

12.4.5.1 Inspection of Replacement Home Options

Replacement homes identified under Option 1 must meet HUD Housing Quality Standards (**HQS**). The Program will conduct inspections to verify that the potential replacement homes comply with these standards. The Program inspection does not serve to certify that the replacement home is free from defects. Applicants may have a homebuyer's inspection or other additional inspection performed for their benefit, however, the Program will not reimburse for the cost of inspections not required by the Program.

Potential replacement homes which do not meet HQS will be evaluated to determine the cost associated with repairs required to bring the home into compliance. If the aggregate of the cost to rehabilitate the home to be compliant plus the purchase price of the home does not exceed the voucher amount awarded to the applicant, the home may be considered allowable for purchase under the Program.

Homes that require repairs to meet HQS will be rehabilitated by the Program after the real estate closing event has taken place. Applicants will not be allowed to occupy replacement homes until those homes are verified to be compliant. Repairs of homes purchased for relocation purposes will follow the same construction process outlined for homes rehabilitated in place.

Replacement home options identified under Option 1 must also undergo a site-specific environmental review. Specifically, replacement homes built prior to 1978 must undergo a lead-based paint risk assessment. If lead-based paint hazards are identified in the potential replacement home, the cost to abate the lead-based paint hazard plus the purchase price of the replacement home must not exceed the amount of the voucher awarded to the applicant. In the event that the price of abatement plus the purchase price of the home exceeds the amount of the voucher, the home will not be considered an allowable option for relocation.

Case Managers will provide applicants with replacement housing options available on the Program-maintained roster of bank-foreclosed units. To be included on the Program roster, homes must have a combined purchase price and repairs cost of no more than the Program cap and be located outside the floodplain. Case Managers will only show applicants available homes within the limits of the approved voucher amount and bedroom size limits. Applicants are not required to select a home from the roster. Applicants who do not wish to select a home on the roster may search for a home available on the real-estate market. The Housing Counseling Program will be available, at no cost to the applicant, to provide support to applicants during their search for a replacement home. Applicants must work with Housing Counselors to identify a suitable replacement home available on the real-estate market.

12.4.5.2 Timeline

Applicants will be allowed **ninety (90) days** from the date the Relocation Voucher was issued to identify and select a replacement home. Applicants who fail to identify a suitable property within **ninety (90) days** may be allowed to pursue relocation Option 2, only if they provide evidence that no suitable housing options are available. Program Staff will verify that the applicant has taken appropriate action to identify suitable options commensurate to household composition and family needs and work closely with the Housing Counseling Program to ensure sufficient efforts are being made.

12.4.6 Relocation Option 2: Purchase of Vacant Lot and New Home Construction

This option may be exercised only if there are no suitable options available under Option 1, within **ninety (90) days** from the time the voucher is issued. Applicants will be allowed **ninety (90) days** to identify a vacant lot to construct a replacement home on. Vacant lots may be purchased by the Program through use of an approved voucher, owned by the applicant, or granted to the applicant through other legal means. Applicants who wish to have a replacement home constructed on a lot not purchased by the Program must demonstrate legal ownership of the property. If an applicant is unable to prove legal ownership of the lot, it will not be an approved site for construction of a replacement home.

Prior to approval, vacant lots must undergo an environmental review. Lots which are not suitable for construction due to legal, zoning, environmental, extraordinary site conditions, or other constraints will not be approved by the Program. Vacant lots must not be located in a floodplain.

If the approved vacant lot is being purchased with Program funds, the lot will undergo a real estate closing event prior to commencement of construction. Once the approved lot is secured, the construction process will follow the same construction process as homes reconstructed in place, except the damaged property will not be demolished until after construction is completed.

12.4.6.1 Timeline

Applicants who are unable to identify a suitable replacement home and unable to identify a suitable vacant lot for construction of a replacement home may request an extension to the **ninety (90) day** timeline allowed for Option 2. Applicants who are unable to identify a vacant lot within **ninety (90) days** due to lack of participation by the applicant will not be granted an extension.

Extension requests will be reviewed by the Program on a case-by-case basis. Applicants who are unable to identify a replacement home or vacant lot within the allowed timeframe -and are not granted an extension- will have their application closed. Applicants who move to closeout as a result of failure to identify a replacement property will be notified and allowed to challenge the decision, if they feel the decision was reached in error. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

12.4.7 Relocation Support

The Housing Counselor will assist the applicant in locating an existing home or vacant lot on which to build a replacement home. The Housing Counselor will work with the applicant and the R3 Program Case Manager to identify replacement properties that comply with R3 Program Guidelines and fall within the approved purchase amount and unit-size requirements for the applicant. The Housing Counselor shall make every effort to only show the applicant properties that meet the needs of the applicant's household.

When the applicant selects a replacement property, the Housing Counselor will assist the applicant in drafting a purchase offer or sales agreement for the seller of the replacement property.

Agreements to purchase a replacement property must be approved by the Program prior to execution. All agreements must include clauses which excuse the applicant from purchasing the property in the event: (1) the property does not meet HQS and cannot be rehabilitated within allowed Program caps; (2) if environmental issues cannot be remedied within Program caps; or (3) the purchase price is above the fair market sale price of the home, as determined by an appraisal or through an analysis of comparable sales. The Program may not purchase replacement property if the contract to purchase the property was executed without proper Program approval.

Before the sales agreement is signed by the applicant or the seller, the applicant must receive approval from the R3 Program. The R3 Program does not provide earnest money or other nonrefundable fees as part of the purchase offer.

12.4.8 Real Estate Closing

Applicants assisted under relocation must complete a real estate closing event. The property closing should be coordinated with a title company and may facilitate two (2) real-estate transactions, as follows:

- Transfer of the storm-impacted property to PRDOH; or
- Transfer of the vacant lot or existing home from seller to the applicant, as applicable.

A representative from the Program will attend the closing event to ensure the applicant understands the process. The Program representative will also ensure that all Program required documents associated with the closing are executed and retained for the applicant's Program file.

12.5 Subrogation of Funds

Applicant awardees must subrogate any additional funds received for damage caused by Hurricanes Irma and/or Maria back to the Program. CDBG-DR funding must be funding of last resort. If additional funds are paid to applicant awardees for repair, reconstruction, or replacement of the damaged structure after the R3 Program has completed repair, reconstruction, or replacement of the damaged structure, those funds constitute a duplication of benefit and therefore must be returned to PRDOH. Applicant awardees

will be required to sign a Subrogation Agreement as part of their grant agreement with the Program.

12.5.1 Repayment/Recapture

Instances may arise where an applicant must return all or part of the awarded funding to the Program. The Program is responsible for recapturing duplicative funds from applicants or from applicants who become non-compliant. All applicant files will be reviewed and reconciled for accuracy to ensure DOB did not occur and that applicants are in compliance with Program requirements and federal guidelines. If an applicant has been identified as receiving a potential overpayment, the Program will document the amount and basis for the repayment in a written via a Repayment Notification.

Applicants who disagree with a repayment amount determined by the R3 Program may challenge the determination. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines. If the applicant's request is denied or there is failure on the part of the applicant to contest within the allotted timeframe, the Program will proceed with collecting the repayment amount. If the applicant's request results in a revision of the award amount or eligibility, the applicant will sign a revised grant agreement which will outline the requirements related to such changes and the requirements for repaying the remaining overdue amount, if any.

Once it has been determined that the applicant must return funds to the CDBG-DR grant fund, the applicant must repay their funds in a timely manner. All repayments shall be expected to be repaid in full as one lump sum amount. The Program will review any applicant claims of financial hardship and may make limited accommodations in some cases. All funds recovered because of this policy will be tracked in the Disaster Recovery Grant Reporting system (**DRGR**) and returned to the CDBG-DR account or U.S. Treasury if the CDBG-DR grant has been closed out.

12.6 Temporary Relocation

CDBG-DR funds may be used for temporary relocation payments and assistance to persons displaced by an activity that is not subject to the requirements described above. This may include payments and other assistance for temporary relocation (when persons are not permanently displaced).

Applicants to the Program qualify for temporary relocation assistance only if they must vacate the storm-impacted property during program-sponsored construction. Applicants who are not residing in the storm-impacted property for any reason other than program-sponsored construction are not eligible for temporary relocation assistance. The R3 Program may provide temporary relocation assistance only on an extremely limited basis and as a last resort for applicants to secure temporary housing during program-sponsored construction.

In order to qualify for temporary relocation assistance, the applicant must:

1. Be determined to be eligible to receive assistance that requires the applicant vacate the damaged property during construction;
2. Have an income of less than 50% of HUD-approved income limits for Puerto Rico;
3. Have no duplication of benefits issues that could prevent the Program from providing services;
4. Have exhausted all possible options to temporarily reside with friends, family, in self-funded housing or any other options available; and
5. Have no other options for temporary housing, as identified by a counselor in PRDOH's Housing Counseling Program.

The Program will compensate the applicant in the amount of 100% of the HUD fair-market rent rate⁹ for a home large enough to accommodate the household in the municipality where the damaged property is located. See Reconstruction and Relocation Unit Size and Exceptions section of these Guidelines. Temporary relocation will be provided from the time the applicant moves out of the property until one (1) week after the construction passes a final inspection and the its confirmed that work was completed in accordance to the agreed upon scope and a use permit (permiso de uso) is obtained, if applicable.

Applicants who qualify for temporary relocation assistance will receive payment for the duration of construction, as specified by the program Construction Contractor, plus two (2) weeks to accommodate time to obtain a final inspection and use permit (permiso de uso). Temporary relocation assistance will be prorated for partial months, as needed. Temporary relocation assistance will not be offered for any period of time beyond one (1) week after the date of final inspection or date use permit (permiso de uso) is issued, whichever is later.

13 Program Repair and Construction Works

Repair, reconstruction, and new construction work for the Program will be implemented using a design-build methodology as the project delivery system. This method delivers projects in which the design and construction services are contracted to a single entity (the, "Construction Manager"). In contrast to normal proceedings for construction (design-bid-build), the design-build methodology relies on a single point of contact to minimize risks related to the project owner and reduce the delivery schedule by overlapping the design phase and construction phase of a project.

13.1 Construction Managers

The Program will develop and maintain a pool of qualified Construction Managers through RFP processes for implementing the demolition, repair, reconstruction, and new construction activities. Construction Managers must have the ability and capacity to meet Program standards and federal requirements. Through qualifications and

⁹ https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2018_code/2018state_summary.odn

monitoring processes, the Program will keep a list of Construction Managers who are eligible for project assignments.

13.2 Construction Managers Assignments

The following steps shall guide Construction Managers assignments to projects:

- The Program shall manage a qualified pool of Construction Managers by monitoring financial capacity (based on bonding and financial limitations) and technical capacity. The pool will be reviewed from time to time to, if necessary, make adjustments to the approved capacity of specific Construction Managers. Construction Managers will be responsible for completing designs, acquiring permits, and performing demolition, repair, or reconstruction works for the Program.
- The pool will divide Construction Managers into Levels. Generally, Level 1 Construction Managers will have higher financial and technical capacities while Level 2 Construction Managers will be smaller businesses that can manage fewer units at a time.
- The Program will allocate project assignments to Level 1 Construction Managers and Level 2 Construction Managers based on rank, location, and capacity of the Construction Managers.
- Program Construction Managers are selected based on the following:
 - Their responses to the Program's request for proposals;
 - Willingness to perform reconstruction and repair activities;
 - Location where work is to be performed;
 - Previous housing repairs and construction experience; and
 - Previous experience with local construction standards and standards of design.
- The Program will actively manage the activities of the Construction Managers and will regularly review their responsiveness and performance. Repeated failures from the Construction Managers will result in limited future assignments or a probation period without receiving additional assignments. Breach of contract clause, which will include penalties, will be included in each Construction Manager contract signed with PRDOH.
- The Program will also monitor Construction Managers for:
 - **Workmanship:** To be quantified by examining the ratio of total failed milestone inspections. The Contractor with the lowest ratio will be assigned a higher weighted factor. The Program will monitor all "rolling" failed inspections within last **thirty (30) days**. Performance may trend upward or downward over a given period of time.
 - **Average Build Time:** Calculated as a measure of the total number of days from a notice to proceed to passing a final inspection. The Construction Manager with the lowest average build time is assigned a higher weighted factor.

- **Work in Progress:** A measure of the amount of work the Construction Manager currently has under contract for which a notice to proceed has been issued, but a final inspection has not been completed. This value will be compared against initial baseline capacity that is established for the Construction Manager. Less work in progress means a higher capacity to be assigned more projects. The baseline may be adjusted over the life of the project based on actual performance of each Construction Manager.
- **Customer Service:** This evaluation will be performed using customer surveys to the homeowner, owners, and their representatives. The surveys may be used by Construction Managers as an improvement tool for their performance. The survey results will be tabulated and valued to establish a composite score of the customers' satisfaction. These results will be shared and discussed with the corresponding Construction Managers.

The PRDOH, at its sole discretion, may determine, implement, and monitor additional performance indicators for Construction Managers through the life of the Program.

13.3 Compliance with Codes, Regulations, and Permits

All repair, reconstruction, and new construction works for the Program are required to follow federal, state, and local codes and regulations. Works must also be performed after the acquisition of required permits and in compliance with other local requirements. Program Staff and Construction Managers shall ensure compliance with all code, regulations, permitting, and other requirements for the repair, reconstruction, and new construction works to be undertaken by the Program.

Codes and regulations required to follow include, but are not limited to:

- Planning and Capacity Building (Section 105(a)(12) of Title I of the Housing and Community Development Act of 1974 (**HCDA**), as amended) (42 U.S.C. § 5305))
- Energy Development Goals (Section 105(a)(16) of the HCDA, *supra*).
- Puerto Rico Building Code, most current version approved.
- International Building Code (IBC) and its applicable volumes, most current approved version;
- International Fire Code (IFC), most current approved version;
- Americans with Disabilities Act of 1990, as amended (42 U.S.C. § 12101), when required;
- National Fire Protection Association's 101 Life Safety Code, most current approved version;
- National Electrical Code (NEC), NFPA 70, most current approved version;
- Most current approved zoning requirements for Puerto Rico;
- Environmental regulations, as applicable to specific projects;

- HUD terms and conditions, as applicable to specific projects¹⁰;

Permit requirements include, but are not limited to:

- Demolition Permits issued by OGPe;
- Construction Permits issued by OGPe;
- General Consolidated Permits which include Erosion and Sedimentation Control; Permit for Activities Generating Non-Hazardous Solid Waste; Permit for Emission Sources; and Permit for the Removal and Disposition of Lead-Containing Materials, all issued by the Environmental Quality Board through OGPe,
- Local and Federal Environmental Permits, as applicable to specific projects; and
- Regulatory Agencies Endorsements including but not limited to, those from the Puerto Rico Electric Power Authority, the Puerto Rico Aqueduct and Sewer Authority, the Puerto Rico Telecommunications Regulatory Board, the State Historic Preservation Office, the *Instituto de Cultura Puertorriqueña*, and the Puerto Rico Department of Transportation and Public Works.

Other local requirements for construction works include, but are not limited to:

- Construction Stamps as required in Section 11 of Act No. 319 of May 15, 1938, as amended, known as the law that created the College of Engineers and Surveyors of Puerto Rico (10 LPRA § 741)
- Act No. 83 of August 30, 1991, as amended, known as the Municipal Property Tax Act of 1991 (21 LPRA § 5803)

13.4 Cost Reasonableness

For contracted work, PRDOH will acquire Cost Estimating Services via an RFP process to obtain independent cost estimating services from qualified professionals to establish cost reasonableness of a variety of services to be procured for the implementation of the CDBG-DR funded programs that will be managed by the PRDOH. The estimators will generate independent cost estimates for the broad range of CDBG-DR Programs. The estimates will serve as a basis to the PRDOH of the costs they will incur in the acquisition of professional services, goods, information technology systems, among others. For information on cost principles, please refer to the Cross-Cutting Guidelines found at www.cdbg-dr.pr.gov.

13.5 Homeowners Remaining on Property during Construction

The typical procedure and sequence of events when an applicant is provided assistance under the Program is for the homeowner to secure temporary housing away from the site of the damaged property, and then vacate the damaged property during the demolition and reconstruction phases of the project. In a limited number of cases,

¹⁰ <https://www.hudexchange.info/resources/documents/CDBG-DR-Resources-Summary.pdf>

homeowners may be unable to secure suitable temporary housing while their new homes are being constructed.

In some limited circumstances and after exhausting all possible sources of temporary housing, homeowners may be allowed to remain on the property during the construction or repair phase, subject to the prior approval of the assigned Construction Manager. Homeowners must execute documents demonstrating their agreement for waiver of liability, payment of additional utility connection fees, and, when applicable, the demolition of the damaged structure upon completion of the new structure.

The request to remain on the property during construction or repairs must be initiated -in writing- by the homeowner. A request to remain on the property during construction or repairs should be made only after the homeowner has exhausted all possibilities for obtaining temporary housing from family, friends or community services agencies. The homeowner will attest to his or her inability to obtain temporary housing.

The homeowner must establish a dire need before a request to remain on the property during construction or repairs may be granted. The definition of a dire need includes:

- The absence of any family or friends in the area who can house the homeowner during construction;
- The inability for the homeowner to obtain temporary housing assistance from a community services organization, faith-based organization, church, etc.; and
- In the case of handicapped or special needs individuals, the absence of a temporary alternative providing the required accommodations.

This request is then referred to their assigned Construction Manager to obtain written agreement to remain on property. The homeowner agrees in writing to the demolition of the damaged property, when applicable, and executes Waiver of Liability and Hold Harmless Agreements, and the request is forwarded to the Construction Manager for final review and determination.

The decision to allow a homeowner to remain on the property during construction or repairs is vested solely in the Construction Manager or their designee. Granting the homeowner's request to remain on the property during construction or repairs will be contingent on the following:

- There exists no municipal zoning or other prohibition to the homeowner remaining on the property during construction or repairs.
- The Construction Manager agrees to allow the homeowner to remain on the property during construction or repairs.
- In cases of reconstruction, the homeowner will be unable to remain in the demolished structure and will need to vacate the premises. As the Program will need to reconstruct the home on its original footprint, it will be necessary for the original home damaged by the storm/s to be demolished and cleared, making it uninhabitable. If the parcel of land has significant room for other dwellings not in

the Program, the applicant can agree in writing to stay on the property within one of these type dwellings and well away from the construction site.

- In the opinion of the Construction Manager, the lot is of sufficient size to allow the construction of the new home at a safe distance from the original home, or, as applicable, the living area of the home is located at a safe distance from the repair work, such that the repairs can proceed in a safe and expeditious manner.
- The homeowner signs a Hold Harmless Agreement indemnifying the Construction Manager and the Program grantee from any loss or injury sustained while inhabiting the property during construction or repairs.

13.6 Repair Work Implementation Requirements

The following are general frameworks for implementation of repair works under the Program.

13.6.1 Scoping

The Program will secure pricing for each project by providing the assigned Construction Manager the detailed and itemized damage assessment for any home. The Construction Contractor will need to review the scope of work as detailed in the itemized damage assessment and confirm on-site the reasonableness and completeness of such scope of work. The Construction Manager and Program Staff will perform a scope walk of the home. The scope walk will serve to ensure that all parties agree with the scope of work and any modifications required prior to Work Orders being issued to the Construction Manager. The Construction Manager, prior to the scope walk shall have available the home's ERR (including the asbestos survey and lead-based paint inspection results). Any abatement work required by the ERR shall be included the Scope of Work. The Program will provide the total cost for repair work based on the Program's unit prices included in each Construction Manager Contract signed with PRDOH.

After the Scope of Work is agreed to by all parties, the Program will provide the total repair costs to the Construction Manager based on the Program's unit prices included in each Construction Manager contract signed with PRDOH. The Program will provide the repair costs by means of a Work Order issued to the Construction Manager.

The Work Order will establish the following:

| Work Order Content | Description |
|---|---|
| Storm-Damaged Home Repair Scope of Work | The repair scope of work to be performed which was agreed upon by the applicant, Program Staff and the Construction Manager. The repair scope of work shall include any selective demolition and any abatement work required for the property. All selective demolition, abatement, and repair work will be scoped using the Program's unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change Order to the Work Order. |
| Timeframe for Completion | The allowed time for the Construction Manager to complete the design, permitting, abatement, selective demolition, and repair works of the storm-damaged home. Base timeframe for completion of all work associated to the storm-damaged will be included in each Construction Manager contract signed with PRDOH. Additional time may be allowed through the issuance of a properly executed Change Order to the Work Order. The Construction Manager must demonstrate the existence of extraordinary conditions that justify any additional time to be awarded by means of the Change Order. Non-compliance with the established timeframe may result in the application of liquidated damages to the Construction Manager. |

Construction Managers are required to conduct the work in compliance with codes, regulations, and permit requirements at the federal, state, and local levels. Work must also be conducted in a workmanship manner always ensuring adherence to construction standards. Upon completion of the repair work, the Construction Manager shall request an inspection by the Program. Refer to Milestone Inspections section of these Guidelines for further details regarding the inspection requirements.

13.7 Reconstruction Work Implementation Requirements

The following are general frameworks for implementation of reconstruction in-place work under the Program.

13.7.1 Scoping

Reconstruction scoping will be confirmed during the pre-construction conference to be held by the applicant, Program Staff, the Construction Manager, and a Municipal Representative (if applicable). The applicant will be presented with the "model home" plans and a 3D representation of them. The applicant shall have a choice as to what façade, from the minimum of three (3) available options, shall be implemented for the project. The applicant shall also choose from other available options for finishes such as color schemes.

After the pre-construction conference the Construction Manager and Program Staff shall perform a scope walk of the applicant's current home to ensure that all parties agree with the scope of work for demolition, any pre-demolition activities, to include removal of personal items, and any modifications required prior to a Work Order being issued to the Construction Manager. For such a scope walk the Construction Manager shall have reviewed the homes' ERR (including the asbestos survey and lead-based paint inspection results). The results of the ERR and any abatement requirements shall be incorporated into the scope of work for demolition. The Program will provide the total cost of demolition and any abatement work based on the Program's unit prices included in each Construction Manager contract signed with PRDOH.

13.7.2 Work Order and Requirements

After the scope of work for demolition and reconstruction is agreed to by all parties, the Program will provide the total demolition, abatement, and reconstruction costs to the Construction Manager. The Program will provide the approved scope of work by means of a Work Order issued to the Contractor.

The Work Order will establish the following:

| Work Order Content | Description |
|--|---|
| Demolition and Abatement of Storm-Damaged Home Scope of Work | The scope of work for the demolition and any abatement work of the storm-damaged home which were agreed upon between the Construction Manager and Program Staff during the scope walk. The scope of work shall define if there are any abatement activities to be performed prior to demolition. Demolition and abatement work will be scoped using the Program's unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change Order to the Work Order. |
| "Model Home" Construction Scope of Work | The scope of the "model home" to be built on-site as a replacement to the storm-damaged one, including the design options selected by the homeowner during the pre-construction conference. It may also include any accessibility accommodations when applicable. Scope and costs of "model homes" are pre-established at request for proposals processes performed by the PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change Order to the Work Order. |

| Work Order Content | Description |
|--------------------------|--|
| Site Scope of Work | The scope for any site work that is not a part of the “model homes” physical structure, nor a part of the demolition and abatement work of the storm-damaged home. This work will typically include grading, excavation, driveways, sidewalks, and other utilities. The cost of site work will be determined using the Program’s unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change order to the Work Order. |
| Timeframe for Completion | The allowed time for the Construction Manager to complete all design, permitting, abatement, and demolition work of the storm-damaged home, as well as the allowed time for the Construction Manager to complete all design, permitting, site, and construction work of the “model home” to replace the storm-damaged one on-site. Base timeframe for completion of all work will be included in each Construction Manager contract signed with PRDOH. Additional time may be allowed through the issuance of a properly executed Changer Order to the Work Order. The Construction Manager must demonstrate the existence of extraordinary conditions that justify any additional time to be awarded by means of a Change Order. Non-compliance with the established timeframe may result in the application of liquidated damaged to the Construction Manager. |

Construction Managers are required to conduct the work in compliance with code, regulations, and permit requirements at the federal, state, and local levels. Work must also be conducted in a workmanship manner always ensuring adherence to construction standards. During implementation of all stages of reconstruction the Construction Manager shall request inspections at pre-determined milestones of work completed. Refer to Milestone Inspections section of these Guidelines for further details regarding the inspection requirements.

13.8 Relocation – Purchase of Existing Home Implementation Requirements

The following are general frameworks for implementation of relocation work with the purchase of an existing home under the Program.

13.8.1 Scoping

Immediately upon the applicant selection and Program approval of the home to be purchased, the assigned Construction Manager and Program Staff shall perform a demolition scope walk of the applicant's storm-damaged home. The purpose of the scope walk is to ensure that all parties agree with the scope of work for demolition and

any modifications prior to a Work Order being issued to the Contractor. The Program will provide the total cost of demolition and any abatement work based on the Program's unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager, prior to the scope walk shall have available the home's ERR (including the asbestos survey and lead-based paint inspection results). Any abatement work required by the ERR shall be included the demolition scope of work.

If repairs to a home purchased through the Program are required, Program Staff and the Construction Manager shall also perform a repair scope walk of the purchased home. During the scope walk the Construction Manager and Program Staff shall agree upon the repairs to be implemented at the purchased home. The Program will provide the total repair costs for the repair scope of work based on the Program's unit prices included in each Construction Manager contract signed with PRDOH.

13.8.2 Work Order and Requirements

After the scope of work, for both demolition and, if applicable, repairs to the purchased home, is agreed to by all parties, the Program will provide the total demolition and repair costs to the Construction Manager. The Program will provide the approved works by means of a Work Order issued to the Construction Manager.

The Work Order will establish the following:

| Work Order Content | Description |
|--|--|
| Demolition and Abatement of Storm-Damaged Home Scope of Work | The scope of work for the demolition and any abatement work activities at the storm-damaged home which were agreed upon between the Construction Manager and Program Staff during the scope walk. The scope of work shall define if there are any abatement activities to be performed prior to demolition. Demolition and abatement work will be scoped using the Program's unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change Order to the Work Order. |
| Purchased Home Repair Scope of Work | The repairs scope of work to be performed at the purchased home which was agreed upon by Program staff and the Construction Manager. The repair scope of work shall include property. All selective demolition, abatement, and repair work will be scoped using the selective demolition and any abatement work required for the price List. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change Order to the Work Order. |

| Work Content | Order | Description |
|--------------------------------|-------|---|
| Timeframe for Completion | | The allowed time for the Construction Manager to complete the design, permitting, abatement, and demolition works of the storm-damaged property, as well as the allowed time for the Construction Manager to complete the design, permitting, abatement, selective demolition, and repair works at the purchased replacement home. Base timeframe for completion of all work will be included in each Construction Manager contract signed with PRDOH. Additional time may be allowed through the issuance of a properly executed Change Order to the Work Order. The Construction Manager must demonstrate the existence of extraordinary conditions that justify any additional time to be awarded by means of the Change Order. Non-compliance with the established timeframe may result in the application of liquidated damages to the Construction Manager. |

Construction Managers are required to conduct the work in compliance with code, regulations, and permit requirements at the federal, state, and local levels. Work must also be conducted in a workmanship manner always ensuring adherence to construction standards. During implementation of all stages of reconstruction the Construction Manager shall request inspections at pre-determined milestones of work completed. Refer to Milestone Inspections section of these Guidelines for further details regarding the inspection requirements.

13.9 Relocation – Purchase of Vacant Lot and New Home Construction Implementation Requirements

The following are general frameworks for implementation of relocation work with the purchase of vacant lot of land and the construction of a new home.

13.9.1 Scoping

Immediately upon the applicant selection and Program approval of the vacant lot to be purchased, the assigned Construction Manager and Program Staff shall perform a demolition scope walk of the applicant's current home. The purpose of the scope walk is to ensure that all parties agree with the scope of work for demolition and any modifications prior to a Work Order being issued to the Construction Manager. The Program will provide the total cost of demolition work based on the Program's unit prices included in each Construction Manager Contract signed with PRDOH. The Construction Manager, prior to the scope walk shall have available the home's ERR (including the asbestos survey and lead-based paint inspection results). Any abatement work required by the ERR shall be included the demolition scope of work.

New home construction scoping will be confirmed during a pre-construction conference to be held by the applicant, Program Staff, the Contractors, and a Municipal

Representative (if applicable). The applicant will be presented with the “model home” plans and a 3D representation of them. The applicant shall have a choice as to what façade, from the minimum of three (3) available options, shall be implemented for the project. The applicant shall also choose from other available options for finishes such as color schemes. Program Staff and the Construction Manager shall also perform a site visit of the vacant lot purchased for the Construction Manager to make all necessary measurements of the lot for final design and adaptation of the “model home”.

13.9.2 Work Order and Requirements

After the scope of work for demolition of the storm-impacted home and the construction of the new home at the vacant lot is agreed to by all parties, the Program will provide the total demolition and replacement home construction costs to the Construction Manager. The Program will provide the approved works by means of a Work Order issued to the Construction Manager.

The Work Order will establish the following:

| Work Order Content | Description |
|---|---|
| Demolition and Abatement of Storm-Damaged Home Scope Work | The scope of work for the demolition and any abatement work of the storm-damaged home which were agreed upon between the Construction Manager and Program Staff during the scope walk. The scope of work shall define if there are any abatement activities to be performed. Demolition and abatement work will be scoped using the Program's unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of the Change Order to the Work Order. |
| “Model Home” Construction Scope of Work | The scope of the “model home” to be built as a replacement of the storm-damaged one in the purchased vacant lot, including the design options selected by the homeowner during the pre-construction conference. It may also include any accessibility accommodations when applicable. Scope and costs of “model homes” are pre-established at request for proposals processes performed by the PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of a Change Order to the Work Order. |

| Work Order Content | Description |
|--------------------------|---|
| Site Scope of Work | The scope for any site work that is not a part of the “model homes” physical structure, nor a part of the demolition and abatement work of the storm-damaged home. This work will typically include grading, excavation, driveways, sidewalks, and other utilities. The cost of site work will be determined using the Program’s unit prices included in each Construction Manager contract signed with PRDOH. The Construction Manager may not perform any work outside of the approved scope of work without prior authorization by means of the Change Order to the Work Order. |
| Timeframe for Completion | The allowed time for the Construction Manager to complete the design, permitting, abatement, and demolitions works at the storm-impacted home, as well as the allowed time for the Construction Manager to complete the design, permitting, site work, and “model home” construction works to replace the storm-damaged one. Base timeframe for completion of all work will be included in each Construction Manager contract signed with PRDOH. Additional time may be allowed through the issuance of a properly executed Change Order to the Work Order. The Construction Manager must demonstrate the existence of extraordinary conditions that justify any additional time to be awarded by means of the Change Order. Non-compliance with the established timeframe may result in the application of liquidated damages to the Construction Manager. |

Construction Managers are required to conduct the work in compliance with code, regulations, and permit requirements at the federal, state, and local levels. Work must also be conducted in a workmanship manner always ensuring adherence to construction standards. During implementation of all works the Construction Manager shall request inspections at pre-determined milestones of work completed. Refer to Milestone Inspections section of these Guidelines for further details regarding the inspection requirements.

13.10 Change Orders

No additional work to those approved under issued Work Orders to Construction Managers shall be performed for the Program until a duly approved Change Order is issued, regardless of whether or not any cost is involved. Change Orders must be requested and prepared by the Construction Manager and, if warranted, approved by Program Staff. Any extra work performed by Construction Managers without the proper Program approval shall be considered unauthorized work done at the expense of Construction Manager. The Program will not issue any payment for unauthorized work.

Change Orders submitted by Construction Managers for approval shall set forth the type of work and scope to be added or deleted from the Work Order, the additional time (if any) required for the work, a justification for why the work is necessary, and evidence of any conditions identified that resulted in the request for the Change Order.

Homeowners may not request change orders unless an unforeseen change in household composition or circumstances necessitate modifications for accessibility. Change orders requested by homeowners for anything other than accessibility modifications will not be considered. Homeowner-requested changes for accessibility will be evaluated on a case-by-case basis and must be substantiated by evidence of the need, provided by the homeowner.

13.11 Milestone Inspections

Throughout the demolition, abatement, repair, reconstruction, and new construction processes to be implemented under the Program, milestone inspections of the work performed will be required. Milestone inspections serve the purpose of: (1) evaluating the Construction Managers' progress; (2) confirming that local building codes and Program standards have been satisfactorily met; and (3) confirming that all requirements of the contracts and Work Orders have been met to all parties' satisfaction.

At important milestones during the different projects, milestone inspections shall be requested by the Construction Managers. Milestones are times at which important and significant components of the demolition, abatement, repair, reconstruction, or new construction processes are completed. Milestone inspections also serve the purpose of supporting progress payments to the Construction Managers. No progress payment shall be issued to Construction Managers without the proper execution, to the Program's satisfaction, of a milestone inspection.

All milestone inspections of demolition, abatement, repair, reconstruction, and new construction works shall be performed by licensed professional engineers or architects in Puerto Rico.

13.11.1 Repair Work Award Inspections

Two (2) milestone inspections shall be performed for repair work awards issued under the Program. Nonetheless, the Construction Manager will be issued a single payment upon completion of all work. Times for milestone inspections of repair works and requirements for the request of such inspections are as follows:

| Milestone | Accumulated Payment | Timeframe for the Request of the Milestone Inspection |
|------------------------------|------------------------------|--|
| Work Substantially Completed | None | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Substantial completion of all work approved under the Work Order and subsequent Change Orders, if any, issued for the project. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • Work is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. <p>This milestone inspection shall result in a punch-list of minor deficiencies, if any, found during the milestone inspection.</p> |
| Final Inspection | 100% of the Work Order Value | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Correction of all punch-list items by the Construction Manager. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • All items identified in the issued punch-list have been found to be corrected to Program construction standards by the Construction Manager. • All permits have been closed with the corresponding agencies by the Construction Manager. • If applicable, a use permit for the home has been obtained by the Construction Manager. • Homeowner accepts the work. |

13.11.2 Reconstruction Work Award Inspections

Four (4) milestone inspections shall be performed for reconstruction awards issued under the Program. Consequently, the Construction Manager will be issued four (4) progress payments for the works. Times for milestone inspections for reconstruction works and requirements for the request of such inspections are as follows:

| Milestone | Accumulated Payment | Timeframe for the Request of the Milestone Inspection |
|------------|--|---|
| Foundation | Up to 25% of Work Order Value Less 10% for Retainage | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Completing all demolition and abatement work for the project as established in the Work Order. • Having met all environmental and other permits closing for the demolition and abatement works. • Completion of earth movement and grading necessary for foundations and slab on-grade. • Completion of rebar placement for the home's foundation and before concrete pouring occurs. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • All work listed above is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. |
| Structure | Up to 60% of Work Order Value Less 10% for Retainage | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Completion of all electrical and plumbing rough-in required for the home • Erection of all walls and openings for the home. • Erection of all roofing structure for the home. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • All work listed above is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. |

| Milestone | Accumulated Payment | Timeframe for the Request of the Milestone Inspection |
|------------------|---|--|
| Finishes | Up to 100% of Work Order Value Less 10% for Retainage | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Substantial completion of all work issued under the Work Order and subsequent Change Orders, if any, including: finishes, wiring, doors, windows, fixtures, cabinets, final grading and landscaping, and any other required system for the home. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • Work is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. <p>This milestone inspection shall result in a punch-list of minor deficiencies, if any, found during the milestone inspection.</p> |
| Final Inspection | 100% of Work Order Value (Including any Retainage Withheld) | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Correction of all punch-list items by the Construction Manager. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • All items identified in the issued punch-list have been found to be corrected to Program construction standards by the Construction Manager. • All permits have been closed with the corresponding agencies by the Construction Manager. • A use permit for the home has been obtained by the Construction Manager. • Homeowner accepts the work. |

13.11.3 Relocation Option 1 Award Inspections

For Relocation Option 1 Awards, a maximum of two (2) milestone inspections shall be performed. Nonetheless, the Construction Manager will be issued a single payment upon completion of all work. Times for milestone inspections for relocation with purchase of existing home and requirements of such inspections are as follows:

| Milestone | Accumulated Payment | Timeframe for the Request of the Milestone Inspection |
|---|---|---|
| Purchased Home Repair Works Substantially Completed | 100% of Work Order Value for Repair at Purchased Home Less 10% for Retainage | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Substantial completion of all work approved under the Work Order and subsequent Change Orders, if any, issued for the project for repairs at the purchased property (if applicable). <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • Work is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. <p>This milestone inspection shall result in a punch-list of minor deficiencies, if any, found during the milestone inspection.</p> |
| Completion of Demolition Works and Repaired Purchased Home Final Inspection | 100% of Work Order Value for Repair at Purchased Home (Including any Retainage Withheld) PLUS 100% of Work Order Value for Demolition of Storm-Damaged Home | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Correction of all punch-list items by the Construction Manager for repairs at the purchased property. • Completing all demolition and abatement work for the project as established in the Work Order. • Having met all environmental and other permits closing for the demolition and abatement works. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • All work listed above is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. • Homeowner accepts the work. |

13.11.4 Relocation Option 2 Award Inspections

For Relocation Option 2 Awards, a total of four (4) milestone inspections shall be performed. Consequently, the Construction Manager will be issued a total of four (4) progress payments for the work. Times for milestone inspections for relocation with a replacement home construction and requirements of such inspections are as follows:

| Milestone | Accumulated Payment | Timeframe for the Request of the Milestone Inspection |
|------------|---|--|
| Foundation | Up to 25% of Work Order Value for New Construction Less 10% for Retainage | Inspection shall be requested upon: <ul style="list-style-type: none"> • Completion of earth movement and grading necessary for foundations and slab on-grade. • Completion of foundations for the new home. • Completion of rebar placement for the home's foundation and before concrete pouring occurs. Inspection and works shall be approved if: <ul style="list-style-type: none"> • All work listed above is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. |
| Structure | Up to 60% of Work Order Value for New Construction Less 10% for Retainage | Inspection shall be requested upon: <ul style="list-style-type: none"> • Completion of all electrical and plumbing rough-in required for the new home • Erection of all walls and opening for the new home. • Erection of all roofing structure for the new home. Inspection and works shall be approved if: <ul style="list-style-type: none"> • All work listed above is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. |

| Milestone | Accumulated Payment | Timeframe for the Request of the Milestone Inspection |
|--|--|--|
| Finishes | Up to 100% of Work Order Value for New Construction Less 10% for Retainage | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Substantial completion of all work issued under the Work Order and subsequent Change Orders, if any, including: finishes, wiring, doors, windows, fixtures, cabinets, final grading and landscaping, and any other required system for the home at the new home. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • Work is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. <p>This milestone inspection shall result in a punch-list of minor deficiencies, if any, found during the milestone inspection.</p> |
| Completion of Demolition Works and New Home Final Inspection | 100% of Work Order Value for New Construction (including any Retainage Withheld) PLUS 100% of Work Order Value for Demolition and Abatement of Existing Home | <p>Inspection shall be requested upon:</p> <ul style="list-style-type: none"> • Correction of all punch-list items by the design-build contractor for repairs at the new home. • Completing all demolition work for the project as established in the Work Order. • Having met all environmental permits closing for the demolition works. <p>Inspection and works shall be approved if:</p> <ul style="list-style-type: none"> • All work listed above is found to have been substantially completed. • All federal, state, and local code and regulations requirements have been met. • Work is found to have been performed in a workmanship manner and in accordance with Program construction standards. • Homeowner accepts the work. |

13.12 Disbursements

Funds are distributed to Construction Managers when the Construction Managers have submitted an invoice for each project or encompassing multiple projects. Program Staff will submit required documentation. Allowed disbursement periods for each award type shall coincide with passed milestone inspections. Final payments to Construction Managers will require the homeowner acceptance of work performed.

13.13 Warranties and Complaints

As part of the R3 Program final inspection of construction work, homeowners will be asked to accept the completed scope of work

All work performed by the Construction Managers will be guaranteed as follows:

- Roof waterproofing works will be guaranteed for a minimum of ten (10) years;
- Solar Water Heaters will be guaranteed for a minimum of five (5) years;
- Equipment and Appliance installed will be guaranteed for a minimum of one (1) years or as provided for by the manufacturer (whichever is greater); and
- All other work will be guaranteed for a period of one (1) year.

For the warranty periods established above, the assisted homeowner may require the Construction Manager to correct defects or problems arising from the Construction Manager's work under the contract. All homeowners will be provided documentation pertaining to the home warranty. Documents provided to the applicant will include information regarding what is covered, length of coverage, and how to submit a claim against the warranty.

The R3 Program will have designated Case Managers to receive and process warranty and construction complaints. All warranty and construction complaint issues have to be made in writing and shall be logged into the Program's system of record for follow up. A reasonable amount of time will be given to correct the problem; however, in no case will such time exceed two (2) weeks to respond. Should the Construction Manager fail to correct the problem the assisted homeowner may contact the Program to take any necessary legal resources as prescribed in the Construction Manager's contract.

14 Special Flood Hazard Areas

Federal regulations prohibit funding any action, other than a functionally dependent action, in a floodway. A floodway is the portion of the floodplain which is effective in carrying flow, where the flood hazard is generally the greatest, and where water depths and velocities are the highest. The term floodway as used here is consistent with regulatory floodways as identified by FEMA. See 24 C.F.R. § 55.2(b)(1) for appropriate data sources. A functionally dependent action is an action that must necessarily be conducted in close proximity to water; for example, a dam, marina, port facility, waterfront park, and many types of bridges. Assistance will not be provided to support certain activities in a floodway. These prohibited activities include but are not limited to the following:

- Structures intended for human habitation
- Storage of materials
- Sewage systems or wells
- Filling which would cause an obstruction to flow which is not otherwise permitted

If some part of the "project activity" impedes upon the floodway such as the necessary, fill or footings, then the structure as a whole becomes part of the floodway and is therefore ineligible for funding unless it is a functionally dependent action. The development standards for a floodplain encroachment depend on both the project location and the amount of information provided on flood hazard maps.

Critical actions shall not be approved in coastal high hazard areas. Non-critical actions may be approved in a coastal high hazard area only if the proposed action is:

- A functionally dependent action;
- Existing construction (repairs and improvements); or
- Reconstruction following destruction caused by disaster.

An action consisting of existing construction or reconstruction following destruction caused by disaster must adhere to certain design standards. See 24 C.F.R. § 55.1(c)(3).

15 Flood Insurance

Section 582 of the National Flood Insurance Reform Act of 1994, as amended, *supra*, on Prohibited flood disaster assistance, prohibits flood disaster assistance in certain circumstances. In general, it provides that no Federal disaster relief assistance made available in a flood disaster area may be used to make a payment (including any loan assistance payment) to a person for repair, replacement, or restoration for damage to any personal, residential, or commercial property if that person at any time has received Federal flood disaster assistance that was conditional on the person first having obtained flood insurance under applicable Federal law and subsequently having failed to obtain and maintain flood insurance as required under applicable Federal law on such property and whose combined household income is greater than one hundred and 120% AMI or the national median. This means that a grantee may not provide disaster assistance for the repair, replacement, or restoration to a person who has failed to meet these requirements.

Section 582, *Ibid.*, also implies a responsibility for a grantee that receives CDBG-DR funds or that designates annually appropriated CDBG-DR funds for disaster recovery. That responsibility is to inform property owners receiving disaster assistance that triggers the flood insurance purchase requirement that they have a statutory responsibility to notify any transferee of the requirement to obtain and maintain flood insurance, and that the transferring owner may be liable if he or she fails to do so.

This section also prohibits the use of federal disaster assistance to make a payment (including any loan assistance payment) to a person for "repair, replacement, or restoration" for damage to any personal, residential, or commercial property if that

person at any time has received Federal flood disaster assistance that was conditional on the person first having obtained flood insurance under applicable Federal law and the person has subsequently failed to obtain and maintain flood insurance as required under applicable Federal law on such property. The Program may not provide disaster assistance for the repair, replacement, or restoration of a property to a person who has failed to meet this requirement.

The requirement of maintaining flood insurance shall apply during the life of the property, regardless of transfer of ownership of such property. See Section 102 of the Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. § 4012a.

16 Voluntary Withdrawal

An Applicant may request to withdraw from the Program at any time before construction begins. The voluntary withdrawal process will be followed in the event an Applicant requests to withdraw from the Program. To withdraw, the Applicant will notify the Case Manager of their desire to withdraw from the Program, who will then provide a Voluntary Withdrawal Notice to the Applicant. The Applicant or Applicants may withdraw using an electronic method. Upon completion of the withdrawal request and receipt of Applicant signature on any required forms, a Withdrawal Confirmation Notification will be sent to the Applicant and the application status will be updated to "Withdrawn." If the Applicant withdrawal request is submitted after R3 Program sponsored construction has begun, the Applicant will be notified that his/her withdrawal request is denied via the Withdrawal Denial Notification.

17 Non-Responsive Applicants

The program will make reasonable attempts to contact applicants to schedule meetings, collect documentation, or obtain other information necessary. If the program has made five (5) consecutive unsuccessful attempts to contact an applicant with no follow up contact from the applicant, the applicant will be sent a Non-Responsive Notice. Contact attempts should be made using different methods of communication and at different times of the day/week. The Non-Responsive Notification provides contact information for the Program, advises the applicant of the next steps in the application process and notifies the applicant that he must contact the program within **fourteen (14) days** of the date of the letter. If the applicant fails to contact the program within the **fourteen (14) days** allowed, the application will be closed.

Likewise, after the program makes three (3) unsuccessful attempts to collect missing documentation, applicants will be sent a Missing Documents Notification. This notice informs applicants of which documents are outstanding and advises the applicant to contact the Program regarding the missing documents within **fourteen (14) days**. Failure to contact the Program within the **fourteen (14) day** period may result in closure of the application due to the non-responsiveness of the applicant.

18 Program-based Reconsideration and/or Administrative Review

Applicants of the R3 Program may contest any determinations or denials based on Program policy. However, an Applicant may not challenge a federal statutory requirement.

Applicants have the right to request a Program-based Reconsideration with the Program or request an Administrative Review directly with PRDOH, as stated below.

18.1 Program-based Reconsideration Request

Applicants may file a Program-based Reconsideration Request when it is believed there is an error with Program eligibility determinations, Program award, and/or failure to meet construction standards, among other determinations. An Applicant must submit a written Reconsideration Request directly with the R3 Program within **twenty (20) days** of being notified of the determination, as outlined in the notice. Applicants who file a Program-based Reconsideration Request are encouraged to provide individual facts or circumstances, as well as supporting documents to justify their petition. The date of notification is that on which the R3 Program determination was sent to the applicant.

In the Reconsideration Request process, the R3 Program will only review facts and information already included in an Applicant's file, unless the Applicant submits new documentation. The R3 Program has the discretion to accept or reject new documentation based upon its relevance to the Program-based Reconsideration Request.

The R3 Program will review and address the Reconsideration Request within **fifteen (15) days** of its receipt. Applicants will be notified of the reconsideration determination via a Reconsideration Request Approved or a Reconsideration Request Denied notification. Applications with an approved Reconsideration Request will return to active Program status and continue with the process as normal. Applications with a denied Reconsideration Request will remain ineligible for the R3 Program.

Filing a Program-based Reconsideration Request does not substitute, negate, or preclude any legal right that an Applicant has to challenge a determination made by the Program.

Therefore, Applicants who believe the initial determination of the Program to be erroneous, may submit either a Program-based Reconsideration Request or a petition for review of the decision made by the Program by filing an Administrative Review Request at the PRDOH in accordance with Regulation Number 4953, of August 19, 1993, which regulates the Formal Adjudication Process for the PRDOH and its Adjunct Agencies (Regulation 4953).

18.2 Administrative Review Request

If an Applicant disagrees with a Program determination, or with the Reconsideration Request Denial determination, said party may file directly to PRDOH, as grantee, an

Administrative Review Request. The Applicant must submit such request, in writing, within **twenty (20) days** of being notified of a Program determination or a Reconsideration Request Denial determination. The date of notification is that on which a determination was sent to the Applicant.

Applicants who submit an Administrative Review Request must follow the procedure established in Regulation 4953. After the Administrative Adjudicative Procedure concludes, applications with approved Administrative Review Requests will return to active Program status and continue within the process as normal. Applications with denied Administrative Review Requests will remain ineligible for the R3 Program.

If the Applicant disagrees with any final written determination on an Administrative Review Request notified by PRDOH after completing the Administrative Adjudicative Procedure, said party may file a Judicial Review petition before the Court of Appeals of Puerto Rico within **thirty (30) days** after a copy of the notice has been filed. See Act No. 201-2003, as amended, known as the Judiciary Act of the Commonwealth of Puerto Rico of 2003, 4 LPRA § 24 *et seq.*, and section 4.2 of Act 38-2017, as amended, known as the Uniform Administrative Procedures Act of the Government of Puerto Rico, 3 LPRA §9672.

If the Applicant fails to file a program-based Reconsideration Request, or to contest a determination under the Administrative Adjudicative Procedure with PRDOH within the time allotted, the inaction will be deemed as an acceptance of the determination.

19 Application Closeout

Upon completion of all demolition, repair, reconstruction, or new construction work, the Program applications shall be closed. This process will begin by ensuring that all work performed has been accepted by the applicant and that everything has been performed in compliance with Program requirements. Acceptance of the work by the homeowner shall be established during the final inspection of work performed. R3 Program staff will perform a complete review of the application file to ensure all necessary documentation is present and to ensure that the case is ready for closeout.

General requirements for closeout are as follows:

- All eligibility, damage, and duplication of benefits documentation is found to be in accordance with all requirements of this policy and is found to be sufficient to justify the applicant's participation in the Program.
- All Program forms required throughout the entirety of the application process have been duly completed and executed by the appropriate parties, which may include: Program staff, the Construction Manager, and the applicant.
- All funds used for the Program, whether CDBG-DR or received by means of a subrogation of funds, have been properly accounted for and reconciled with payments made to the Construction Managers and any others.
- All payments have been issued to the Construction Managers, including applicable retainages.

- All permits required for demolition and construction work have been properly closed-out with the proper governmental entities.
- Environmental clearance, if required, has been obtained for all demolition, repair, reconstruction, or new construction work performed for the applicant.
- Warranties binder for all components incorporated to the home during the process have been properly delivered to the applicant and evidence of such delivery is part of the file.
- Other requirements for closeout as established in Construction Manager's contract.

Outreach will be made to the applicant, the Construction Manager, or any other party involved in the event that any additional information is necessary to close-out the case. Once all levels of quality control review are passed, the applicant will receive a R3 Program Final Notice and their individual case will be placed in a closeout complete status.

20 Cross-Cutting Guidelines

Some federal and local requirements apply to all programs funded by CDBG-DR. These Cross-Cutting Guidelines cover topics such as: financial management; environmental review; labor standards; acquisition; relocation; fair housing; among others. The requirements described in the above referenced Cross-Cutting Guidelines, apply to all programs described in PRDOH's CDBG-DR Initial Action Plan and its amendments. For more information, please refer to the Cross-Cutting Guidelines found at www.cdbg-dr.pr.gov.

20.1 Uniform Relocation Act (URA)

As a HUD-assisted program, and in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (**URA**), 42 U.S.C. § 4601 *et seq.*, and the government wide implementing regulations found at 49 C.F.R. part 24, all programs in the PRDOH CDBG-DR portfolio, including the R3 Program, is subject to URA regulations. For more information on how URA regulations apply to the R3 Program, please refer to the URA Guidelines found at www.cdbg-dr.pr.gov.

20.2 Citizen Participation

Throughout the duration of the grant, all citizen comments on PRDOH's published Action Plan, any substantial amendments to the Action Plan, performance reports and/or other issues related to the general administration of CDBG-DR funds, including all programs funded by this grant, are welcomed. The Citizen Participation Plan is posted as a stand-alone document at www.cdbg-dr.pr.gov. For more information on how to contact PRDOH, please refer to www.cdbg-dr.pr.gov.

21 Separability Clause

If any provision of this Program Guideline, or the application thereof to any person, partnership, or corporation, or circumstance, is held invalid by a competent court, the

remainder of this Program Guideline and the application of such provisions to any other person, partnership, corporation, or circumstance, shall not be affected thereby.

END OF GUIDELINES.