



# COUNTY OF MENDOCINO

## Executive Office

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### MEMORANDUM

DATE: DECEMBER 5, 2023

TO: HONORABLE BOARD OF SUPERVISORS

FROM: EXECUTIVE OFFICE

SUBJECT: REDWOOD COMPLEX IGNITION-RESISTANT CONSTRUCTION

#### Program Background

The Redwood Complex Ignition-Resistant Construction Project (“Project”) is a rebate program intended to incentivize homeowners to replace flammable roofing materials with non-flammable materials to improve community resiliency in the face of wildfire and prevent loss of life and property. The properties in this Project are required to be located in high or very high fire hazard severity zones (FHSZ) as designated by the California Department of Forestry and Fire Protection (CAL FIRE). The Project is intended to replace a flammable roofing material with a Class A roof as defined by UL 790 or ASTM E 108, including the replacement of roof/attic vents with Class A flame resistant vents. Homeowners who already have a Class A roof but wish to replace their non-flame-resistant vents with Class A flame-resistant vents shall also be eligible, so long as they are in the high or very high FHSZ.

The County received funding for the Project through FEMA's Hazard Mitigation Grant Program (HMGP). The Project is being completed in phases, with Phase I consisting of solicitation of program participants, securing roof and/or vent replacement bids, and submitting participating homes to FEMA for environmental and historic (where applicable) review, and Phase II consisting of construction. Homeowners are responsible for working with their selected roofing contractors to begin the replacement of the roofs. The County will reimburse the homeowner 69.9% of the construction cost once the homeowner submits the proof of payment and records a maintenance covenant against the property. Homeowners have until November 2024, including grant closeout to complete their roof/vent project. Homeowners cannot begin work until a funding agreement with the County is executed and a notice to proceed is issued.

The County is the sub-applicant for this project. A contract was awarded to the Mendocino County Fire Safe Council (MCFSC) from March 2021 to February 2022 for project management of Phase I. County contracted with MCFSC for Phase II project management on August 2022. County is providing fiscal oversight and project management for the remaining portion of Phase II around March 2023.

#### Existing Program Eligibility Criteria

During the Phase I site visit, contracted program staff confirmed that the existing roofing was eligible for replacement (not a metal or other non-flammable roof already and that the property owner had documentation of the roof fire safety classification), that the property owner had

cleared or would commit to clear 100 feet of defensible space around their structure (as prescribed by CAL Fire in the State Responsibility Area [SRA] for fire protection by Public Resources Code 4290, the California Code of Regulations, Title 14, Division 1.5, Chapter 7, Subchapter 2, Section 1272.00, and by the State of California in the local responsibility area [LRA] by California Government Code, Title 5, Division 1, Part 1, Chapter 6.8, Section 51182), and took necessary project site photos for FEMA documentation.

Any permitted structure built since 1991 in the SRA requires provisions for annual maintenance of defensible space as a condition of permit approval, and all structures in the very high FHSZ are required to maintain defensible space by law. The homeowner was to sign a maintenance agreement reiterating their obligations to maintain defensible space per the applicable state or local regulations while also committing to maintaining the roof for its lifespan.

Following the site visit, the homeowner was to solicit a bid from a selection of eligible roofing and/or vent replacement contractors pre-approved by contracted program staff. The pre-approved list of contractors was to be generated by consulting with the North Coast Builder's Exchange (NCBE), a local trade organization which maintains databases of local contractors, licensure status, and specializations. The NCBE was to provide a list of local roofing contractors whose licensure could then be checked independently prior to their inclusion on the eligible contractor list. The homeowner was then to submit the bid, along with an affidavit from the Contractor stating the bid was correct and accurate. The bid was reviewed by MCFSC to ensure that all costs were eligible. The program will not pay for any structural modifications or upgrades that are not necessary for the roof to receive a Class A rating or that are not necessary to install Class A-rated vents. After all participating homeowners were identified and any additional interested homeowners placed on a waiting list, MCFSC submitted to CalOES and FEMA for environmental review the following:

- A master list of participating homes, including locations, site photos, and contractor bids
- A waiting list of homes that would be included if any participating homeowners on the master list withdraw their interest in the program
- A revised benefit-cost analysis calculation which included the specific homes on the master list

### Current Program Status

The Project currently includes 45 properties of homeowners who have completed the application, been found conditionally eligible, completed environmental and historical review, and completed defensible space as required by FEMA.

At the time of initial application in 2019 County staff anticipated funding roof replacements for approximately 164 homes during the Project, based upon the construction cost at that time. The program was intended to fund as many homes as possible within the grant period and budget. The budget assumed that all homeowners would spend approximately \$15,000 on their project and each would be eligible for a rebate of 69.9% of the cost of the roof, minus the 25% homeowner cost share and a 5.1% fee on the total replacement amount for program administrative costs.

Due to lower-than-anticipated numbers of eligible applications to the program, applications from homeowners with higher construction budgets were conditionally accepted into the Project and all applications on the waiting list were moved forward as active applications within the Project. Applications conditionally approved include multiple homes owned by the

same individuals, second/vacation homes, rental properties, and projects with budgets in excess of \$100,000 and in one instance in excess of \$250,000.

Rising construction costs, both in materials and labor and the elapsed time between Phase I and Phase II have seen the cost per roof increase exponentially, and individual projects have required updated construction bids. Additionally, many initial construction bids did not account for prevailing wage which is a FEMA requirement.

The total cost of the 69.9% reimbursement for the 45 projects has increased over 20% due to cost increases with a minimum of 9 additional projects still requiring an updated construction bid. At this time, the likelihood that the eventual cost of reimbursing 69.9% of the construction costs on all projects will exceed the available grant funding is high.

On February 28, 2023 County staff brought a list of grant awardees to the Board of Supervisors along with a delegation of authority to enter into agreements with the awardees, which was approved on the consent calendar. After that date, staff began to prepare grant agreements and related forms, and proceeded with execution of nine (9) agreements and notices to proceed being given for those nine agreements. The grant amounts of the agreements ranged from \$11,778.15 to \$65,450.17. In the process of preparing additional agreements, concerns began to be raised about the size of certain roof projects. This led to additional discussions with CalOES regarding program eligibility and policies.

Staff is returning to the Board at this time for the adoption of additional policies related to the applications remaining in queue. Project costs have risen such that staff will likely need to make decisions about which applications can be funded and needs policy determinations from the Board to guide those decisions.

The Standard Hazard Mitigation Grant Program (HMGP) Conditions stipulate that HMGP “Funds are to be used for allowable costs in compliance with 2 CFR 200.403, the approved SOW, and any agreements among the Subrecipient, Recipient, and FEMA.” Regarding the allowability of costs, 2 CFR 200.403 states:

**§ 200.403 Factors affecting allowability of costs.**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306(b).

(g) Be adequately documented. See also §§ 200.300 through 200.309 of this part.

(h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).

### **Staff Recommendations**

The Board of Supervisors has the authority to provide policy guidance, establish reasonable program eligibility criteria, and set a reasonable reimbursement cap in line with HMGP Conditions and other Federal regulations regarding allowable costs. In considering what costs and types of homes are most necessary and reasonable for the implementation of the Project, staff makes the below recommendations for application award criteria.

Staff does note that in adopting these criteria, certain applicants who were conditionally awarded funds would no longer be eligible.

Redwood Complex Ignition-Resistant Construction Project Award Criteria:

1. Limit the maximum reimbursement amount to a reasonable amount that does not exceed the costs of the nine projects that have already received a fully executed funding agreement and notice to proceed.
2. Limit program eligibility to homes that are the primary residence of the applicant.

### **Recommended Action**

The Board of Supervisors adopts the following eligibility criteria for the Redwood Complex Ignition Resistant Construction Project: (1) applications must be for a home that is the primary residence of the applicant, and (2) no individual grant award shall be made over \$70,000.