

OAH HOME Workshop

2010 Funding Round



Welcome!

OAH HOME Workshop
Housekeeping

- Bathrooms
- Cell phones
- Break

Thank you for participating!



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OAH HOME Workshop Agenda

- Finding HOME Documents on the website
- Pre-application Process
- HOME Policies
- HOME Investment
- HOME Rents
- Environmental
- Q&A



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Finding HOME Documents on the DCA Website

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Coming together is a beginning; keeping together is
progress; working together is success.

Henry Ford



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Finding HOME Documents on DCA Website

[http://www.dca.ga.gov/housing/
HousingDevelopment/
programs/QAP2010docs.asp](http://www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2010docs.asp)
(no spaces)

Refer to Appendix A

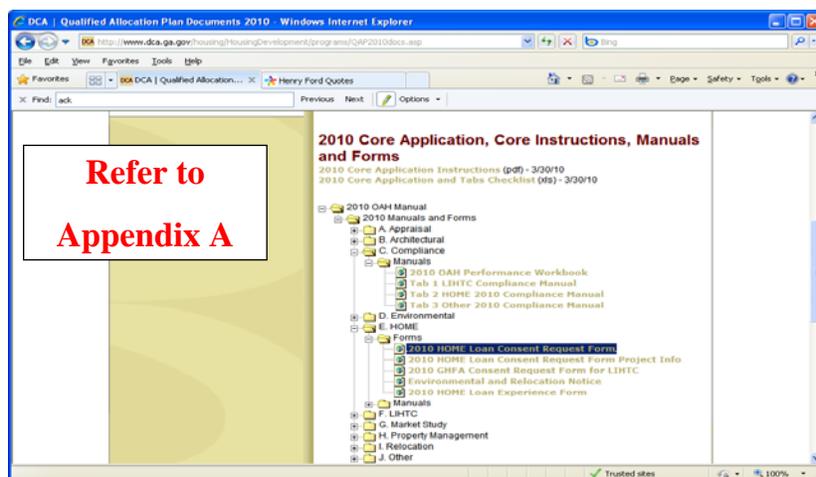


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Finding HOME Documents on DCA Website

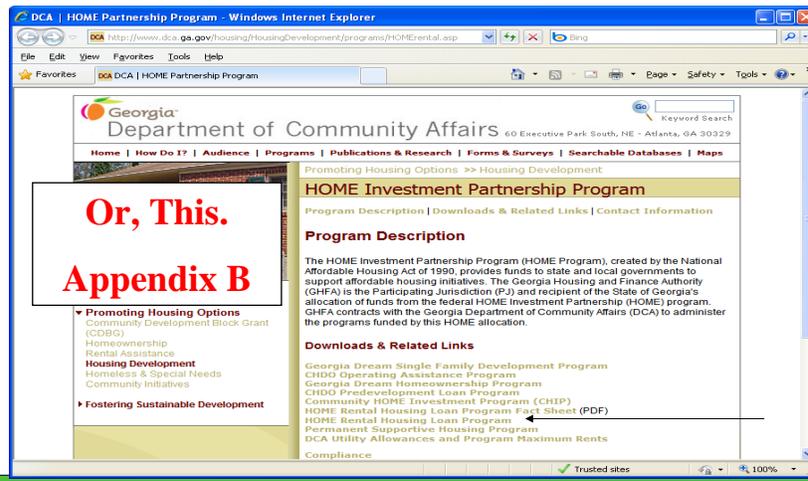


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Finding HOME Documents on DCA Website



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Pre-application Process

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Pre-application Process

Core Plan - Section 6

- \$2.5 Million Maximum loan
- \$1.0 Million Minimum loan – Waiver requests down to \$750,000 – requires good cause. Documented justification required.
- 15% set aside for DCA pre-qualified CHDOs
- CHDO must be Sole or Joint Owner



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Pre-application Process

- Submission to DCA no later than June 17, 2010
- DCA will provide Consent Letter by July 1, 2010
- Must include DCA Consent in 2010 Funding Application or will not pass Threshold
- If approved, must utilize HOME funds, or risk withdrawal of tax credit application or a finding that may impact future Compliance scoring
- If selected in the 2010 Competitive Round, a Preliminary Commitment letter will be issued



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Pre-application Documents

1. 2010 DCA Application (Parts I through VII only)
2. HOME Loan Consent Request Form
3. HOME Loan Consent Request Form – Project Information
4. Narrative / Project Description
5. Performance Workbook – Each GP and Dev.
6. Organizational Chart



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Pre-application Documents

(cont.)

7. CHDO Certification
8. HOME Loan Experience Form
9. Project Map
10. Environmental PE Certification
11. Executed Release for each principal of the GP and Developer for credit history
12. Environmental / Relocation Acknowledgement



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The screenshot shows a web browser window with the address bar displaying the URL: <http://www.dca.state.ga.us/housing/housingDevelopment/programs/documents/2010-1000AHCoreApplica>. The browser window displays a spreadsheet application titled "PART ONE - PROJECT INFORMATION 2010". The spreadsheet has columns labeled A through Q and rows numbered 1 through 32. The content includes a "Please note" section, a "DCA RESOURCES" section with fields for LIHTC and DCA HOME, a "TYPE OF APPLICATION" section, an "APPLICANT CONTACT FOR APPLICATION REVIEW" section with fields for Name, Address, City, State, Office Phone, Title, Direct Line, Fax, Cellular, Zip+4, Ext, and E-mail, and a "PROJECT LOCATION" section with fields for Project Name, Site Street Address, City, Within City Limits?, In USDA Rural Area?, HUD MSA/NonMSA name, Congressional*, State Senate, State House, Legislative Districts, Phased Project?, Scattered Site?, Acreage, Census Tract#, OCT?, and DDA?. The status bar at the bottom of the browser window shows "Unknown Zone".

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Pre-application Considerations

- Project feasibility and creditworthiness of applicants will be significant consideration
- Will be applied to applicants eligible for selection

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Pre-application Documents

- **Due no later than 4 PM, June 17, 2010**
- Deliver to: DCA
60 Executive Park South, NE
Atlanta, GA 30329
Attn: Andria Williams
- Attach check in the amount of \$1,000 (for-profit or joint venture; \$500 non-profit) payable to:

One hard
copy

Georgia Housing & Finance Authority (GHFA)



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OAH HOME Program Updates

- Stimulus Bill
 - **Housing Economic Recovery Act (HERA)** – Still in effect
 - What does it mean for HOME Program?
 - 40/50 Rule - **NO LONGER IN EFFECT** - Prospectively
 - **American Recovery and Reinvestment Act (ARRA)** – No money at this time
- Reminder - minimum term for other permanent debt is 10 years



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HOME Policies

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HOME Underwriting Policies Core Plan – Section 7.2

Allowed:

- Construction hard costs with conversion to permanent debt
- Includes site costs and contractor services

Not Allowed:

- Soft costs
- Acquisition costs
- Stored materials cost (unless consent given by DCA)



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HOME Underwriting Policies Core Plan – Section 7.2 NEW!

- 2010 QAP: If funding has HOME funds, all low income units are HOME units.
- Fixed or Floating Units?
 - Units will be assumed to be floating unless designated as fixed
 - When units are not comparable, fixed is required



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HOME Underwriting Policies

Loan Terms

- **Interest during construction:** 0%
- **Convert to perm in 24 months**
- **Permanent interest rate:** $\geq 1\%$
 - $\geq 0.50\%$ yr. 8-15 (*rural only)
 - $\geq 0.25\%$ yr. 16-maturity (*rural only)
- **Term:** 15-35 years
- **Urban:** Required to fully amortize



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HOME Underwriting Policies

Non-fully amortizing loans (Rural only)

- **Can have irregular payment stream, but...**
 - Interest and portion of principal must be paid monthly
 - DCR at least 1.15 for entire term (and generally no higher than 1.50 for rural deals)
- ½ of cash flow to reserve account
- Future Market Value must exceed outstanding loan balance at maturity



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HOME Underwriting Policies

Construction Policies

- Construction commencement within 1 year of award
- Construction completion within 24 months of closing
- Contractor change orders must be approved by DCA *before* work is done
- Unused construction contingency at conversion will reduce principal of HOME loan or senior lender loan
- Retainage
 - 10% until 50% complete
 - 5% thereafter



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HOME Underwriting Policies

Payment and Performance Bonds:

- 100% bond required, cost is included in 8% Builder's Overhead/General Requirements limit
- If identity of interest exists:
 - Borrower may receive waiver (fee required) if letter of credit or private construction loan is utilized in lieu of bond
 - Letter of credit must be $\geq 50\%$ of total construction cost
 - Associated costs included in general requirements



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HOME Underwriting Policies

Other notable policies

- Land acquisition costs will be limited to lesser of sales price or appraised "as-is" value
- Required third party front-end analysis of construction costs when identity of interest exists between developer and contractor
- Borrower limited to 50% of developer fee (overhead+ consultant's fee) before conversion



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HOME Underwriting Policies

Other notable policies (cont.)

- Developer profit not available until Conversion
- Operating Deficit Reserve is 6 months debt service plus 6 months operating expenses

Note: Error in 2010 QAP



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HOME Investment

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HOME Investment

Should I apply for HOME?
A few Factors to Consider are:

- One drop of HOME now designates ALL of your low income units as HOME assisted units
- Twenty percent of the total low income residential units in the project must be limited to rent and occupancy restrictions and are subject to HUD FMR; balance will be lower of 60% AMI or HUD FMR.

PRO	CON
Lower Interest Rate Loan	Low Income Rents subject to FMR



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HOME-Assisted Units

- Five or more “HOME-assisted units” (Low Income Units)
 - At least 20% of the HOME assisted units must be occupied by very low income families (< = 50% AMI)
 - Remaining HOME-assisted units must be occupied by families with incomes < = 60% AMI
- HOME-assisted unit rents may not exceed HUD Fair Market Rent (FMR)



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HOME-Assisted Units

Reference: HUD CPD Notice 98-2

- HOME allows proportional funding
 - Amount depends on unit sizes and features
- Fixed & Floating units:
 - Fixed = specific units always HOME
 - Floating = total fixed, HOME units float (all units must be comparable)

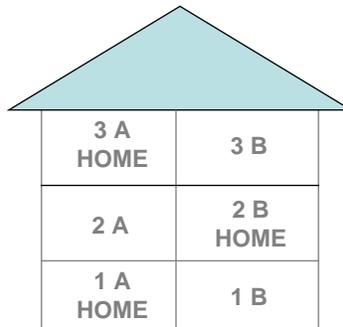


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Fixed & Floating Units



- Fixed = 1A, 2B, 3A always HOME units
- Floating = Unit numbers change but always have 3 HOME units



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HOME Investment

Maximum Loan Amount applies

- May not exceed per unit dollar limitations established under section 221 (d) (3) of the National Housing Act for elevator type projects
- Base per unit cost limits still applies to HOME
- No more than necessary to provide affordable housing

Good News! Using all low income units lowers HOME investment per unit; MAY reduce Period of Affordability for rehabs.



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HOME Investment - Minimum Length of Affordability

Less than \$15,000 / unit	5 Years
\$15,000 \$40,000 / unit	10 Years
More than \$40,000 / unit	15 Years
 New Const. of Rental Housing	 20 Years



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Allocating Costs to HOME-assisted units

Determining Total HOME-Eligible Costs

For projects with HOME and non-HOME units (unrestricted units), allocate costs across units:

- If HOME and non-HOME units are *comparable*, costs can be pro-rated ('floating' units must be comparable)
- If units are not comparable, actual costs must be determined unit-by-unit (must have 'fixed' units)



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HOME Investment

Home Fund\$ = Federal Fund\$

Compliance is required:

- Davis Bacon Wage
- National Environmental Policy Act (NEPA)
- Section 504, Fair Housing, ADA, Compliance
- Uniform Relocation Act
- More...

(See pages 23-24 of HOME manual)



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HOME Rents

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What a difference a year makes

2009

48 units / 100% LI
TDC \$7,000,000
HOME \$2,000,000
14 units HOME
3 @ 50%/FMR
11 @ 60%/FMR

2010

48 units / 100% LI
TDC \$7,000,000
HOME \$2,000,000
ALL LI units HOME
10 @ 50%/FMR
38 @ 60%/FMR



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Calculating Rents

- High HOME (60% tax credit limit) & Low HOME (50%) rent limit, not to exceed HUD FMR
 - Published around March
- Adjust rents for tenant-paid utilities
 - Subtract utilities to determine rent paid by tenant
- HOME rents may go up or down over time
 - But not lower than floor rents if elected during underwriting
 - Is there any upward “wiggle room” left in rents?



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Calculating Rents

MSA					
Albany	Eff.	1 BR	2 BR	3 BR	4 BR
60% High HOME Rent	499	533	625	795	866
50% Low HOME Rent	430	460	552	638	712
Fair Market Rent (FMR)	516	550	646	867	895
Utility Allowance	75	100	150	175	200



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Calculating Rents

- What is the High HOME rent for a 2 BR unit?

Answer: $\$625 - \$150 = \$475$

- What is the Low HOME rent for a 3 BR unit?

Answer: $\$638 - \$175 = \$463$



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HOME Rents

- Most Frequent Error
 - Fair Market Rents not used when applicable
 - Using outdated Utility Allowances
- Consequence
 - Project deemed infeasible and fails threshold because of insufficient cash flow
 - Reminder: ***FEASIBILITY MATTERS***
- Solution
 - Carefully select rents and double check them
 - Make sure the FMRs are used when applicable



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Questions?



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THANK YOU!

(very much)

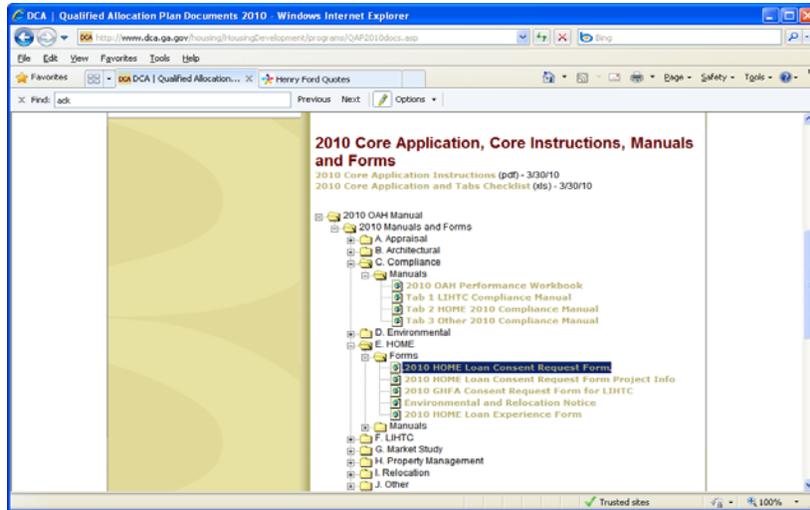


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Appendix A

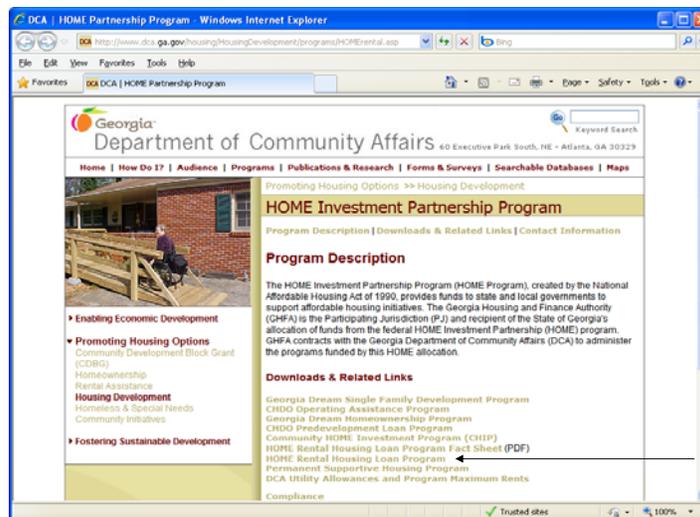


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Appendix B



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SITE AND NEIGHBORHOOD STANDARDS

Tracey Edwards

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Site & Neighborhood Standards Overview and Purpose

HUD HOME 24 CFR 983.6(b)
Site and Neighborhood Standards

All HOME-assisted **New Construction Developments** must comply with specific Site and Neighborhood Standards.



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Standard of Review and Application Documentation Submissions Areas of Minority Concentrations

Areas of Minority Concentration are areas where the percentage of minorities is more than 50%.

Applicants proposing projects in census tracts which are designated as Minority Concentrations **must clearly document** that:

1. The proposed project will meet an overriding housing need in the area of the proposed project
OR
2. That there are sufficient and comparable housing opportunities for minorities outside the area.



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Required Application Documentation Areas of Minority Concentration

1. Map of proposed project site showing location in census tract;
2. Site map of proposed neighborhood;
3. Census tract data of proposed neighborhood population;



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Required Application Documentation Areas of Minority Concentration (Cont)

4. Narrative on how the percentage of minority residents is determined;
5. DCA Site and Neighborhood certification form;
6. Documentation that establishes overriding need standard or sufficient and comparable standard;
7. Narrative on why the project meets HUD's standards for areas of Minority Concentration.



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Standard of Review and Application Documentation Submissions Racially Mixed Areas

**A Racially Mixed area is a census tract
that has 25% or more minorities.**

Applicants proposing projects in census tracts which are designated as Racially Mixed, must clearly document that the proposed project will not significantly increase the proportion of minority to non-minority residents.



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Required Application Documentation Racially Mixed Areas

1. Map of proposed project site;
2. Site map of proposed neighborhood;
3. Census tract of proposed neighborhood population by;
4. Based upon the proposed number of units, show what increase of minority residents to non-minority residents will occur.



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Standard of Review and Application Documentation Submissions Non-Minority Areas

**A Non-Minority area is a census tract
that has less than 25% minorities.**

Proposing projects in census tracts which are designated as Non-Minority must submit documentation supporting this classification.



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Required Application Documentation Non-Minority Areas

1. Map of proposed project site;
2. Site map of proposed neighborhood;
3. Census tract or enumeration district data of proposed neighborhood population.



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Questions?



ENVIRONMENTAL REVIEW REQUIREMENTS



Environment Review Requirements Overview and Purpose

- All developments utilizing HOME funds are required to assess the environmental effects of that activity in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and US Department of Housing and Urban Development (HUD) regulations at 24 CFR Part 58.
- The Georgia Department of Community Affairs (DCA) requires applicants to conduct various activities required for the environmental review process at HOME application, including an Environmental Assessment (EA)/Phase I, as outlined in the Qualified Allocation Plan (QAP) and the Environmental Manual.



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Environment Review Requirements Overview and Purpose

As the responsible entity referred to in 24 CFR Part 58.43, DCA must ensure that the environmental review process is satisfied before certain HUD funds are committed to specific projects. This entails:

- Determining the NEPA Classification for the HOME program;
- Reviewing and complying with regulations at 24 CFR Parts 58.6 & 58.5;
- Publishing any required public notices & submit documentation to HUD;
- Obtaining a letter of Environmental Release for all activities associated with HOME funding.



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Environmental Review Process HOME projects

Once the pre-application for HOME funding is submitted to DCA, HOME Applicants **must** refrain from undertaking activities that would have an adverse environmental impact. In addition, during this period HOME Applicants may not commit or expend HUD or non-HUD funds.

Prohibited activities include:

Acquiring
Converting
Repairing



Rehabilitating
Leasing
Construction



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Environmental Review Process HOME projects

The following activities are allowed and may occur prior to the completion of the Environmental Assessment Review:

1. Purchase of a real estate land option
2. Relocation costs (if applicable)

Activities that generally have no physical impact on the environment are exempt (allowed) under 24 CFR §58.34(a)(1)-(11).



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Activities that can be Undertaken

Exempt activities include the following:

- Environmental and other studies;
- Information and financial services;
- Administrative and management activities;
- Inspections and testing of properties for hazards or defects;
- Purchase of insurance;
- Engineering or design costs;

-continued-



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Activities that can be Undertaken (cont)

- Assistance for temporary or permanent improvements that do not alter environmental conditions and limited to protection, repair, restoration activities only necessary to control or arrest the effects from disasters or imminent threats to public safety including those resulting from physical deterioration.



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HUD & HOME Environmental Questionnaire

As part of the environmental review process, all Applicants must submit a HUD & HOME Environmental Questionnaire. The Questionnaire is divided into three (3) sections:

Part	Should be completed by:
A	Applicant
B	Environmental Professional (EP)
C	Applicant and EP jointly



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HUD & HOME Environmental Questionnaire and Application Requirements

The HUD & HOME Questionnaire is revised and must be completed and included as part of the Phase I Report at Application Submission for projects with HOME or DCA PBRA funding.

Supporting documentation should include:

- Maps
- Letters
- Narratives or Explanations



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Review of HOME HUD Questionnaire



HUD & HOME Environmental Questionnaire

Common Errors and Omissions

- Incomplete questionnaires
- Missing supporting documentation
- Part C is lacking in detail and/or incomplete
- Failure to review the HUD/HOME Guidance
- Incorrect information: (e.g. name of local newspaper in the area of proposed site)
- Handwritten responses
- Failure to document or include all sources under the Environmental Laws and Authorities section
- Failure to keep DCA informed of changes in staff



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Publication

Once the Environmental Assessment Review is completed & reviewed by DCA, and assuming no issues arise, DCA will publish a notice informing the community where the proposed project site will be built in the community.

If there are no objections after 15-17 days, DCA will request a release of funds from HUD.



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NSP Environmental Review

The requirements for
HOME are the same
requirements for
NSP!!!!



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EIGHT-STEP PROCESS



Overview and Purpose 8 Step Process

As a general policy, DCA avoids funding developments or any activities that may cause adverse effects to floodplains and wetlands. In extenuating circumstances, a project may be funded and a study of alternatives to project is **required**.

This is the Decision Making (8 Step) process which requires:

- Consideration of alternatives
- Public notices
- Mitigation of damages



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FLOODPLAINS



Protection of Floodplains

- General Rule: In no event will any HOME-funded new construction or rehabilitation projects be accepted for funding that will place buildings in a 100 year floodplain / floodway unless it will be reclassified out of the 100 year floodplain / floodway for those areas where buildings and improvements will be placed prior to project completion.
- Policy: Avoid construction in the floodplain.



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Why?



The 8-Step Process Step 1

Is the site in the 100 yr Floodplain?

If **No**, Applicant must:

- Photocopy FIRM Map and panel;
- Mark the site on the required Site Map; &
- Include a copy of the FEMA map(s) for the subject property in Appendix A of the Phase I Report, *although* there is no 100-year floodplain/floodway identified on the subject property.



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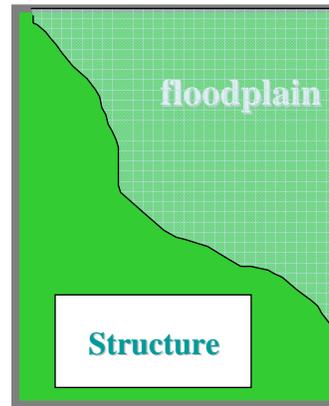
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The 8-Step Process Step 1

Is the site in the 100 yr
Floodplain?

The site?
The building?
Both?

If YES to building or both,
continue to Step Two!



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Step 2 Early Public Notice

Notify the public at the earliest possible time of a proposal to consider an action in a floodplain to allow the affected and interested public in the decision making process. Allow for a 15 DAY comment period. Notice shall state:

- The name of the project
- Proposed location
- Describe the activity
- Amount of property in the flood plain
- Location of the environmental record
- Name the DCA official to send comments



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Step 3

Evaluate Alternatives

During this step, you need to ask:
“If there are alternative sites...”

For example, need to evaluate:

- Natural conditions
- Social demands/needs
- Economic cost
- Legal limitation

“...will the alternative methods achieve project goals?”

If no “project” alternative,
then go to the next step.



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Step 4

Identify Impacts

During Step 4, you need to assess
the impact to the floodplains as well
as the impact to people and property.

Types of impact can include:

- Positive and negative
- Concentrated and dispersed
- Short and long term



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Step 5

Minimize, Restore and Preserve

If an alternate site was chosen, you need to demonstrate the following with the alternative site:

- Minimize harm to lives and property
- Limit fill of floodplain
- Minimize grading
- Relocate non-conforming structures
- Preserve natural drainage
- Maintain buffers
- Use detention ponds
- Minimize tree cutting



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Step 6

Reevaluate the Project

During Step 6, you need to ask:
“Is project still feasible considering:

- Exposure to floods?
- Potential to increase hazards?
- New information gathered in Steps 4 and 5?



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Step 7

Publish the Final Notice

If it is determined there is no practicable alternative to locating the proposed project site, then:

Publish Final Notice that:

- Justifies location in floodplain
- Lists the alternatives considered
- Lists all mitigation measures
- Waits seven days.



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Step 8

Implement the Project

Upon completion of the Decision Making process in Steps 1 through 7, you may implement the proposed action. DCA and the Applicant have a continuing responsibility to ensure that the mitigating measures identified in Step 7 are implemented. So, DCA's Program Staff will:

1. Continue to monitor the process; and
2. Ensure mitigation measures are implemented.



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Eight Step Process Timing:

Remember:
The 8 Step Process
must be completed
prior to FONSI!



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Application Requirements

If the proposed project site has wetlands or floodplain issues, then at application the Applicant must provide:

- A FEMA Conditional Letter of Map Amendment or Map Revision based on Fill showing property eligible for reclassification out of floodplain/floodway area at time of Application Submission **or**
- Evidence that the property is eligible for flood insurance which will be in place if awarded funding from DCA.

The Final Letter must be provided prior to cost certification process or conversion, whichever is first to occur.



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WETLANDS PROTECTION



Protection of Wetlands

General Rule: No project will be accepted for any DCA funding or approved for tax credits (including HOME funds and/or other HUD funding sources) if more than one-tenth of an acre of jurisdictional wetlands will be disturbed on the subject property.

DCA's Policy:

- Avoid destruction / modification of wetlands
- Identify long and short term impacts (destruction and / or modification of wetlands)
- Avoid support of construction in wetlands
- Requires 8-step process



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Protection of Wetlands

- The presence of jurisdictional wetland areas or any potential jurisdictional wetland areas on the property must be clearly shown on the Site Map, and the Environmental Professional must provide a jurisdictional wetlands delineation to verify existence of wetlands and to determine the extent thereof.
- A copy of the NWI map, USGS topographic map and any necessary wetlands delineation report must be included in Appendix A of the Phase I Report.



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Protection of Wetlands

Avoid assistance unless the 8-step process is completed

AND:

- There is no alternative;
- Minimize harm to wetland; and
- Consider economic & environmental impact.



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24 CFR Part 55

HUD's wetlands regulation currently only covers floodplain.

- Similar to floodplain regulation
- Requires 8-step process
- Can be conducted jointly for floodplain and wetland



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Questions?

