SUPERSTORM SANDY RELIEF FUNDING
Call for Projects

May 15, 2013

Introduction

On October 29, 2012, Superstorm Sandy made landfall in New Jersey which resulted in extensive flooding, power outages and other adverse impacts to infrastructure systems (including potable water, wastewater and stormwater conveyance and treatment facilities) throughout the State. Superstorm Sandy was the largest storm to hit the northeast U.S. in recorded history, knocking out power to millions and causing an estimated $70 billion in damage to eight states. On January 29, 2013, the President of the United States signed into law, P.L. 113-2 to improve and streamline disaster assistance for Superstorm Sandy, and for other purposes. Included in this Act is the “Disaster Relief Appropriations Act, 2013” (DRAA) which provides funding to the State’s Clean Water and Drinking Water SRF Programs to provide financial assistance to facilities impacted by the storm for projects whose purpose is to reduce flood damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or a natural disaster. The Department will be issuing DRAA loans in partnership with New Jersey Environmental Infrastructure Trust (Trust) market rate loans through the New Jersey Environmental Infrastructure Financing Program (NJEIFP) to repair and improve the resiliency of Sandy damaged environmental infrastructure (hereafter “Sandy NJEIFP”).

The New Jersey Department of Environmental Protection (Department) is issuing this Call for Projects as part of its efforts to develop a formal Sandy SRF Intended Use Plan to be published and put forth for public comment this summer. The Department intends to use the information requested through this Call for Projects to determine if a) the demand for financing is in line with the types and amount of funding available, b) a modified ranking methodology (potentially prioritizing flood-prone areas) is needed, c) if SRF-related funding set asides are appropriate, and d) other considerations are needed. The Department’s formal IUP Proposal will include a list of Hurricane-related projects based on responses to this Call for Projects, an application schedule pursuant to which sponsors will be given the opportunity to submit a Letter of Intent for project
funding and a detailed discussion of available funding sources.

Note: It is imperative that every infrastructure project which requires some form of financing respond to this Call for Projects as the Department will use all information received from this initiative to develop an optimal funding package for the variety of systems responding and the work required. This is not a commitment by any project sponsor or a prerequisite to funding eligibility. Please help us help you.

Sandy Pre-Letter of Intent

Please read the information below, log on to the Trust website at http://www.njeit.org/njeifp/login.php and complete the Sandy Pre-Letter of Intent as appropriate on or before May 31, 2013. Please note that information is being sought with regard to your environmental infrastructure projects regardless of whether or not the projects are Sandy NJEIFP eligible as set forth in the Guidance Document discussed below. Projects which are ineligible to receive financing in the Sandy NJEIFP may be eligible for alternative funding sources also as discussed below. Your assistance is critical to ensuring the Financing Program is designed in a manner that best meets the needs of the anticipated applicant pools.

Disaster Relief Appropriations Act (DRAA) Provisions/USEPA Guidance

On May 1, 2013, USEPA issued guidance that identified the allocation amounts, project eligibility criteria and other features of the DRAA. A complete copy of the USEPA Guidance can be found at http://www.njeit.org/njeifp/login.php. The DRAA and the USEPA Guidance contain the following provisions that will impact the development of the Sandy NJEIFP:

1. USEPA allotted $191,105,958 to New Jersey’s Clean Water SRF and $38,221,192 to the Drinking Water SRF. The State of New York received the remainder of the SRF Funds.

2. The State must provide a 20% match to the Sandy SRF monies. The Department is coordinating with the Department of Community Affairs’ Community Development Block Grant (CDBG) program and the Board of Public Utilities’ Clean Energy Program to meet this requirement. We are also evaluating alternative sources.

3. A minimum of 20%, and no more than 30%, of the SRF grant can be used for additional subsidization (or principal forgiveness loans (PFLs)).

4. The current EPA guidance document provides that Sandy SRF monies are to be expended within 24 months of obligation to the State (i.e, the award of the SRF capitalization grant) unless a waiver is granted by the Office of Management and Budget (OMB). Please note, the USEPA is working with New Jersey and New York to seek a waiver from the 24-
month spending limit and expects to have more information before the issuance of a Sandy SRF IUP in early Summer 2013.

5. The Sandy DRAA SRF funding assistance is only available to facilities that were impacted by the Superstorm (including physical damage, loss of power, loss of mission-essential services, etc.) and for projects that are otherwise SRF eligible and serve at least one of the following purposes:

- The Project reduces the likelihood of physical damage to a treatment works or drinking water system;
- The Project reduces a treatment works’ or water system’s susceptibility to physical damage or ancillary impacts caused by floods;
- The Project facilitates preparation for, adaptation to, or recovery from a sudden, unplanned change in the amount of and movement of water in proximity to a treatment works or water system; or,
- The Project facilitates preparation for, adaptation to, or recovery from climate change or any other type of natural disaster.

Notwithstanding the project eligibility limitations set forth in Section 5, submission of Sandy Pre-Letters of Intent for ineligible Sandy NJEIFP projects is important given the likely availability of alternative funding sources. The total of such submissions could well influence the amount of non-SRF grant funds that are dedicated to the environmental infrastructure sector.

In addition, Executive Order 11988 on floodplain management requires that federal agencies use the best available flood data to determine the location of projects and activities. Project sponsors will be required to use the best available flood hazard data identified by the Federal Emergency Management Agency (FEMA), where applicable, to guide decision making.

**SRF/FEMA Co-Funding**

It is our understanding that projects which receive reimbursement through the FEMA programs (section 404 and/or 406) cannot utilize Sandy NJEIFP funding for the local share (typically 10-25% of the project costs). However, submission of information for projects for which FEMA funding has or is anticipated to be received is important, as alternative funding sources may be available in the Disaster Emergency Financing Program (DEFP). Eligible projects identified in response to this Call for Projects will be placed and ranked on the appropriate CW or DW comprehensive Project Priority List provided the project complies with SRF requirements prior to commencement of construction (for example, compliance with environmental planning,
prevailing wage, and small and economically disadvantaged business requirements).

Projects which commenced construction without compliance with SRF requirements will likely be eligible for financing through the DEFP as discussed below, which illustrates again the importance of submitting Sandy Pre-Letters of Intent for such projects.

**Sandy Long-Term SRF Funding Package(s)**

The Department and Trust are considering various financing program options to offer the most attractive financing package to prospective borrowers. While the DRAA and USEPA allow up to 30% of the grant to be used for principal forgiveness loans, that percentage is diluted when the 20% State Match is added and when the Trust’s 25% market-rate share is included.

For projects not associated with FEMA’s reimbursement program, and unless the Department opts to provide alternative financing to a certain project type or types, the Sandy NJEIFP can be managed in such a way as to provide a principal forgiveness loan (PFL) from DEP equal to 18.75% of the allowable project costs, an interest-free loan from the DEP for 56.25% and a Trust market-rate loan for 25%.

The Proposed IUP will include more information on the financing packages that are ultimately made available for both Sandy NJEIFP eligible projects and those ineligible to receive Sandy NJEIFP financing and will depend in part on the response to this Call for Projects.

**Disaster Emergency Financing Program**

Legislation has been introduced to establish the DEFP administered jointly by the DEP and the Trust. The DEFP is a short-term bridge loan program to help facilitate the cash flow needs of municipalities and authorities regarding the payment of construction costs related to the repair of infrastructure damaged during Sandy and projects to improve infrastructure resiliency in future disasters. If enacted into law, the DEFP will significantly broaden the options available for financing such projects through providing funding opportunities to projects otherwise unable to secure financing and expanding funding sources through low interest loans for terms up to 3 fiscal years. The following general project categories are anticipated to be eligible for financing through the DEFP:

- Sandy NJEIFP Projects: Systems directly impacted by Sandy;
- Projects to improve the resiliency of systems not impacted by Sandy;
- Projects to fund the local share of FEMA eligible projects; and
- Projects, any portion of which FEMA reimbursement has or is anticipated to be received.
If you have any questions regarding Clean Water Financing through this Call for Projects, please contact Gene Chebra, Assistant Director, Division of Water Quality at 609-292-8961 and for questions regarding Drinking Water Financing, please contact Fred Sickels, Director, Division of Water Supply and Geoscience at 609-292-7219.

For more information on the Trust’s Interim Financing and the Disaster Emergency Financing Program, please contact Frank Scangarella, Assistant Director, NJ Environmental Infrastructure Trust at 609-219-8600.

Thank you for your anticipated input and we look forward to receiving your responses and any other ideas regarding the financing programs by the May 31, 2013 submission deadline.

Sincerely,

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Assistant Commissioner
Water Resource Management