



MINOT DISASTER RECOVERY PROGRAM

**HOUSING REHABILITATION AND RECONSTRUCTION
PROGRAM (HRR)**

POLICIES AND PROCEDURES



October 17, 2012



Part I: Housing Rehabilitation and Reconstruction Program Policy

1.0 Purpose

The City of Minot Disaster Recovery-Housing Rehabilitation and Reconstruction (Minot-HRR) Program is an unmet need priority driven program within the legal jurisdiction of Minot, North Dakota. This program is to assist low to moderate income homeowners who received significant damage from the flooding that occurred during June 2011. The program is offered by the City of Minot and will provide grants to affected homeowners to repair damages caused by the flood and when necessary reconstruct homes. The federally declared disaster declaration is FEMA-1981-DR declared on May 10, 2011 and amended to include the flooding in June, 2011. The incident period for FEMA-1981-DR began on Monday February 14, 2011 through May 10, 2011.

2.0 Program Overview

2.1 Funding Appropriation

On April 16, 2012 the Department of Housing and Urban Development released \$400 million in Community Development Block Grant funds for the purpose of assisting recovery in the most impacted and distressed areas declared a major disaster in 2011 under Title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.). The Appropriations Act requires funds to be used only for specific disaster-related purposes. The City of Minot received \$67,575,964 to address their most impacted unmet needs to recover from this disaster. On July 12, 2012 the Minot City Council approved the Action Plan that outlined the eligible activities for which these dollars would be allocated. HUD has approved the Action Plan.

2.2 Federally-Designated Areas Eligible for CDBG Assistance

The entire City of Minot is an eligible area that can receive financial assistance from this allocation.

2.3 Program Administrator

The City of Minot has contracted with CDM Smith to provide the following program administration services and activities. In performing these services, CDM Smith will act in the capacity as Program Manager for the CDBG-DR Program. This includes the Rehabilitation/Reconstruction Program.



Program Manager's responsibilities include:

1. Design and plan the program management model in coordination with City of Minot's Finance Director and implement approved CDBG-DR components, and oversee management, compliance, and reporting of program activities including Acquisition, Homeowner Rehabilitation and Reconstruction, and Public Infrastructure.
2. Develop for Minot's approval, application guidelines for grant awards including eligibility criteria, selection criteria, submission instructions, performance measures, and any other requirements necessary to allocate the CDBG-DR funds.
3. Complete all required environmental reviews in compliance with HUD requirements.
4. Develop and initiate outreach and public education campaign within 30 days of program start-up following Action Plan approval.
5. Review CDBG-DR applications for applicant eligibility and make award recommendations based on program requirements and HUD eligible activity and National Objective criteria.
6. Coordinate and assist the City with developing Request for Proposals (RFPs) and Request for Qualifications (RFQs) for construction and engineering ensuring that all HUD required CDBG clauses are incorporated.
7. Coordinate with the City to provide all preconstruction conferences and construction oversight.
8. Oversee compliance with Davis Bacon for all construction when applicable.
9. Establish a data management system based on requirements of the programs.
10. Coordinate and assist the City with DRGR data management and all financial, reimbursement, and change order processes.
11. Maintain hard copy files to support compliance with HUD monitoring requirements.
12. Assist City of Minot with the closeout activities connected with the CDBG-DR program.

These responsibilities and other contractual agreements can be referenced in the actual contracts between CDM Smith and the City of Minot.

3.0 Minot-HRR Program Requirements

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

3.1 CDBG National Objective

All program activities (with certain exceptions with regard to administrative and planning activities) must meet an applicable CDBG National Objective. The Minot-HRR program will provide benefit to those households meeting the low-and moderate-income (LMI) National Objective requirements in accordance with HUD LMI standards. The Minot-



HRR program will determine a household's LMI status once individual homeowner packets are returned.

3.2 Overall LMI Benefit Requirement

Although Minot has received a waiver regarding the overall benefit to LMI persons, the federal requirement is not entirely waived. Fifty percent (50%) of the funds allocated to the City of Minot for all their eligible projects must be used for activities that meet a LMI national objective (described above). Other projects may be eligible under the National Objectives of Urgent Need or Slum and Blight. For the Minot Housing Rehabilitation and Reconstruction program, all eligible applicants must meet the National Objective of LMI.

3.3 Homeowners Eligible for Assistance

Homeowners must meet the following threshold criteria:

- Home must reside within the city limits of Minot.
- Home must have been damaged by the flood of June 22, 2011.
- Home must be located outside the City's 100 year flood plain or "flood control" footprint.
- Home must have been the homeowner's primary residence at the time of the flood.
- Homeowner must have been the owner of record at the time on June 22, 2011 and continue to be the owner throughout the grant compliance period.
- Homeowner must be considered Low to Moderate Income (LMI) as defined by HUD.
- Home must have received at least \$10,000 in damages and have a minimum of \$5,000 in damages that still need repair.

Due to the overall unmet need and limited funding, meeting the eligibility requirements above does not guarantee funding will be granted to an eligible homeowner. Priority applicants will receive the first round of funds [see section 4].

3.4 Individual Homeowner Grant Threshold

Rehabilitation

The maximum amount of funds allowed for rehabilitation of the home is \$90,000 (non-historic) and \$110,000 (historic).

Reconstruction

The maximum allowed for reconstruction of the home is \$195,000.

Note: If *during* construction, unforeseen issues arise that require a change order that will exceed the maximum limits listed above, these issues will be reviewed on a case-by-case



basis and require final approval from the City to exceed the established maximum funds. HUD defines this as “additional unmet need” and provides guidance published on November 16, 2011 in its *Clarification of Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery* [FR-5582-N-01], page 71065. The City of Minot will follow the HUD guidance.

3.5 Determining Types of Homeowner Assistance

The following methods will be used to determine if a home is eligible for rehabilitation or reconstruction assistance.

1. Homes determined to have a remaining unmet need of more than \$5,000 based on a damage assessment will be eligible for rehabilitation. Unmet need is determined after the damage inspection provides an estimated cost to repair and any duplicated funds available for repairs have been factored into the estimated cost. Remaining rehabilitation CDBG-DR costs are capped by policy at \$60,000, unless an exception has been approved by the City.
2. Eligibility for rehabilitation requires that the 75% rule be met. The 75% rule states that a housing unit is suitable for rehabilitation if the estimated cost of improvements will be 75% or less of the 2011 pre-flood assessed value (plus 15%). Estimated cost of improvements includes the damage from the disaster and code violations that are not a result of the flood damage. If the costs are greater than the 75% rule, the home would be eligible for reconstruction.

Note: If the damage estimate, after factoring in any homeowner funds resulting from duplication of benefits calculation, exceeds the maximum limit of the \$60,000 but *does not* trigger the 75% rule above, these case will be brought to the City to determine if an exception will be granted to exceed the cap amount of rehabilitation or be deemed to convert to a reconstruction.

3. The City has completed a damage assessment of homes in the City of Minot. If the City determined that the home is identified as a potential nuisance or public health hazard, it will only be eligible for reconstruction. No other determination will be required. Any home determined to be an unsafe structure as a result of the damage inspection will be required to be included as reconstruction.

Each rehabilitated item in the home or new home construction must meet the 2009 IRC and the City’s minimum property standards; and the entire home must meet City code compliance when construction is complete. Every new home reconstructed must meet the 2009 IRC, as amended by the City of Minot, and be built in accordance to the City’s contractors specification and performance manual and the City’s minimum property standards



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

Reimbursement for Completed Home Repairs – Not Eligible

Homeowners who have already completed all of the repairs on their home, or have less than \$5,000 in repairs remaining, and can occupy the residence are not eligible for additional assistance or reimbursement costs for repairs under the Minot-HRR Program. HUD has determined that these homeowners no longer meet the “unmet need” requirement.

Size of Replacement Unit

HUD guidelines provide occupancy policies that allow for two persons per bedroom as reasonable. Other allowable considerations in determining the size/type of unit include the size/type of unit that was affected by the flood. The following factors come into play in making this decision:

- No more than two persons are required to occupy a bedroom.
- Persons of different generations (i.e. grandparents, parents, children), persons of the opposite sex (other than spouses/couples), and unrelated adults are not required to share a bedroom.
 - An adult is a person 18 years old or older.
- Couples living as spouses (whether or not legally married) must share the same bedroom for issuance size purposes.
- A live-in aide who is not a member of the family is not required to share a bedroom with another member of the household. Note: The need for a full time live-in aide must be documented. Individual medical problems (e.g. chronic illness) sometimes require separate bedrooms for household members who would otherwise be required to share a bedroom. Documentation supporting the larger sized unit must be provided and verified as valid.
- In most instances, a bedroom is not provided for a family member who will be absent most of the time, such as a member who is away in the military. If individual circumstances warrant special consideration, a waiver may be approved as outlined in the section on Waivers.
- When determining family issuance size, include all children expected to reside in the unit in the next year as members of the household. Examples include, but are not limited to, the following:
 - Pregnant women: Children expected to be born to pregnant women are included as members of the household.
 - Adoption: Children who are in the process of being adopted are included as members of the household.



- Foster Children: Foster children residing in the unit along with families who are certified for foster care and are awaiting placement of children are included as members of the household. If children are anticipated to occupy the unit within a reasonable period of time, they must be considered when determining the issuance size.
- Joint/Shared Custody Arrangements: The custody arrangement may be verified by the divorce decree/legal documents or by self certification.
- Custody of Children in Process: Children whose custody is in the process of being obtained by an adult household member may be included as members of the household. Evidence that there is a reasonable likelihood that the child will be awarded to the adult (i.e. within three months) must be provided in order for such child to be included.
- Children Temporarily Absent from Household:
 - Children temporarily absent from the home due to placement in foster care may be included as members of the household. Evidence that there is a reasonable likelihood that the child will return to the household (i.e. within three months) must be provided in order for such child to be included.
 - Children who are away at school, but live with the family during school recesses are included as members of the household.

Unit Size Examples:

- 1 Bedroom – No CDBG DR built home will be only 1 Bedroom.
- 2 Bedrooms/1 Bath
 - Adult/couple
- 2 Bedrooms/2 Bath
 - Adult/couple plus 1 child
 - Adult/couple plus 2 children of same sex
- 3 Bedrooms/2 Bath-2 ½ Bath
 - Adult/couple plus 2 children of opposite sex
 - Adult/couple plus 3 children
 - Adult/couple plus 4 children (2 boys and 2 girls)
 - Adult/couple with medical needs plus 1 child
 - Adult/couple with medical needs plus 2 children of same sex
- 4 Bedrooms/2.5 Bath
 - Adult/couple plus 4 or 5 children (3 of same sex)
 - Adult/couple with medical needs plus 2 children of opposite sex
 - Adult/couple with medical needs plus 3 children
- The size/type of home owned and occupied by the household at the time of the flood may also be considered. As an example, a single person household who owned and occupied a 3 bedroom home at the time of the flood.



- No unit shall exceed the square footage of the flood affected home unless the flood affected home is too small for the applicant household size per the HUD guidelines listed above.
- No unit shall exceed the maximum reconstruction cap amount of \$195,000 without a waiver.

Waivers:

Waivers for other individual circumstances may be granted with written approval of the City of Minot. The waiver request shall be in writing and explain the need/justification.

3.6 Eligible Structures

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

Townhomes and condominiums are eligible for rehabilitation when feasible. If a property is designated as a condominium or townhouse, the owner of each condominium unit shall be allowed to apply for assistance for the unit under their ownership. These homeowners will be reviewed on a case-by-case basis to assess responsibilities of the condominium's homeowner association. In all instances, each unit shall have an individual mailing address registered with the United States Postal Service (not a P. O. Box).

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

Homes with unfinished basements will have them repaired to the extent necessary to make them safe, sanitary, and code compliant. If the basement was finished and used as living space prior to the June 2011 flood, the basement may now be finished to the before flood condition utilizing CDBG-DR funds. Also, if the basement was unfinished and is needed as a bedroom for a family member based on the previously discussed unit sizes, then it can be rehabilitated for living space as necessary to meet minimum property standards.

3.7 Ineligible Items



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

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

3.8 Ownership

Housing to be assisted must be owned by the person(s) occupying the unit at the time of the flood. Ownership is defined as holding a fee simple title or warranty deed to the property and structure to be assisted. The City of Minot has the right to waive requirement of a fee simple title or warranty deed in the applicant's name if it can be proven that the applicant occupied the home at the time of the flood, was making house payments to purchase the house, and has acquired title prior to assistance. Each instance will be reviewed on a case-by-case basis and must follow the City's Policy Exception process.

A mortgage lien can be in place on the property. In order to be eligible for program assistance, the assisted property owner must be current with regard to their mortgage payments, special assessments and property taxes. If property taxes are delinquent, the homeowner must be able to document that the taxes have been made current or they are on a payment plan with the Tax Assessors Office.

3.8.1 Purchase Contracts

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



1. Evidence of recordation of the title in the name of the applicant in the conveyance records of the county.
2. Evidence that property was transferred by a warranty deed.

3.8.2 Act of Donation

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

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

3.8.3 Trust

Property held in trust for the benefit of natural persons can be eligible for Minot-HRR assistance as long as at least one of the occupants at the time of the flood was a current beneficiary of the Trust. The trustee's powers must include the ability to affect the damaged property. If the trustee's powers do not include the ability to affect the damaged property, the beneficiaries with an interest in the damaged property must sign the closing documents along with the Trustee.

The following is required to confirm eligibility:

- The applicant must provide a copy of the trust document.
- The trust document or an abstract or extract of the trust must be recorded in the conveyance records of Ward County. This recordation in the conveyance records of Ward County may be recorded post-flood if necessary.

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

3.8.4 Death of Eligible Owner Occupant

If the deceased owner of the damaged address passed away *after* the flood that damaged the home, the deceased person has to meet all eligibility requirements for Minot-HRR. Income determination will be based on the heir. The heir must agree to own and occupy the home for compliance period of the grant.

If the deceased owner of the damaged address passed away *before* the flood, the heir occupying the property has to meet all eligibility requirements and will be processed



for assistance in the same manner as all other applicants. The heir to the property can attend the appointment, complete paper work, and make rehabilitation decisions and must agree to occupy the home after repairs are completed for the full compliance period of the grant.

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

3.9 Occupancy

The property must have been the applicant's primary residence at the time of the flood. The program verifies primary residency through at least **one** of the methods listed below. All occupancy documentation must be from the time of the flood, in the applicant or co-applicant's name, and the damaged address:

- Verification by the City that water or sewer services was provided to the owner at the time of the flood.
- Copy of FEMA letter showing payment received for home repairs or contents or insurance document showing content coverage.
- Letter from electric, gas, or other utility service provider. The letter must confirm that service was provided at the time of the flood.
- Other qualified documents may be presented for consideration of proof of occupancy.

3.9.1 Special Circumstances Related to Occupancy

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

3.10 Duplication of Benefits (DOB)

Minot-HRR program will comply with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121-5207) as amended, (Stafford Act). This act prohibits any "person, business concern or other entity" from receiving Federal assistance "to the extent such assistance duplicates benefits available to the person for the same purpose from another source." [42 U.S.C. 5155(a) and (c)] Further, the Minot-HRR will comply with HUD's Federal Register Notice entitled *Clarification of Duplication of*



Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees [FR-5582-N-01].

Any funds homeowners have received or was made available to them to repair the structure of their damaged property (this includes but is not limited to private insurance, FEMA, and/or SBA), must be accounted for when determining the housing assistance award amount. If the homeowner spent funds intended for the repair of their house on anything other than home repairs or temporary housing, the homeowner will have a duplication of benefits (DOB) and will escrow the money prior to the contract signing.

Funds used to repair the damaged housing structure will not be considered a DOB if substantiated with a valid receipt. In some instances, where the homeowner received FEMA, funds used for temporary housing while displaced from the damaged home will also not be counted as DOB of FEMA assistance. If previously approved for funding assistance but funds are no longer accessible by the homeowner once determined eligible for the program, these funds will not be counted as a DOB per HUD's DOB guidance. For further detail, please reference the DOB Guideline attached to the document.

3.11 Household Income

Only homeowners with a household income that meets HUD's guidelines for low-to-moderate income (LMI) households will be eligible for the Minot-HRR funding assistance. To determine the household income, the Minot-HRR will follow HUD's methodology for using the IRS 1040 tax return. For further details, please reference the Income Guidelines attached to this document. As of the date of this policy, the following reflects the maximum eligible household income by family size. This income level can change each year when HUD publishes new income guidelines.

HUD Income Level		1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Ward County, ND FY2012 MFI: \$61,300	80% Low Income	\$35,750	\$40,850	\$45,950	\$51,050	\$55,150	\$59,250	\$63,350	\$67,400

Eligibility determinations made after January 2013, will use the following income levels:

HUD Income Level		1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Ward County, ND FY2013 MFI: \$61,300	80% Low Income	\$36,000	\$41,500	\$46,700	\$51,850	\$56,000	\$60,150	\$64,300	\$68,450



3.12 Award Calculation

Each eligible homeowner will be given an individual grant award in the form of a three-year forgivable promissory note for rehabilitation and a five-year forgivable – promissory note for a reconstructed home. Calculations are based on the inputs listed below.

3.12.1 Home Evaluations

The estimated cost of repair provides an estimate of the basic costs needed to repair or replace the home. The estimated cost of repair (ECR) incorporates costs necessary to ensure that the property meets the Program's minimum property standards. The ECR does not provide an evaluation that takes into account an exact replacement of applicant's original home. In contrast to insurance estimates that may be based on replacement costs, the ECR evaluation is based on basic livability standards developed for the Program and on costs developed by the construction industry in North Dakota. For example, while an insurance company may pay for the replacement of crystal chandeliers and granite countertops, Minot-HRR will compensate applicants for standard light fixtures and plastic laminate countertops. If an applicant has already begun or completed repairs, the estimated cost of damage will include only the cost for the remaining repairs based on the same basic livability standards.

Homes that are used for combined residential and commercial purposes are eligible for the Program on a proportional basis. The homeowner must provide their most recent tax return to determine the percent of the property that is used for commercial purposes. The damages to the commercial portion of the home will not be included in the estimate.

All property improvements must be for unmet housing needs resulting from the flood. Other structural deficiencies may be addressed on flood damaged structures. Structures built before 1978 must be inspected for lead-based paint hazards. Where such hazards are detected, the homeowner(s) will be notified and appropriate steps will be taken to mitigate dangers from lead-based paint.

3.12.2 Pre-Flood Value

The City of Minot Assessor's Office will provide the appraised value of the property for 2011 which will be used to determine the value of the home at the time of the



flood. The City has made it a policy to add an additional 15% to the property value to place the home at what is considered fair market value prior to the 2011 flood.

3.12.3 Duplication of Benefits

The following are some sources of funding assistance provided for structural damage and loss that are considered duplication of benefits (DOB): FEMA Individual Assistance (IA), FEMA National Flood Insurance Program (NFIP), Private Insurance, Increased Cost of Compliance (ICC) and Small Business Administration (SBA). DOB under federal law must be deducted from the assistance to be provided unless receipts can be shown that repairs were made to the home in the amount of the assistance provided. For further information, please see attached DOB policy.

3.12.4 FEMA Individual Assistance (FEMA IA)

FEMA IA will be determined and verified by Minot-HRR through third party verification. If Minot-HRR is unable to verify the FEMA IA amount through third party verification, Minot-HRR will use the payment amount provided by the applicant at the time of application. If an applicant is able to provide documentation demonstrating that the FEMA IA amount provided by the FEMA third party verification includes amounts not paid to cover structural loss, Minot-HRR will use the documentation provided by the applicant to adjust the FEMA IA payout amount. The documentation provided by the applicant must come from FEMA.

3.12.5 Private Insurance

All private insurance settlement amounts for loss to dwellings are considered a duplication of benefit and may reduce the amount of disaster assistance. Private insurance payments for contents or other non-dwelling expenses such as fences, storage sheds, etc., are not deducted from the applicant's award.

Insurance proceeds are determined and verified by Minot-HRR by contacting the insurance company and verifying proceeds. If Minot-HRR is unable to verify the private insurance proceeds through the insurance company, Minot-HRR will use the claims payout provided by the applicant. If an applicant is able to provide documentation demonstrating that the insurance proceeds amount provided by the insurance company includes items not covered in the home evaluation or not paid to cover structural loss, Minot-HRR will use the documentation provided by the applicant to adjust the private insurance payout.



3.12.6 The Small Business Administration (SBA)

If the SBA has approved loan funds, the assistance is considered a duplication of benefit, (regardless if the applicant accepted partial or full amount available to them) and the amount of the loan is deducted from the disaster assistance award. SBA loans will be determined and verified by Minot-HRR through third party verification. If Minot-HRR is unable to verify the SBA amount through third party verification, Minot-HRR will use the payment amount provided by the applicant at the time of application. If an applicant is able to provide documentation demonstrating that the SBA amount provided by third party includes amounts not paid to cover structural loss, Minot-HRR will use the documentation provided by the applicant to adjust the SBA payout amount. The documentation provided by the applicant must come from SBA.

3.12.7 Calculating the Amount of Assistance

Rehabilitation

Assistance to individual homeowners is determined after factoring in the inputs listed above, subtracting any DOB that must be escrowed, and then factoring in the funding caps for the required rehabilitation activity. The calculation follows a three prong test:

- Does the estimated cost of repairs exceed funding cap for the activity? If no, then;
- Does the estimated cost of repairs exceed the 75% rule? Is the house listed on the City public hazard list? If no, then rehabilitation, if yes then reconstruction;
- Is there a DOB? If yes, subtract from estimated cost of repairs and the remaining balance is the CDBG-DR award amount.

See examples below:

Rehabilitation Example #1

Input	Value	Calculation
Home Value	\$100,000	
Estimated cost of repair	\$50,000	Does not exceed funding cap
75% Rule	50,000/100,000	Does not exceed 75% rule
Insurance received	\$20,000	Subtract from estimated repair cost
FEMA received	\$10,000	Subtract from estimated repair cost
Subtotal	\$20,000	$50,000 - 20,000 - 10,000 = 20,000$
Verified repairs	\$25,000	Repairs verified by receipts

City of Minot

Amount of CDBG-DR Award	\$45,000	$20,000 + 25,000 = 45,000$
DOB	\$5,000	$\$50,000 - \$45,000 = \$5,000$

Based on this example, the homeowner will have to provide \$5,000 toward the repair cost to be placed in an escrow account before the scope of work can be bid to a contractor. Homeowner funds will be put into an escrow account prior to signing the construction contract. If the homeowner cannot produce the required DOB funds, the project cannot move forward.

Rehabilitation Example #2

Input	Value	Calculation
1. Estimated cost of repair	\$85,000	Total repair needs
2. Deduct Assistance that is DOB	\$20,000	Amount of assistance received that could not be reduced by repair receipts
3. Maximum Eligible Repairs	\$65,000	Amount remaining after DOB subtracted
4. Program Cap	\$60,000	Maximum amount per program policy
5. Final CDBG-DR Award (lesser of 3 or 4)	\$60,000	Amount awarded to the homeowner for repairs.
6. Additional Cost for Repairs	\$5,000	Amount that must be provided from either the homeowner or other sources to complete the home repairs.

In the example above, the homeowner will need to escrow \$20,000 to go toward the repair or rebuilding of the home. Funds placed into escrow will be used first and then the remaining costs will be paid with CDBG-DR funds. The homeowner will need to find additional funds or materials to cover the \$5,000 that exceeds the maximum CDBG assistance. The Minot HRR Program will work with the homeowner and/or other non-profit groups to attempt to address the funding gap.

Reconstruction

Once a homeowner has been determined to be eligible for a reconstructed home, the Minot-HRR program can provide \$150,000 for the reconstruction of the home. If the damaged home is still on the property and requires demolition and asbestos abatement, these funds will be covered in addition to the \$150,000 for the reconstruction of the home.

Reconstruction Example #1

Input	Value	Calculation
Home Value	\$150,000	Maximum amount to rebuild the home

City of Minot

DOB	\$30,000	Amount of duplicated benefit based on assistance received from FEMA, SBA, insurance, or other sources. DOB must be put into an escrow account.
Maximum Assistance to Rebuild Home	\$120,000	$\$150,000 - \$30,000 = \$120,000$
Cost of Demolition	\$10,000	Based on estimate for demolishing the home. Cost added to Maximum Assistance to Rebuild Home.
Cost of Asbestos Abatement	\$ 2,000	Based on results of asbestos test. Cost added to Maximum Assistance to Rebuild Home.
Subtotal	\$132,000	$\$120,000 + \$10,000 + \$2,000 = \$132,000$
Final CDBG-DR Award Amount	\$132,000	Cost to rebuild the home, minus the DOB, plus the additional costs

The homeowner will need to be able to escrow the DOB amount before a contract can be executed to rebuild the home.

3.13 Type of Award

Homeowners will receive a grant award in the form of a three-year forgivable promissory note for rehabilitation awards and a five-year forgivable promissory note for reconstruction awards. In order for the assisted property owner to receive a three or five-year forgivable promissory note, he or she must sign a lien to secure the full amount of the forgivable promissory. The promissory note and State of North Dakota Lien form will be recorded at the Ward County Courthouse following the completion of the rehabilitation or reconstruction project. The forgivable promissory note bears no interest.

Applicants will be given the opportunity to rescind the assistance offered due to the fact that a lien or other security interest will be filed against their property as a result of the assistance, if accepted and executed. A "Notice of Opportunity to Rescind Transaction" form will be provided to applicants. Three full days will be allowed for the owner to rescind the transaction.

Where there are existing liens, mortgages or other security interests already on file against assisted properties (e.g., the applicant's primary mortgage), the City's security interest will be filed (recorded) in a junior position to existing liens, mortgages or security interests.



In the event of future liens, mortgages or security interests filed on an assisted property (e.g., a refinancing), the City may, at its discretion, subordinate its mortgage lien to any future liens, mortgages or other security interests.

The term of the forgivable promissory note for rehabilitation is three years, remaining at one-hundred percent of the promissory amount for the first full year and decreasing thirty-three and 1/3 percent (33 1/3%) after the first year, another thirty-three and 1/3 (33 1/3%) after the second year and the final thirty-three and 1/3 percent (33 1/3%) after the third year anniversary date. The anniversary date of the promissory note is the date the note is signed plus ninety (90) days. Collection of the note will be accomplished according to the following schedule:

- If the assisted property is sold, rented, transferred, vacated or abandoned prior to the first anniversary of the project completion and acceptance date, one-hundred percent (100%) of the note becomes due.
- If the assisted property is sold, rented, transferred, vacated or abandoned between the first and second anniversary dates of the project completion and acceptance date, 66.67% of the note becomes due.
- If the assisted property is sold, rented, transferred, vacated or abandoned between the second and third anniversary dates of the project completion and acceptance date 33.34% of the note becomes due.
- On or after the third anniversary date, 0% of the note is due if the property is sold, rented, transferred, vacated, or abandoned. The mortgage lien is forgiven. The City will release the assisted property owner's note upon written request, following completion of the three-year term.

The term of the forgivable promissory note for reconstruction is five years, remaining at one-hundred percent of the loan amount for the first full year and decreasing twenty percent each year thereafter. The anniversary date of the promissory note is the date of project completion and final acceptance. Collection of the note will be accomplished according to the following schedule:

- If the assisted property is sold, rented, transferred, vacated or abandoned prior to the first anniversary of the project completion and acceptance date, one-hundred percent (100%) of the note becomes due.
- If the assisted property is sold, rented, transferred, vacated or abandoned between the first and second anniversary dates of the project completion and acceptance date, eighty percent (80%) of the note becomes due.
- If the assisted property is sold, rented, transferred, vacated or abandoned between the second and third anniversary dates of the project completion and acceptance date, sixty percent (60%) of the note becomes due.



- If the assisted property is sold, rented, transferred, vacated or abandoned between the third and fourth anniversary dates of the project completion and acceptance date, forty percent (40%) of the note becomes due.
- If the assisted property is sold, rented, transferred vacated or abandoned between the fourth and fifth anniversary dates of the project completion and acceptance date, twenty percent (20%) of the note becomes due.
- On or after the fifth anniversary date, 0% of the note is due if the property is sold, rented, transferred, vacated, or abandoned. The mortgage lien is forgiven. The City will release the assisted property owner's note upon written request, following completion of the five-year term.

3.14 Homeowner Responsibilities

Homeowners that complete and sign the Minot-HRR program agreements are responsible for full compliance with terms of the agreements. Such conditions include but are not limited to the following:

- Maintain the home as their primary residence for a period of at least five (5) years for reconstruction and three (3) years for rehabilitation.
- Maintain home insurance coverage (not less than contract amount), inclusive of hazard and flood insurance.
- Keep current on all property taxes and special assessments or have a tax deferral, tax exemption or be current on an approved repayment plan.
- Meet all requirements agreed upon in the executed Forgivable Promissory Note including agreeing to a lien on the property for the full amount of the program assistance.

4.0 Minot-HRR Eligible Applicants and Funding Priorities

4.1 Eligible Applicants

- Applicants must have owned and occupied their damaged residence at the time of the flood, damaged home must be outside the 100 year flood plain and outside the City's flood control footprint as adopted by the City Council on April 14, 2012.
- The damaged residence must be within the city limits of Minot.
- The household income must meet the HUD income limits as Low to Moderate Income as defined by HUD as earning less than 80% or less of the area family medium income for Ward County.

4.2 The City of Minot Responsibilities

Minot is responsible for the day to day management of the Program. The Minot-HRR staff and through their consultant will determine homeowner eligibility and verify



income. The Program staff will be responsible for conducting inspections, developing scopes of work for repairs, bidding to eligible contractors, and overseeing construction, change orders, and payment requests. The Minot local code officials will be responsible for inspecting for local code compliance.

4.3 Program Priorities

These priorities will be followed based on application completeness. It is conceivable that depending on the number of applicants qualifying that funding can run out before priority one applicants are all assisted. Once funds are expended for the rehabilitation and reconstruction activities, some requests for assistance may remain unfunded. This could happen even before all of the priority one applicants have received assistance. The City will make every effort to acquire additional HUD funds to assist unfunded eligible applicants.

Applicants will be classified based on the following priorities:

Priority Homeowner Recipients (Rehabilitation)

Priority 1 – Households Currently Occupying FEMA Units

- Must have owned and occupied a residence at the time of the flood and continue to own the property.
- Must be in the City limits of Minot.
- Must have an estimated cost to repair less than the 75% rule.
- Must have a family income level that is defined by HUD as a household earning 80% or less of the Area Family Medium Income for the County.
- Must be living in a FEMA Temporary Housing Unit (THU).
- Homeowners who have at least one member in the household that is age 62 or older or
- Homeowners who have at least one family member living in the household that is disabled.

Priority 2 – Households Currently Occupying FEMA Unit (If funds remain after Priority 1)

- Must have owned and occupied a residence at the time of the flood and continue to own the property.
- Must be in the City limits of Minot.
- Must have an estimated cost to repair less than the 75% rule.
- Must have a family income level that is defined by HUD as a household earning 80% or less of the Area Family Medium Income for the County.



**Priority 3 – LMI Households Not Currently in a FEMA Unit
(If funds remain after Priority 1 & 2)**

- Must have owned and occupied a residence at the time of the flood and continue to own the property.
- Residence must be in the City limits of Minot.
- Must have an estimated cost to repair less than the 75% rule.
- Must have a family income level that is defined by HUD as a household earning 80% or less of the Area Family Medium Income for the County.

The City of Minot has completed a survey to determine if a home is considered to be a potential nuisance or public health hazard. For homes that do not have this determination, the Minot Disaster Recovery Program will be completing a damage assessment on the home to determine if the home is suitable for rehabilitation or reconstruction.

Priority Homeowner Recipients (Reconstruction)

Priority 1 – LMI Households Currently Occupying FEMA Units

- Must have owned and occupied a residence at the time of the flood and continue to own the property.
- Residence must be in the City limits of Minot.
- Home must have been declared as a potential nuisance or public health hazard by the City of Minot.
- Must have a family income level that is defined by HUD as a household earning 80% or less of the Area Family Medium Income for the County.
- Must be living in a FEMA Temporary Housing Unit (THU).
- Homeowners who have at least one member in the household that is age 62 or older or
- Homeowners who have at least one family member living in the household that is disabled.

**Priority 2 – LMI Households Currently Occupying FEMA Units
(If funds remain after Priority 1)**

- Must have owned and occupied a residence at the time of the flood and continue to own the property.
- Residence must be in the City limits of Minot.
- Must meet the 75% rule (does not require that the City has made the determination that the unit was a potential nuisance or public health hazard).
- Must have a family income level that is defined by HUD as a household earning 80% or less of the Area Family Medium Income for the County.

**Priority 3 – LMI Households Not Currently in a FEMA Unit
(If funds remain after Priority 1 & 2)**



- Must have owned and occupied a residence at the time of the flood and continue to own the property.
- Residence must be in the City limits of Minot.
- Must meet the 75% rule (does not require that the City has made the determination that the unit was a potential nuisance or public health hazard).
- Must have a family income level that is defined by HUD as a household earning 80% or less of the Area Family Medium Income for the County.

Determining Priority Groups

The Minot Disaster Recovery Program will coordinate with FEMA to target the households in the Priority 1 and 2 groups above. With the help of FEMA and Program staff, applications will be provided to households residing in the FEMA THUs. Applications will also be available at the Minot Disaster Services Office and notification of application availability will be posted on the City's website.

Based on the applicant information provided, households will be divided into Priority 1 and 2 groups for processing. If funding remains after assisting all eligible Priority 1 and 2 groups listed above, additional applications will be distributed to remaining LMI flood victims in the City of Minot.

5.0 Environmental Review and Clearance

All activities funded with CDBG-DR funds must have had an environmental review (ER) and received clearance to expend funds on the activity. The regulations for meeting HUD's environmental review requirements can be found at 24 CFR Part 58.

The Minot-HRR program will follow a tiered ER process which allows for an initial "broad" review of all environmental factors that will be shared by properties in a given geographic area. Based on this broad review, the funds will be released for the Program activity contingent upon completing a "site specific" review once a potential property is identified and determined eligible for the Program. Site specific ERs will identify any above ground hazards, flood plains, historic properties, and noise issues when applicable.

A site specific ER must be completed for each property prior to project bidding or taking any choice limiting actions. For further detail of the ER process, please reference the ER procedures for the Minot Disaster Program.

6.0 Construction Process

All eligible properties will go through a work write-up, bid, and construction process to complete the Minot-HRR program (unless already considered as a potential nuisance or public health hazard by the City of Minot).



6.1 Work Write-Up

The Minot-HRR program will be responsible for evaluating and estimating home rehabilitation or reconstruction requirements. A home inspector will be sent to each property to assess the level of damage remaining on the property. As part of the inspection, the home will also be assessed for issues of lead based paint and minimum property standards. If the home has been determined to be historically eligible, the inspector will note deficiencies and needed repairs to the exterior historic features. All of these categories will be factored into the completed work write-up.

Once the work write-up is completed, the homeowner will be provided an opportunity to review and accept the estimated cost of rehabilitation or recommendation to reconstruct the home. The proposed grant award will be calculated before the property is awarded to a contractor. Once approved for construction, homes that are determined to be eligible properties for rehabilitation will be grouped together into packages of approximately 5 properties each and awarded to a contractor. Homes already determined as a potential nuisance or public health hazard or are vacant lots will be verified by the Minot-HRR team and no work write up will be necessary. These homes will become a reconstruction project once the homeowner is determined eligible for assistance.

6.2 Construction Award

Rehabilitation Construction Procurement Method

The City of Minot will use the following streamlined method to procure contractors for rehabilitation construction.

- Publish a RFP that includes a list of standard items in most homes requiring rehabilitation and request that each item be given a unit price. The contractor is requested to provide unit costs for specific items such as:
 - shingles
 - sheet rock
 - square foot of painting walls
 - cabinets
 - Items that are listed in the City's contractor specification manual receives a corresponding bid from the contractor
 - Each proposal is scored based on comparison of each unit cost compared to estimated unit costs
 - Each proposal will be scored based on qualifications
 - Up to 5 contractors could be selected
- Each selected contractor can receive 5 homes to begin the first rehabilitation properties.



- Prior to an award, the contractor and HRR construction coordinator will walk through each home they are to be awarded to assure that all items have been quantified on the scope.
- The verified quantity of an item will then be multiplied by the unit price for that item to determine the construction cost for that home. All unit pricing will be added together to achieve a total contract price based upon the agreed upon scope. This should drastically reduce the number of change orders during the construction phase.
- Based on performance, additional homes will be given to the contractor. No more than 10 (rehabilitation and reconstruction properties) will be given to a contractor at any one time.

Additionally, the City may determine a need to issue small site specific RFPs for three to five rehabilitation properties. This RFP approach will allow smaller contractor's to bid on specific properties in a hope to invite local contractor participation. In this approach, the predetermined scope of repairs for 3 to 5 specific properties will be placed into a bid package. The properties will be competitively bid and scored and the entire 3 to 5 properties awarded to the lowest most responsive bidder.

Either method will follow a sealed bid approach in compliance with the City of Minot's Procurement Policy.

Reconstruction Construction Procurement Method

The City of Minot will use the following streamlined method to procure contractors for reconstruction.

- Publish a RFP that contains 3 different elevation of homes with one story configurations of 2 br 1 bth, 3 br 2 bth, 4 br 2 bth and two story configurations with 3 br 2 1/2 bth and 4 br 3 bth
 - Contractors would provide a square foot costs on each home configuration.
 - Additional bid items would include:
 - Single stall garage
 - Double stall garage
 - Demolition of existing home
 - Driveways and walkways
 - Asbestos abatement
 - Each proposal will be scored based on qualifications and costs
 - Up to 5 contractors could be selected
- Each selected contractor will receive up to 5 homes to begin the new construction.



- Based on performance, additional homes may be given to performing contractors but will not exceed a total of 10 total homes including rehabilitation and reconstruction at any one time.

Following this method the City can complete the procurement prior to determining the eligibility and environmental on each individual home since the bid is for the costs of a new home, but not on any specific location. Only one RFP would have to be let for the whole program.

6.4 Homeowner Contracts

At the time it is determined that the homeowner has DOB funds to place in an escrow account, an escrow agreement is executed. Once a contractor is chosen for a particular property, the homeowner will be required to complete three additional legal agreements at the time of contract execution. The homeowner will be given an Opportunity to Rescind form that they may execute to cancel their contracts within three days of signing the contracts. If they intend to continue with the assistance, they can bring the form to the Notice to Proceed meeting with the contractor and sign and date that they do not intend to cancel. Examples of these agreements are attached to this document.

1. Escrow Agreement – This is a tri-party agreement between the homeowner, City, and escrow agent. The agreement establishes the role of the escrow agent to hold homeowner DOB funds and to release these funds to the City to be used toward reimbursement of the contractor.
2. Homeowner/Contractor Agreement – This is a two party agreement between the homeowner and the contractor which lays out the roles and responsibilities of each party during the construction phase of the process. This agreement also explains the City's role in paying the contractor on behalf of the homeowner with CDBG-DR funds.
3. Forgivable Promissory Note and Lien – This is a two party agreement between the homeowner and the City of Minot that lays out the homeowner's obligations in return for receiving a no-interest forgivable promissory note to cover rehabilitation or reconstruction of the home. This document is accompanied by the State of North Dakota Lien Form that will be filed on the property for a three or five year compliance period depending on whether the homeowner received rehabilitation or reconstruction assistance. To meet the terms of the note, the homeowner must: 1) remain in the assisted property as their primary residence for the entire compliance period; 2) the homeowner must maintain both hazard and flood insurance on the property for the entire compliance period; and 3) the property cannot be sold, rented, leased, foreclosed, or title transferred during the entire compliance period.



4. Subrogation Agreement – Homeowners must subrogate any additional funds received for the 2011 flood damages back to the City of Minot. The CDBG-DR funds are funds of last resort and if additional funds are paid to the homeowner for the same purpose as the City assistance (i.e., repair or replacement of the damaged structure) after the City has completed repair or replacement of the home, these funds must be returned to the City of Minot.
5. Notice of Opportunity to Rescind – Homeowners will have three days after signing their agreements to rescind and cancel the contracts.

6.3 Construction

Once a property has been awarded and all award documents have been signed by the homeowner, contractor and City, a pre-construction meeting will be scheduled with the homeowner, contractor, and Minot-HRR program staff. A notice to proceed (NTP) will be issued to the contractor at this time. Contractor will be expected to communicate directly with homeowner regarding construction progress. The construction contract will be a contract directly between the homeowner and the selected contractor. The Minot-HRR program will provide construction management oversight.

All construction must meet the City of Minot's Minimum Property Standards. The City of Minot has adopted the 2009 International Building Code (IBC), which provides for quality, durable, energy efficient and mold resistant construction in accordance with the Contractors Specification and Performance Manual.

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

The following are excerpts from the City's Codes of Ordinances relative to flood resistant construction:

Sec. 20-41. New Construction or Substantial Improvements:

All new construction and substantial improvements (including the placement of prefabricated buildings and manufactured homes) on which work is commenced on or after April 1, 1987, shall—



- (1) be designed (or modified) and anchored as to prevent flotation, collapse, or lateral movement of the structure;
- (2) be constructed with materials and utility equipment resistant to flood damage;
- (3) be constructed by methods and practices that minimize flood damage; and
- (4) be constructed with electrical, heating, ventilation, plumbing and air conditioning equipment and other service facilities that are designed or located or both designed and located so as to prevent water from entering or accumulating within the components during floods.

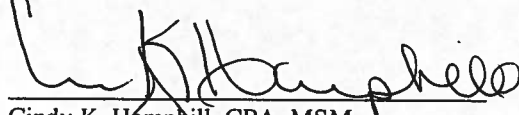
7.0 Contractor Payment

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

8.0 Appeals Process

The Appeal Process provides persons applying to the Minot-HRR the opportunity to have their award amount reviewed to ensure that the correct amounts were used in deriving the award amount. Minot-HRR will not change policies or laws set forth by the City of Minot or the federal government. For further details, please see the Minot-HRR Appeals Procedure attached to this document.

Approved:


Cindy K. Hemphill, CPA, MSM
Finance Director, City of Minot

9-19-2014
Date